Competitiveness in the global economic crisis

"There are certain pivot points or watersheds in history that are greater than others because the changes they produced were so sweeping, multifaceted, and hard to predict at the time."
(Thomas Friedman)

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Abstract: *The first challenge is to analyze the concept of "competitiveness" given the fact that in the centre of the great economic analysts' concerns lays from some time the phenomenon of competitiveness, along with the generation of competitive advantage at the organization level and, moreover, at country level. The economic science will have to be rethought, meaning that competitiveness will have to adapt to the new prospects launched today by the global economic crisis.*
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1. Perspective of competitiveness - a theoretical approach

"***Competitiveness***" is today an economic area that integrates several concepts and theories of economics and management in a series of guiding principles, leading to prosperity of a nation or a company. However, the models of economic theories or management rarely refer to the multitude of factors that affect prosperity. Often, these theories fail to link various elements (*such as education, infrastructure or systems of values*) with prosperity, even in the presence of evidence that they make a difference.

The following definition emphasizes the importance of integrating all the elements that lead to prosperity, and thus it provides a good example for a preliminary understanding of the concept of " *competitiveness*": "***Competitiveness** analyzes the way in which nations and companies administer all the skills to achieve prosperity or profit.*"[1]

In **competitiveness**, the central role is played by companies that generate economic value added. Nations provide a suitable framework to maximize this value. Their responsibility is also to ensure that the results of the companies' activities are transformed into tangible signs of prosperity for people. The fate of the companies, nations and people is thus interdependent and can not be analyzed separately.

Competitiveness allows an integrative and global approach. Holism[2] represents the natural tendency to produce an organized whole, which represents more than the sum of the component units. **The optimum competitiveness** can be sought by analyzing the sources of the competitive advantages that are available to the company for each elementary function of the chain[3]. Each elementary function must be analyzed in its strategic sense because each is located in a specific competitive universe that has barriers at the entrance and the mechanisms of costs development (*economies of scale, learning curve, innovation and the capital / labour substitution*).

The elementary functions of the created value chain do not have the same weight and do not share the same value for the consumer. Therefore, the issue is not about identifying the competitive advantage on each of them, but finding that advantage that may be the basis for a decisive and sustainable competitive advantage. To this end, one must identify the sources of danger and loss of **competitiveness**[4] or the sources of gripping the chain.

The most important function on each segment is showing the key factor to essential success and is explaining the difference between the strategies that lead to success and those that lead to losses. Thus, to understand **the competitiveness**of a firm or a nation, we must take into account and to be aware of the following erroneous concepts[5]:

A. Competitiveness is more than productivity

For a company, productivity is the quantity of produced goods or provided

[1] **Garelli, Stephane** (2006), *Top class competitors. How Nations, Firms and Individuals Succeed in the New World of Competitiveness (*in Romanian: *Competitori de top. Cum natiunile, firmele si indivizii reusesc in noua lume a competitivitatii)*, John Wiley & Sons, Ltd., England, page 3

[2] *ibidem*

[3] See in this respect, the American example presented by **Whitford, Josh** (2005), *The new old economy. Networks, institutions, and the organizational transformation of american manufacturing (* in Romanian*: Noua vechea economie. Retele, institutii si transformarile organizationale ale industriei americane)* , Oxford University Press, Oxford New York

[4] See in this respect, **Popescu, Cristina Raluca** (2006), *Competitiveness in international relations. Case study on the example of Romania's integration in the European Union*, Gestiunea Publishing House and **Popescu, Cristina Raluca** (2008), *Competitiveness for the health of the living whole* , Gestiunea Publishing House, Bucharest

[5] See in this respect, **Levitt, Steven D., Dubner, Stephen J.** (2006), *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything* Andreco Educational Grup Publishing House, Bucharest and **Garelli, Stephane** (2006), *Top class competitors. How Nations, Firms and Individuals Succeed in the New World of Competitiveness* (in Romanian: *Competitori de top. Cum natiunile, firmele si indivizii reusesc in noua lume a competitivitatii*), John Wiley & Sons, Ltd., England

services on the used entered unit (*i.e. money, raw materials or labour*). The ratio between the sales of a firm (*more correctly, the value added*) and the number of employees represents a common approximation of productivity. For a firm, an increase in productivity is seen as a sign of increased competitiveness, because it shows that it has become more efficient.

For nations the indicators that are used are different, but the productivity is similar. In general, economists use the ratio of Gross Domestic Product (*the GDA symbol*) and the number of employees to track their productivity and process it by incorporating the number of hours worked per year. " *Working hours*" productivity serves as a guide for evaluating the overall effectiveness of a nation.

Further, we ask ourselves "whether competitiveness from the productivity management within companies or within a country may be reduced."

Regarding this issue, **Paul Krugman** [6], **professor of economics at Princeton**, has expressed this point of view in an article in the magazine " *Foreign Affairs*" in 1994, stating that "the doctrine of competitiveness [of nations] is categorically wrong." [7] He emphasized the fact that focusing on a nation's **competitiveness** may lead to wrong allocation of resources, differences in trade and even to poor local economic policies. Then he continued by **developing the idea that, "*competitiveness*"** is just another name for "national productivity".

Nobody is questioning the fact that productivity is a determinant key factor for competitiveness. Productivity is important, especially at a company level. Since the organization is in the centre of our description of competitiveness, the overall productivity a nation's firms is largely determining **competitiveness**. And since the government may establish its own objectives in terms of productivity, such as increased efficiency of its administration or public expenditures, its overall impact on the national economic production is rather limited.

Some specialists developing this argument **have come to deny the existence of a concept such as " *national competitiveness*"**. From their point of view, **nations do not compete with one another, only companies do so**

The affirmations that try to deny the competition between nations are simplifying too much the reality. In fact, both firms and nations, compete in international markets. Nations compete to attract investment and high skilled labour, for scientific research and even educational standards. A high level productive company operating within an ineffective or even hostile national business environment can not easily maintain its competitive difference.

Productivity is thus a key aspect of competitiveness, as it represents an indicator of effectiveness: it shows how much companies and nations produce with limited resources, **the basic idea being that " *the more they produce with less, the better.*"** [8]

[6] **Garelli, Stephane** (2006), *Top class competitors. How Nations, Firms and Individuals Succeed in the New World of Competitiveness* (in Romanian: *Competitori de top. Cum natiunile, firmele si indivizii reusesc in noua lume a competitivitatii*), John Wiley & Sons, Ltd., England, page 3 and page 4

[7] *Garelli, Stephane* (2006), *Top class competitors. How Nations, Firms and Individuals Succeed in the New World of Competitiveness* (in Romanian: *Competitori de top. Cum natiunile, firmele si indivizii reusesc in noua lume a competitivitatii*), John Wiley & Sons, Ltd., England, page 4

[8] **Garelli, Stephane** (2006), *Top class competitors. How Nations, Firms and Individuals Succeed in the New World of Competitiveness* (in Romanian: *Competitori de top. Cum natiunile, firmele si indivizii reusesc in noua lume a competitivitatii*), John Wiley & Sons, Ltd., England, page 3 and page 4

However, competitiveness is much more than productivity.

B. Competitiveness is more than we can measure

Competitiveness is increasing with an ascending speed based on the intangible assets, which are difficult to evaluate, measure, create or restore. A nation's economic success depends increasingly, on the excellence of the education system, the infrastructure quality, the dynamism of research and even on the quality of its administration. Although these factors have a huge impact on competitiveness, they are not easy to measure and are not included in the national accounts. Such an omission may have harmful effects.

A country may leave its education and research system to deteriorate over a period of many years before observing the impact on competitiveness. When the problem becomes visible, the leaders must face a difficult battle, sometimes carried out over a whole generation, to correct these errors. Economic data presented by the government do not provide information about the depreciation of intangible assets of a nation, thus they fail to provide an early warning system regarding the deterioration of the national competitiveness.

The time needed to reverse the trends is an important consequence of shifting in a high level from the tangible assets to the intangible ones, as promoters of competitiveness.

It has proven the fact that [9] a nation needs a period between 1 and 5 years to solve a "standard" economic challenge, such as an increase of inflation. A delicate political problem, such as the reform of the pension system may take longer, probably between 5 and 10 years. However, reversing the deterioration trends, such as the continuously lower standards in education or research, may take longer, from 10 to 30 years.

The more a problem relates to the intangible, the more time is needed need in order to resolve it both for governments as well as for companies.

Opposing the challenges regarding the brand's recognition[10], customer loyalty, innovation or the staff's skills, implies a much greater period of time than a problem of excessive costs. The lesson to be learned is: **it takes much attention for the less tangible factors of competitiveness**. In general, when the problem becomes apparent, it is too late for a quick solution.

The firms' **competitiveness** depends to a large extent on the intangible assets such as brand, customer loyalty, image, skills and processes, which are not generally analyzed by the firm. Brands' value and the value of other market assets are recognized only as "*good intent*" if there was a transaction (*i.e. a merger, a sale or a purchase*) through which these intangible assets can be rendered profitable. Companies are trying, ever more, to incorporate the value of their intangible assets within their annual reports.

Nations also have a "*brand*", namely the country's image abroad and all the preconceptions that come with it. For a nation, the brand management is crucial to its competitiveness.

[9] **Garelli, Stephane** (2006), *Top class competitors. How Nations, Firms and Individuals Succeed in the New World of Competitiveness* (in Romanian: *Competitori de top. Cum natiunile, firmele si indivizii reusesc in noua lume a competitivitatii)*, John Wiley & Sons, Ltd., England, page 4

[10] A recent study regarding brands can be found in the book of **McEwen, William J.** (2008), *Married to the brand: why consumers bond with some brands for life*, Allfa Publishing House (*Gallup* Organization), Bucharest

In this respect, we can give the following eloquent examples: in the category of positive examples we can include Ireland, which has an attractive image for foreign investments, Singapore, enjoying the image of efficiency in administration; in the category of negative examples we can include Colombia for its lack of security, Italy for strikes, Philippines for its weak infrastructure or the former USSR for corruption[11].

All of these perceptions whether they are based on factual or not, strongly affect the business and **competitiveness**. The perceptions are powerful but also extremely emotional, in terms of competitiveness, the basic idea being that they should never be overlooked.

If the brand's value is still elusive in accounting standards and the financial value of a customer basis or the competence of a firm's employee is even more difficult to calculate. Accounting standards say that the assets can not appear on a company's statement of account if it does not hold them entirely. Obviously, no company keeps its customers in this way, especially the employees.

Peter Drucker [12] has rightly pointed out that " *the goal of a company is to create the client*"[13] and, we can add here, to keep the client. Managers know that a loyal customer base is one of the most important assets of a company and this deserves maximum attention.

[11] Garelli, Stephane (2006), *Top class competitors. How Nations, Firms and Individuals Succeed in the New World of Competitiveness* (in Romanian: *Competitori de top. Cum natiunile, firmele si indivizii reusesc in noua lume a competitivitatii*), John Wiley & Sons, Ltd., England, page 4

[12] *ibidem*, page 6

[13] *ibidem*, page 6

Financial markets have intervened and actively compensate the deficiencies of the accounting standards. The evaluation offered by them to a company includes an approximation of the intangible assets' value. However, the role was assumed by default, and the standards used by financial markets to evaluate the intangible assets are sometimes questionable. Thus, in the lack of some reliable methodologies for evaluation, the financial markets develop a tendency to become slightly exuberant.

The so-called Internet bubble between 1998 and 2001 and more recently the public offer of Google shares, prove the way in which the evaluation of the companies by the financial markets can sometimes defy gravity.[14]

In our opinion, the key factors that are determining for competitiveness may be intangible assets such as science, technology, education, skills, infrastructure, brand, and even image. **Competitiveness** is drawing attention to the intangible assets within the strategy of a firm or a country, even if they are difficult to evaluate, but it is more than productivity.

C. Competitiveness is more than wealth

Although the goal of competitiveness remains prosperity, the wealth itself does not determine the success of a nation, a company or even of an individual. Nations can be rich and yet not competitive. In general, wealth represents the result of previous competitiveness, such as, for example, the economic and business fulfilments accumulated by the previous generations.

[14] *ibidem*, page 7

Wealth is also a function of chance (*such is for a nation to have natural resources or for an individual to be born into a rich family*); however this wealth is not enough to determine future **competitiveness**. It helps, meaning that it offers nations, companies and people, an initial advantage for the economic development, but it does not guarantee that today's prosperity will be perpetuated tomorrow.

a) Natural resources: a blessing or a curse?

In general, the abundant existence of natural resources is considered a blessing for a country. However, natural resources do not necessarily lead to competitiveness.

The fact that they are renewable or not determine the impact the natural resources have on the competitiveness.

For example, forests are considered to be renewable resources in many countries, and cutting the trees is carefully tracked. Trees cannot be cut before a certain age and new plantations are needed.[15]

Non-renewable natural resources (*such as oil, gas or minerals*) are not valuable for competitiveness unless they are used to develop other activities. If the results of their exploitation and extraction are not used for future **competitiveness**, consuming the non-renewable assets is a net loss of wealth for future generations. Although exports of non-renewable natural resources can significantly contribute to the Gross Domestic Product of a nation, they can not be considered as factors of future competitiveness unless used wisely.

But non-renewable natural resources can provide a range of opportunities for the future **competitiveness** to develop, if the wealth from their exploitation is invested in capital goods, such as human capital, facilities or equipment.

Although an obvious source of wealth, the natural resources should be seen as a facilitator of competitiveness. For competitiveness, their true value exists only if they become renewable, or if the nation uses the profits generated by natural resources to diversify the economy through activities that create value added which can hold in the future.

In principle, nations should have policies for natural resources but similar basic principles can also be applied when talking about companies

b) Past competitiveness - an unbearable burden?

One can easily establish a link between previous competitiveness and today's wealth.

Finally, the goal of **competitiveness** is to increase the prosperity of a nation and its people.

In theory, a competitive nation generates each year a certain economic value, which appears in the national accounts as an increase in Gross Domestic Product. In return, this GDP increase is added to the existing wealth of the nation, but it cannot be found in any place. The GDP of a nation indicates an added value. It does not in any way reflect the accumulation of valuable assets such as roads, buildings, transport, schools or universities, which are essential parts of the wealth of a nation.

Some countries like New Zealand, Italy and most recently, Great Britain are trying, facing some difficulties, to assess their entire wealth. These projects aim to fill a void within national accounts.[16]

The accumulated wealth is a very important part of the prosperity of a nation, but it is not taken into account.

[15] *ibidem*, page 8

[16] *ibidem*, page 9

To use only the GDP in order to determine the prosperity of a nation can be compared to calculating an individual's prosperity only on its current annual revenue, omitting any property accumulated in time.

Wealth, if is not a direct consequence of natural resources is the cumulative result of competitiveness from the previous years.

Rich countries such as Great Britain, Japan and Germany, owe a large part of their current standard of living to the previous generations' competitiveness. Today, these nations may or may not be competitive, regardless of the achievements of past generations. The former success is not a guarantee for the current **competitiveness.**[17]

For any nation, past wealth and present **competitiveness**, determine the current prosperity.

Prestigious universities (*including Harvard, Oxford, or La Sorbonne*), innovative firms (i.e. *Siemens*), and efficient infrastructure (*such as the Bullet train in Japan*) are legacies of the past. However, they can actively contribute to the **competitiveness** of today.

However, their historical value does not represent a guarantee for their future competitiveness, nor for the future prosperity of nations-parent. Success will depend only on the present generation's efficiency in using, developing and transferring those assets to the future generations.[18]

Wealth can also mean a threat to competitiveness. Rich nations, companies and people have the risk of falling into self-satisfaction, arrogance and apathy. Indeed, self-satisfaction and arrogance have killed more companies than any strategic mistakes. Wealth may act as a sedative, inducing nations, firms and people insensibility to change. Experts have shown that competitive organizations are often "*hungry*" for success, while rich organizations simply are not that "*hungry*". Such attitudes are understandable, but the first-mentioned organizations have an impulse and motivation to succeed more powerful, which is a key determinant for competitiveness. Thus, wealth is a double-edged sword, which supports or places obstacles in front of competitiveness. The theory of competitiveness can be summarized like this: "What you own does not matter as much as what you do with what you own".[19]

D. Competitiveness is more than power

Power, economically, can be seen as a function of the wealth of a country and its population size, as shown below:

"***Wealth X Size = Power***"[20]

The formula for economic power expressed above is more than the GDP of a country.

For example, despite the fact that the GDP of China or Russia is relatively modest, the potential economic power of these nations is partly determined by their impressive size: China as population and Russia as territory. As with countries like Singapore or Finland, wealth may mediate the disadvantage of

[17] *ibidem*, page 9

[18] *ibidem*, page 9

[19] *ibidem*, page 10

[20] This represents a formula for the economic power, as it is presented in the work of **Garelli, Stephane** (2006), *Top class competitors. How Nations, Firms and Individuals Succeed in the New World of Competitiveness* (in Romanian: *Competitori de top. Cum natiunile, firmele si indivizii reusesc in noua lume a competitivitatii)*, John Wiley & Sons, Ltd., England, page 14 and page 15

size to a certain point. After all, in a modern global world, size is a key factor for competitiveness.[21]

At first glance, it is likely to find that the GDP of a nation could be a good approximation of the wealth of a country. Unfortunately, GDP is a movement indicator of the annual value added and not the accumulation of wealth. That is why, in the absence of direct measurement of a nation's wealth, we are forced to use GDP as a substitute: taking separately the GDP of a nation and its relations with the population, we can obtain an approximation of the economic potential of it. The combination of these two components defines the limit or the potential for the power of a nation.

a) Larger markets will dominate competitiveness

Size is a determining factor for the **competitiveness** of nations. In the initial stages of economic development, the size of the local market of a country may act as a magnet for foreign investments.

Today, countries such as China, India and Russia show their attractiveness by emphasizing the potential of their local ample markets. In subsequent stages of development, the size of a country encourages a greater capacity for the production and export of goods, services and investments. Advanced industrial economies such as USA, Germany and Japan are based on the size of local markets to build scale economies in the production of goods and services. Such large countries use size as a way to achieve economic or political power.[22]

Since the publication of the book "*Small is Beautiful*"[23] by E.F. Schumacher, in 1973, the tendency to believe that size is not that important has been expressed.

Communications and modern transportation technologies, as well as opening global markets, have allowed smaller companies to play a significant role within international markets.

Companies like Nokia, Microsoft, eBay and Vodafone can be the world leaders in their fields without necessarily be large companies, this, in fact, being one of the most interesting developments in modern management.[24]

At present, we can see how small companies can be "large", and how can they get a competitive difference towards larger players, being able to become significant players within international markets.

In the past, the international game was reserved for the largest organizations, which could provide important resources to the international operations management.

Today, the small global niche firms, which are very competitive, conquer the business world due to the development of the Internet and efficient logistics on a global level. Nowadays, the most competitive firms have unlimited access to resources and talent wherever they are, this being a privilege that nations do not have.

b) Can small nations survive?

Demographic prospects are not encouraging for small nations. Time is running against them, and the question that

[21] **Garelli, Stephane** (2006), *Top class competitors. How Nations, Firms and Individuals Succeed in the New World of Competitiveness* (in Romanian: *Competitori de top. Cum natiunile, firmele si indivizii reusesc in noua lume a competitivitatii*), John Wiley & Sons, Ltd., England, page 10

[22] *ibidem*, page 15

[23] *ibidem*, page 15

[24] *ibidem*, page 15

frequently arises is " *how will small nations continue to matter in the future?*" A small company is more likely to become a significant player on the world market than a small nation. Companies that are called worldly niche players are those for which the location and size are less important.

E. Competitiveness means a change of mentality

In conclusion, ***competitiveness represents more than productivity, more than we can measure, more than wealth and power*** so, basically ***it will imply new changes of mentality.***

2. Competitiveness and the need for a change of mentality

The theory of competitiveness must go beyond the analysis of productivity, the accumulation of physical assets, the increasing power and wealth.

Competitiveness also refers to the changing mentalities: the image of the world, nations, companies and people from a different perspective.

The completeness of this vision, the holistic approach of the decisive elements of company's and nation's prosperity represents an aspect of the theory.

Another important aspect is given by the way in which **competitiveness** profoundly modifies the frame of the comparison in examining these elements. Moreover, **competitiveness** incorporates an analysis of time and space that is very different from the analysis of the conventional economy.

Within the concept of competitiveness, we must change the attitude regarding time and space as a framework for comparison to measure our performance. We are mentioning the fact that a standard measurement element of a nation's economic performance, the GDP shows multiple deficiencies. Of these, we are mentioning the following: GDP does not take into account the waste of the non-renewable resources, it does not evaluate the intangible assets and it does not indicate accumulated wealth. The situation is similar when analyzing companies, namely: the accounts that show profit present little or no interest for the brand's value and other intangible such as technology, processes, employees' skills, although the brands' and other intangibles' value represent elements that are crucial to the ability of the company to achieve efficiency. Another difficulty of conventional measurements such as GDP or profit, is that they make the firms and nations to look inside and back when assessing their performance. They are more inclined to consider these performances compared to what they obtained in the past and isolated from the rest of the world. Such an introspective approach of performance represents one of the most misleading threats to competitiveness, perpetuating, in most cases, an illusion of success, when in fact the reality has changed.

For this reason we think the following quote is illustrative: *"**Competitiveness** is like a race. It's not just you running faster than yesterday; **it is about you running today faster than everyone else in the race.**"*[25]

"Benchmarking"[26], as a central element of competitiveness, tells a company the measure of its performance against what competitors have achieved in the same time frame. Unfortunately, many politicians and

[25] *ibidem*, page 16

[26] *ibidem*, page 17

chief executives prefer to compare their current performance with the previous one. Although it could be interesting, it is mostly irrelevant in terms of competitiveness. Competitiveness along with benchmarking should be seen as " ***Competitiveness*** *refers to the benchmarking activity of our performance today, with others and not just with our performance from yesterday.*"[27]

The conceptual importance of winning is rarely discussed. However, within the mentality regarding competitiveness, the profit may not be as good as we think. We believe that nations and firms should take care of a fundamental problem too: " *We win the correct race and if so, with what difference compared with others?*"[28]

Choosing the correct comparison base, for example, " *the correct race to win*" and defining the objective, for example, " *with what difference compared with others*" represent **the two fundamental principles of competitiveness**.[29]

The difference within a competitive relation is extremely important: " *For* ***competitiveness****, being good is not enough to be successful,* ***what really matters is to be different****.*"[30]

In practical terms, the theory of competitiveness emphasizes the fact that success is related to differences, according to the following principle: "***Competitiveness*** *thrives on maximizing the positive difference (or the comparative advantage*[31]*) between a nation, a company or an individual and their direct competitor.*"[32]

A mentality based on competitiveness can have a major impact on the profitability of a company. In business, in a situation that resembles a tight sprint, large differences are not usually required. Nations face a similar dilemma, namely their attractiveness is a key determinant for competitiveness.

The foreign investments[33] are transferring capital, technology, jobs and skills in the host nation, thus contributing to its prosperity. Acknowledging the way in which foreign investments create jobs, the government leaders, concerned about unemployment in general, because they affect their re-election, of are actively supporting an approach of the attractiveness in terms of **competitiveness**. In the last two decades, the national investment agencies that have used stimulating packages to attract foreign firms prospered (*Ireland and Singapore are key references for such policies*). However, these packages are not so differentiated. Most nations promote the same benefits: a grace period and preferential rates of duty for investments, excellent infrastructure, low cost of operation, access to markets, government support and so on. In this situation, firms have a choice of several places for investment and can be tough negotiators in their choice, determining the nations to outsmart themselves to offer the best deal. When a situation of strong and extreme competition arises in the context of a company, generally the consequence for that supplying firm is that prices are low and the differences are compressed.

In the context of national governments,

[27] *ibidem*, page 16

[28] *ibidem*, page 16

[29] *ibidem*, page 16

[30] *ibidem*, page 16

[31] *ibidem*, page 17

[32] *ibidem*, page 17

[33] *ibidem*, page 17

most likely incomes from taxes will be reduced. Today, governments realize that they have no alternative but to be competitive in the area of corporate taxes if they wish to attract foreign investments, this being in the end what all nations do. As a result of this competition between nations and the mobility of corporations worldwide, the difference of handling corporate taxes is increasingly limited for nations, practically leading to the convergence of rates for the corporate taxes worldwide.

The compact sprint between nations is illustrating the way in which winning a distance against competitors is a key concept for competitiveness. Nations can save themselves from the corporate requests by focusing on the various competitive advantages (*such as, for example, ease of doing business, quality of life, an international culture, openness, protection of intellectual property and security of people and goods*) and by building a different model based on a set of unmatched competitive advantages. However, most government leaders are elected to solve the mistakes of previous administration. It is understandable that they will focus on improving and showing voters how well it is now.

The theory of competitiveness requires government leaders to change their own frame of comparison: they should analyze their nation's performance in the light of performance and achievements of other comparable and competitive nations over a period of time and then to try to maximize their own advantage. Such a change in mentality represents a true challenge for leaders who have usually focused on local issues and policies. However, in an international exposed environment, where movements of capital and information are done all over the world in a freer and faster way even than the products, concealing from certain realities is no longer an option. Nations are also obliged to obey the laws of competitiveness.

The theory of competitiveness provides a more comprehensive and holistic approach to those interested in determining the factors that are influencing the prosperity and the method to increase it. Companies and their managers can not always prosper by dividing production, markets, customers, goals, even business units and skills. Also, nations can not neglect the development of a system of common values, a coherent set of objectives and an established and adopted plan to achieve prosperity. Divergent goals and procedures must be brought together within an organization, in general, on the leadership level to bring a guiding feeling of a future goal.

The theory of competitiveness provides a framework for conducting this reconciliation process, emphasizing the importance of two ideas[34]**:**

1) **competitiveness implies** moving further from productivity, tangible, wealth and power as the sole determinants of success;
2) **competitiveness implies** moving the reference frames from the short-term benefits, to the sustainable development, from the individual comparisons from past to the benchmarking of performance of the current competitors, from being satisfied with success to maximizing the comparative advantages.

34 *ibidem*, page 19

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