

# APPENDIX II

## FREQUENTLY ASKED QUESTIONS

### **What do we analyze?**

The IMD World Competitiveness Yearbook (WCY) analyzes and ranks how nations and enterprises manage the totality of their competencies to achieve increased prosperity. The WCY is the world's most thorough and comprehensive annual report on the competitiveness of nations, published without interruption since 1989. It covers 58 countries using 327 criteria to provide a multifaceted view of the competitiveness of nations. The WCY also relies strongly on hard statistical data, which represents 2/3 in the overall ranking (1/3 are opinion data). Therefore, the Yearbook is more than just a survey or an opinion poll.

### **What is the academic definition of competitiveness used in the WCY?**

Competitiveness of nations is a field of economic knowledge, which analyzes the facts and policies that shape the ability of a nation to create and maintain an environment that sustains more value creation for its enterprises and more prosperity for its people. The methodology of the WCY divides national environments into four main factors: Economic Performance, Government Efficiency, Business Efficiency and Infrastructure.

### **What does this mean more precisely?**

It means that competitiveness analyzes and ranks the ability of nations to create and maintain an environment that sustains the competitiveness of enterprises. Some nations support competitiveness more than others by creating an environment that facilitates the competitiveness of enterprises and encourages long-term sustainability.

### **Why is the WCY unique?**

The WCY is considered to be **The First Access Point** to world competitiveness, providing the earliest publication every year with objective benchmarking and trends since 1989, as well as a **Worldwide Reference Point** to statistics and opinion data that highlight the competitiveness of key economies. It focuses primarily on hard facts with over 500 pages of relevant data and the collaboration with 54 Partner Institutes around the world helps ensure that the data is as reliable and relevant as possible. Whereas it is common to find analysis of the economic situation of one country or to find rankings specific to particular competitiveness issues, it is very difficult to find comparable data of one criterion of competitiveness related to 58 different economies. In fact, the WCY is a huge matrix of more than 300 criteria individually linked to 58 economies and then aggregated into different rankings.

### **Who uses the WCY?**

*The business community* to assess national environments - in an open and global world, location is very important for companies. They use the WCY in determining investment plans and location assessments.

*The government community* uses it to benchmark its policy success and to see how other nations perform.

*The academic world* uses it to understand and analyze how nations (and not only enterprises) compete in world markets.

### **Why do we publish in May?**

The WCY provides the earliest publication every year, publishing its results in the spring. Our users have informed us that they would rather have information earlier in the year, even if some of the statistics were still not available for the year ending 2009.

### **What are the latest developments?**

- One can subscribe to a **World Competitiveness Package** that includes the Yearbook, CD-Rom and a one-year access to the entire Online database.

- **World Competitiveness Online** allows a customized, interactive approach to the selection of countries and criteria, including up to 14-year time series. Data can be shown in both excel and pdf format.

- **Customized rankings** are included in the Yearbook to meet the different needs of our subscribers. These comprise rankings split by population size, by GDP per capita and by geographical region (Europe-Middle East-Africa, Asia-Pacific and the Americas).

- **Special Country / Regional Competitiveness Reports and Workshops** can be commissioned to analyze the performance of a particular country or region not covered in the World Competitiveness Yearbook. On-site training and workshops can also be provided to help explain the complexity of competitiveness and define policy options.

### **Why are rankings by population size of particular interest?**

Our experience over the years and our research on the competitiveness of nations leads us to believe that the size of economies is becoming more relevant and large populated economies present a different competitive model than smaller ones. Consequently, rankings split by population size (above and below 20 million) allow comparisons between countries that are of a similar size and compete in the same "playing field".

### **Can we continue to compare an economy's ranking this year with that of previous years?**

Yes. The overall and factor rankings are shown for the past 5 years in order to see how the competitiveness of an economy evolves over time. Whenever there is a major change in methodology, all results are recalculated for the past 5 years in order to ensure a high degree of compatibility with past results.

### **What type of data and information is the WCY ranking based on?**

The WCY team gathers quantitative and qualitative information separately: Hard data, which represent 2/3 of the overall weight in the final rankings, are statistics from international, national and regional organizations, for example, the OECD, World Bank, United Nations, WTO, UNESCO, IMF and our Partner Institutes worldwide, and Soft data, compiled from our annual Executive Opinion Survey, and representing 1/3 of the overall weight. Hard data analyze competitiveness as it can be measured (e.g. GDP) whereas Survey data analyze competitiveness as it can be perceived. The Survey was designed as a complement to the Hard data in order to help quantify competitiveness issues that are not easily measured, for example, management practices, labor relations, corruption, environmental concerns or quality of life. Survey data is also more recent and closer to reality since there is no time lag, which is often a problem with Hard data that show a "picture of the past".

### **Why do the number of criteria differ under each sub-factor?**

Prices - to be found under Economic Performance - is a rather well defined and documented concept, and it takes only a few criteria to evaluate an economy's position. On the other hand, Technological Infrastructure - to be found under Infrastructure - has so many different facets that it requires far more criteria to assess the performance of an economy. This is the reason why the number of criteria included in each sub-factor differs according to the issue highlighted although the weight of each sub-factor in the overall consolidation remains the same. There are 20 sub-factors, each with a weight of 5% in the overall ranking.

### **Is it really relevant to quantify so much data?**

The large number of criteria used by the WCY ensures a clear picture of competitiveness for the economies covered and serves as a security net if any particular criterion is misinterpreted. With over 300 criteria, the impact of any one criterion is thus limited.

### **How extensive is your survey?**

A panel of around 4,000 executives completes our survey. The Survey respondents form a representative cross-section of the business community in each country analyzed. The distribution reflects a breakdown of economic sectors: primary/extractive, manufacturing, and services/finance. In order to be statistically representative, we select a sample size that is proportional to the GDP of each country.

### **Why are the survey respondents from the country itself?**

Because it would be impossible to find so many people, worldwide, who have the relevant expertise in all of the countries analyzed. In order to be as objective as possible, we survey local and foreign enterprises operating in a given economy, and nationals as well as expatriates. We believe that this allows them to better put into international perspective the characteristics of their local environments.

### **Isn't there a problem of bias in survey responses?**

We believe that the subjectivity of survey responses is limited by the executives' wealth of international experience, thereby ensuring that the evaluations portray an in-depth knowledge of the environment in which they work. However, survey responses may be more volatile than Hard data, therefore we try to target a sufficient number of respondents in every country and a sample size that is not biased in favor of any particular group. Responses from particular economies may be more influenced by cultural and societal values or traditional heritage; however, we prefer not to correct this "bias" since the remedy might be worse than the disease.

### **How can you know what happens in so many countries?**

We rely on an extensive and unique network of 54 Partner Institutes around the world who provide us with first-hand information on their economies. They also ensure that the sample of local experts to whom we send the survey is representative of their business community.

### **Do the rankings in the Overall Scoreboard indicate the evolution of an economy's performance?**

The Overall Scoreboard shows an economy's competitiveness position *relative to the others*, not over time. This means that a decrease in the ranking of an economy from one year to the next does not necessarily imply that it is doing worse but that the other economies have been improving faster over the same period. The decline may also be the result of the addition of new countries that rank ahead of the country in this year's ranking but were not included in previous years.

### **What is included in the National Competitiveness Profiles?**

These are in-depth analyses for each of the nations covered by the WCY. Each 4-page profile includes:

- Competitiveness trends showing the evolution of overall performance and key factors
- A Competitiveness Landscape showing competitive strengths and weaknesses, based on sub-factor analysis
- Peer Group rankings based on geographical region and population size
- The Evolution of an economy's performance based on the biggest improvements and declines in criteria values compared to the previous year
- Competitive balance sheets showing the economy's major strengths and weaknesses in each key factor

**Why is my country ranked differently by the Global Competitiveness Report (published by the World Economic Forum) ?**

One of the major differences between the WCY (IMD) and the GCR (WEF) is that, first, 327 criteria are comprised in the WCY compared to 117 in the GCR, and second, the latter puts more emphasis on survey data (68%) when compared to the WCY as we focus more on Hard statistics from international, national and regional organizations. This is one reason why the WEF can cover so many more economies (133) than we can (58) because it is nearly impossible to find any hard data for many of these economies. This also raises the issue of rankings almost entirely based on subjective opinion data that is difficult to manage efficiently and reliably. We prefer a more objective approach based on hard facts.

**How can our country improve its competitiveness?**

There is no single recipe for competitiveness. One needs to take into account the specific environment, value system and cultural heritage of a country in order to define what is acceptable or not and to draw the consequences and policy implications which are advisable for your economy. IMD has been a pioneer in researching world competitiveness for the past two decades. Over the years, we have encountered many success stories and witnessed many practices and policies that have resulted in increasing the competitiveness of those nations concerned. IMD's World Competitiveness Center offers workshops/training to better understand the complexity of competitiveness and share its knowledge on success stories and best practices.

**What is IMD?**

IMD is an independent not-for-profit foundation located in Lausanne, Switzerland. For over 50 years it has trained managers of leading international companies. Its proven "Real World. Real Learning" philosophy is designed to enhance leadership in every area of management. IMD helps executives and companies find new and innovative ways in which to sustain global competitiveness.