



THE UNIVERSITY OF HONG KONG
Faculty of Business and Economics

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Competitiveness Challenges in Uncertain Times

Professor Michael J. Enright

University of Hong Kong
Hong Kong Institute for Economics and Business
Strategy
Enright, Scott & Associates

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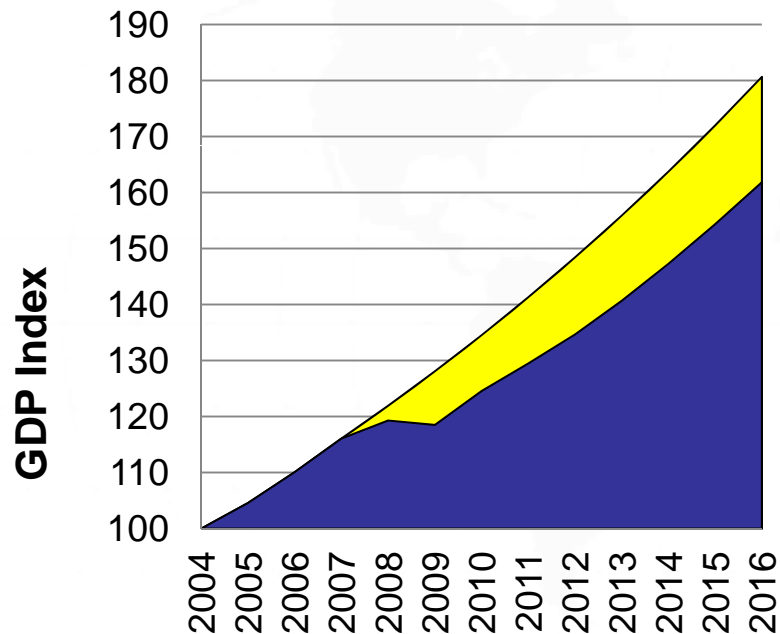
Challenge and Response

- **Global Tectonic Shifts**
 - Global economic crisis and its aftermath(?)
 - The shift of economic balance to Asia-Pacific
 - Resource and environmental challenges
 - The connections made possible by the combination of globalization and modern IT and communication technology
- **Upshot**
 - Understanding the shifts is vital for nations / regions to succeed
 - Markets will be tighter and tougher in many cases
 - National / regional sources of advantage / disadvantage more important
 - Generating business innovation will be more important than before
 - Paradigm shifts will be necessary to prosper going forward



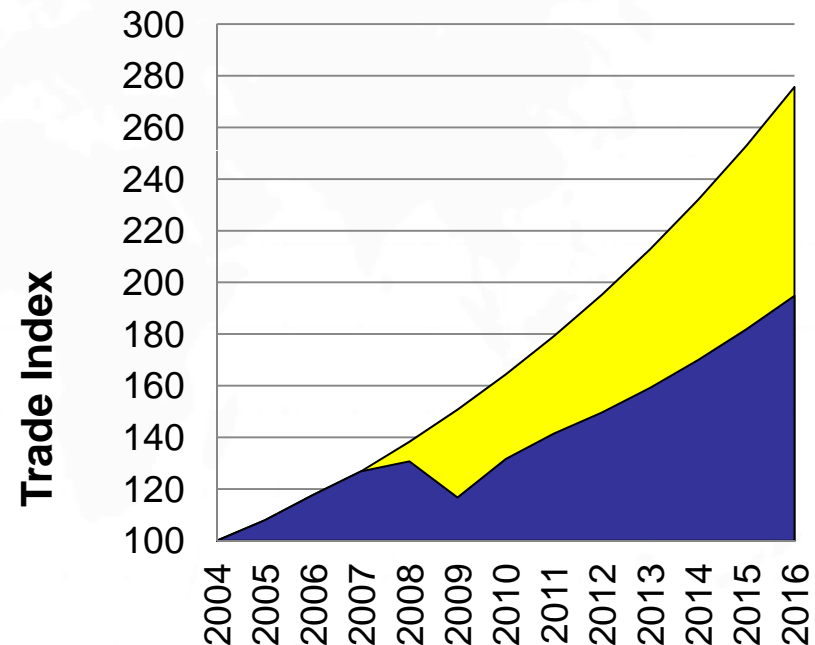
A World in Crisis

The Global Economy will lose ~US\$60 trillion in GDP from 2008-2016 versus prior trend



- Trajectory 2004-07
- Actual+IMF Forecast (9/2011)

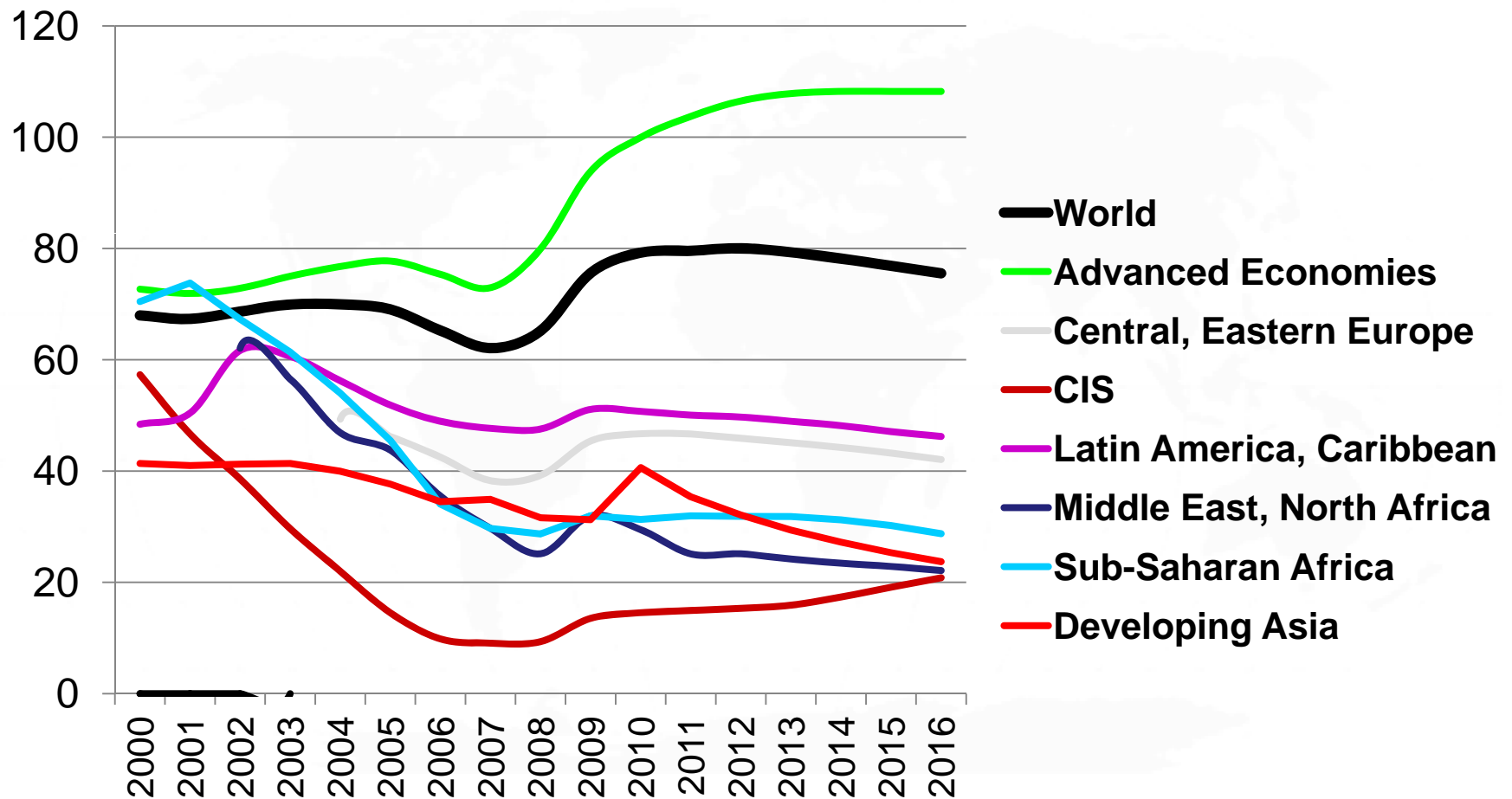
The Global Economy will lose ~US\$110 trillion in trade from 2008-2016 versus prior trend



- Trajectory 2004-07
- Actual+IMF Forecast (9/2011)



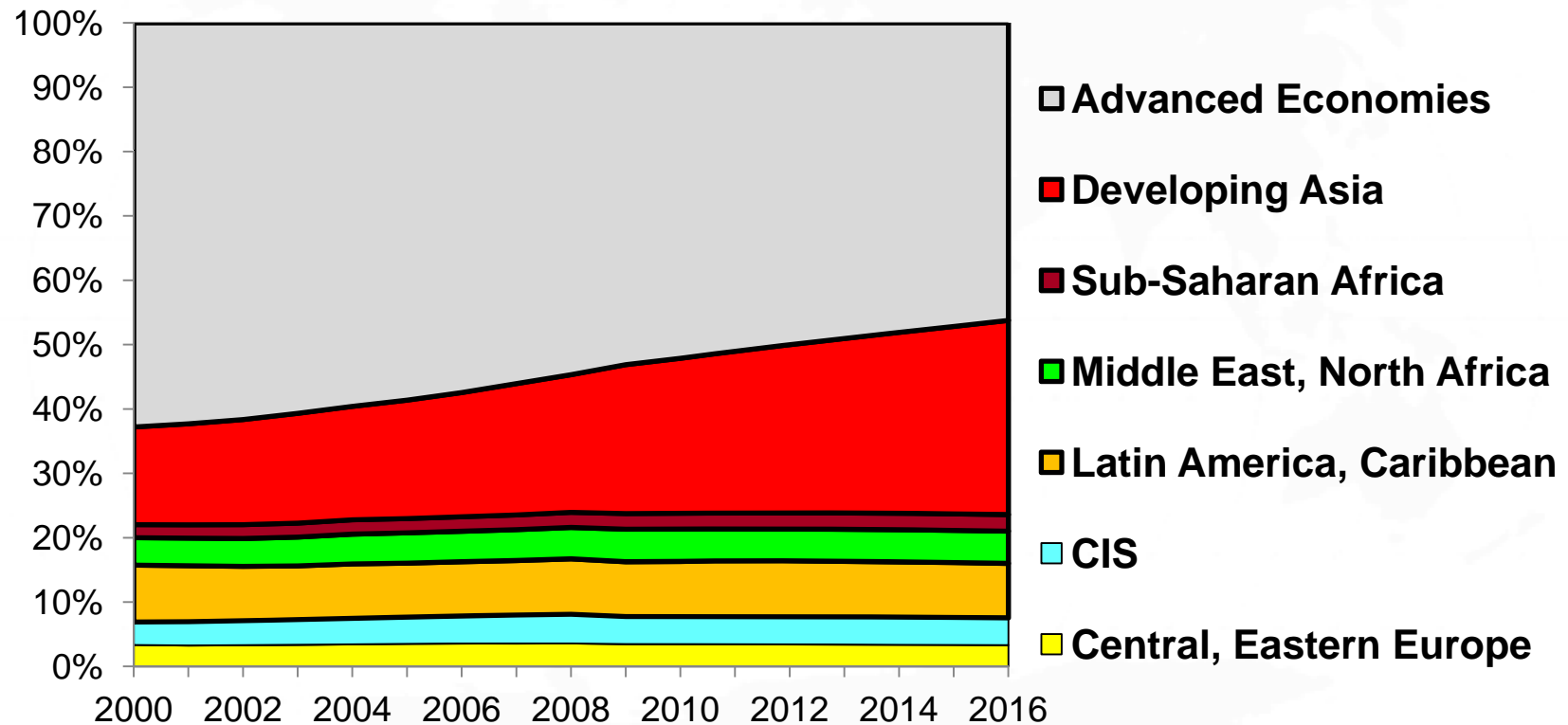
Gross Government Debt (% of GDP) (IMF Forecasts, 9/2011)





Rebalancing: Share of World GDP (PPP) (IMF Forecasts, 9/2011)

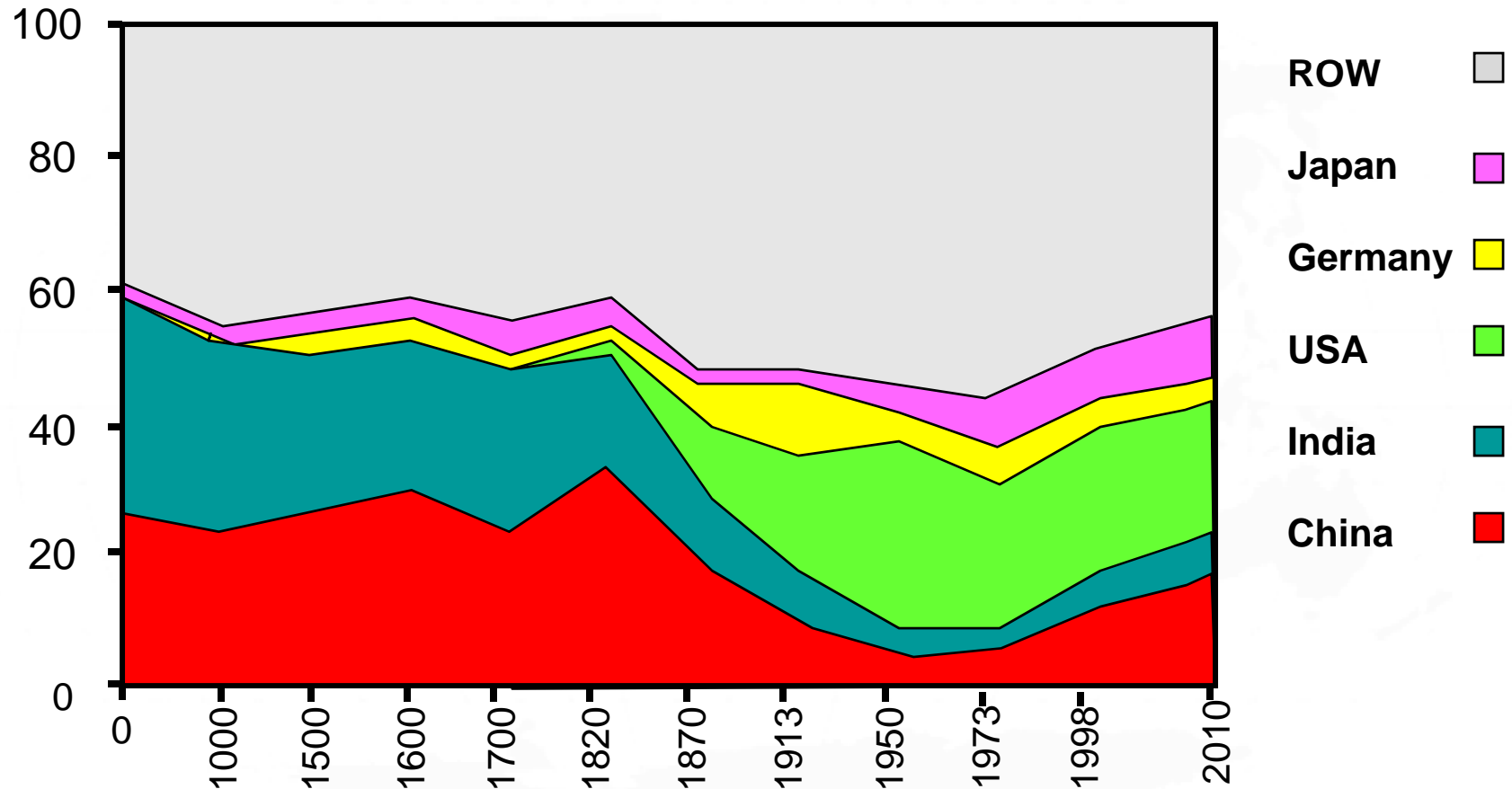
The vast majority of the gains will be made in Asia





Rebalancing: A Return to Earlier Times?

(Percent of Global GDP: 0-2010 A.D.)

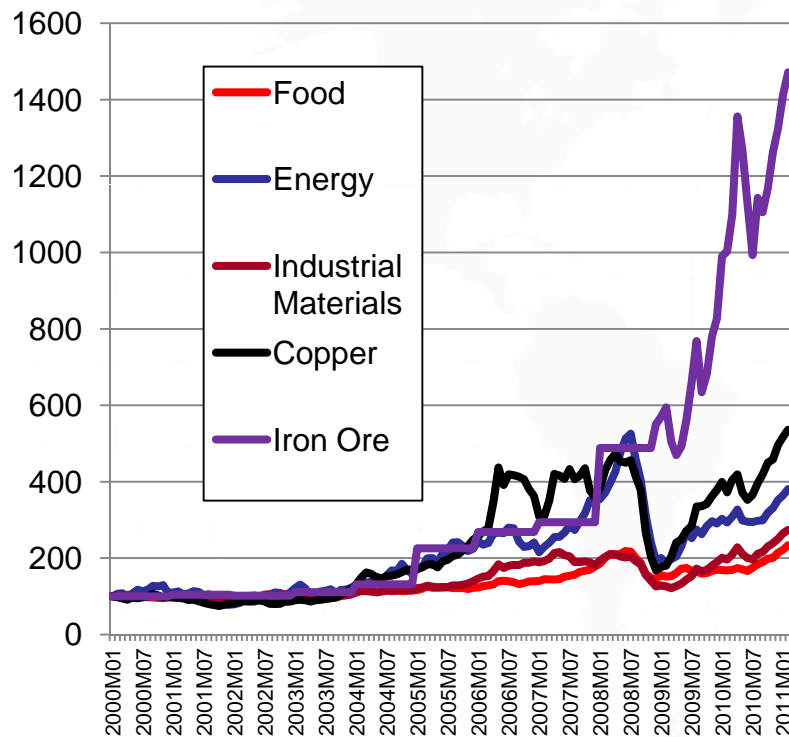


Source: Angus Maddison; Smith Barney; Enright, Scott & Associates



Resource Pressures

Rising Commodity Prices



Source: IMF

Projected Probability of Global Supply Shortfall by 2030

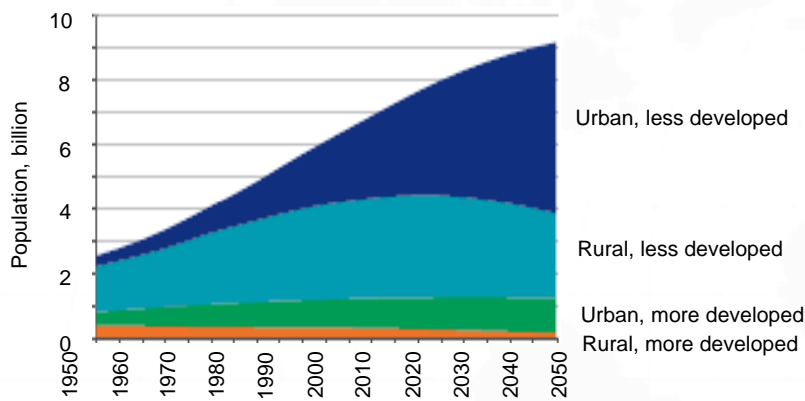
Nearly Certain Probability	Very High Probability	High Probability	Low Probability
<p>Cadmium Gold Mercury Tellurium Tungsten</p>	<p>Cobalt Lead Molybdenum PGM Phosphate Rock Silver Titanium Zinc</p>	<p>Chromium Coal Copper Indium Iron Ore Lithium Magnesium Compound Natural Gas Nickel Oil Phosphate Rock</p>	<p>Bauxite REM Tin</p>

Source: The Oil Drum



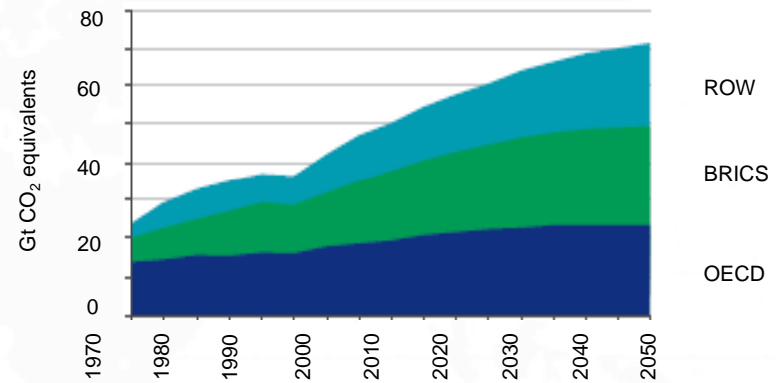
Environmental Challenges

Global Population to 2050



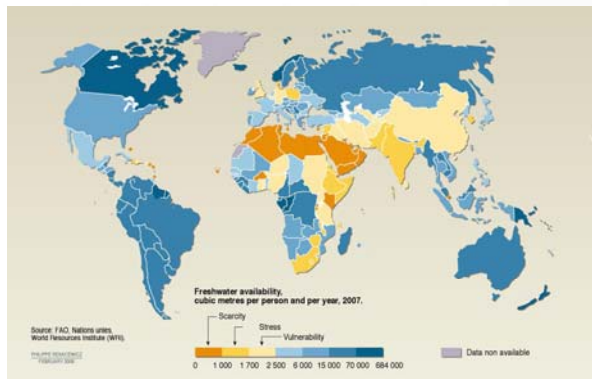
Source: UN

Greenhouse Gas Emissions

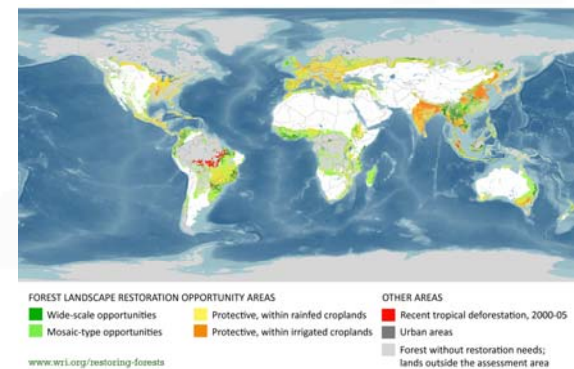


Source: OECD

Water Scarcity



Reforestation and Deforestation





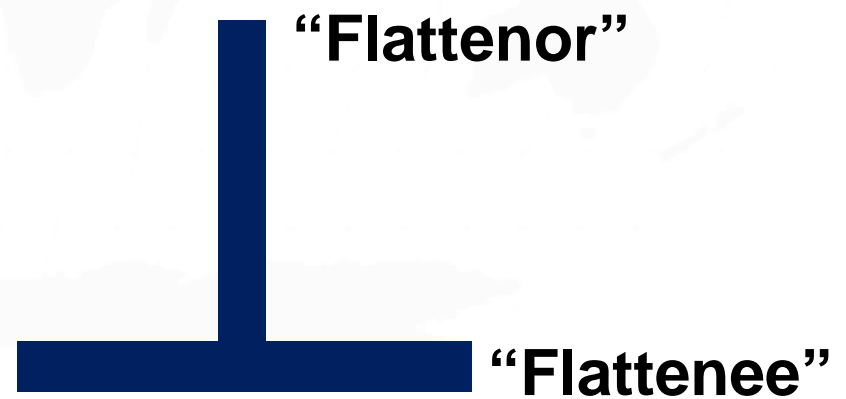
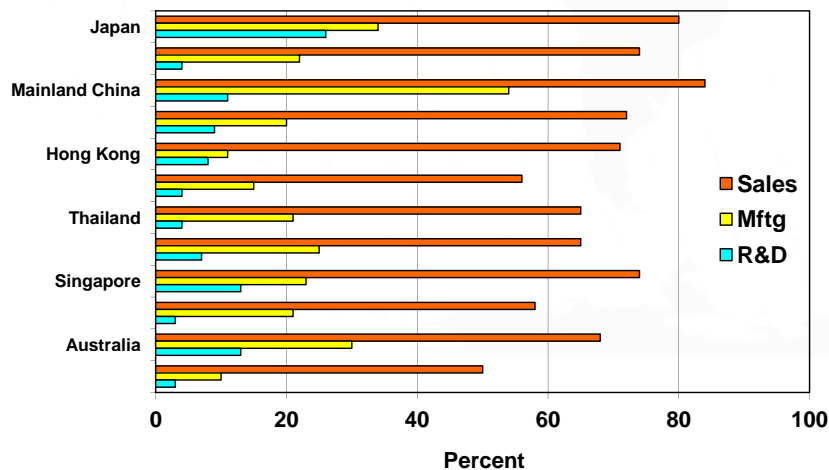
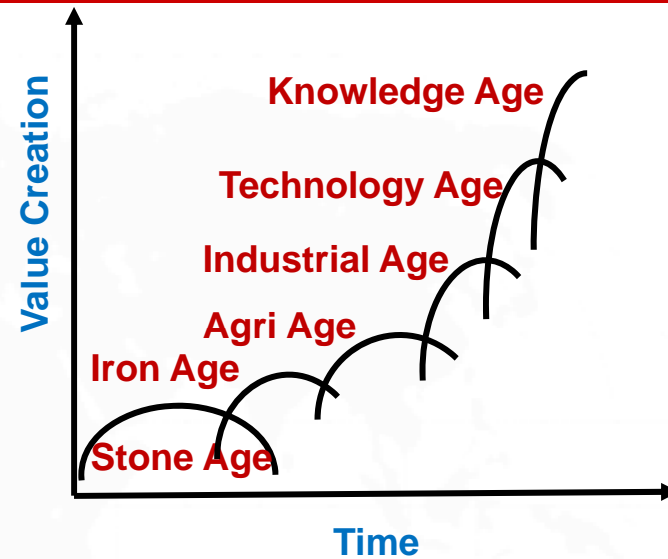
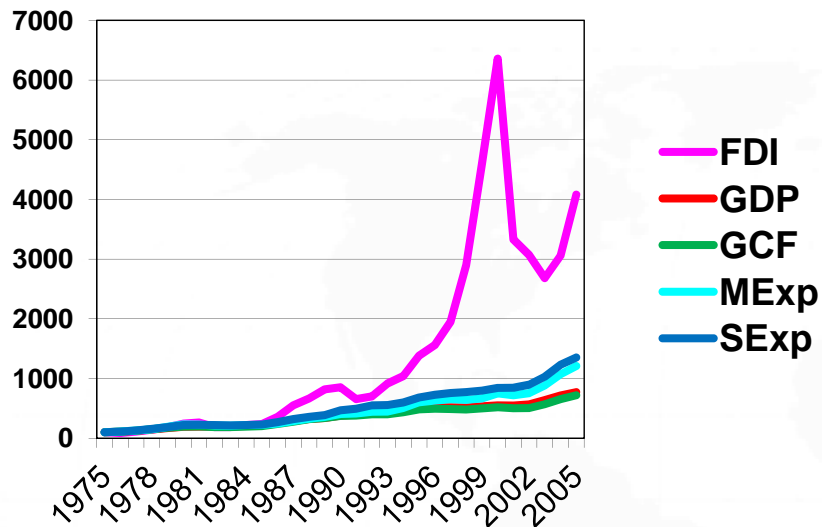
Internet Usage

World Regions	Internet Users 2000	Internet Users Dec 2011	Penetration 2011 (% Population)	Growth 2000-2011	Users %
Africa	4,514,400	118,609,620	11.4 %	2,527.4 %	5.7 %
Asia	114,304,000	922,329,554	23.8 %	706.9 %	44.0 %
Europe	105,096,093	476,213,935	58.3 %	353.1 %	22.7 %
Middle East	3,284,800	68,553,666	31.7 %	1,987.0 %	3.3 %
North America	108,096,800	272,066,000	78.3 %	151.7 %	13.0 %
Latin America / Carib	18,068,919	215,939,400	36.2 %	1,037.4 %	10.3 %
Oceania/ Australia	7,620,480	21,293,830	60.1 %	179.4 %	1.0 %
World Total	360,985,492	2,095,006,005	30.2 %	480.4 %	100.0 %

Source: Internet World Stats

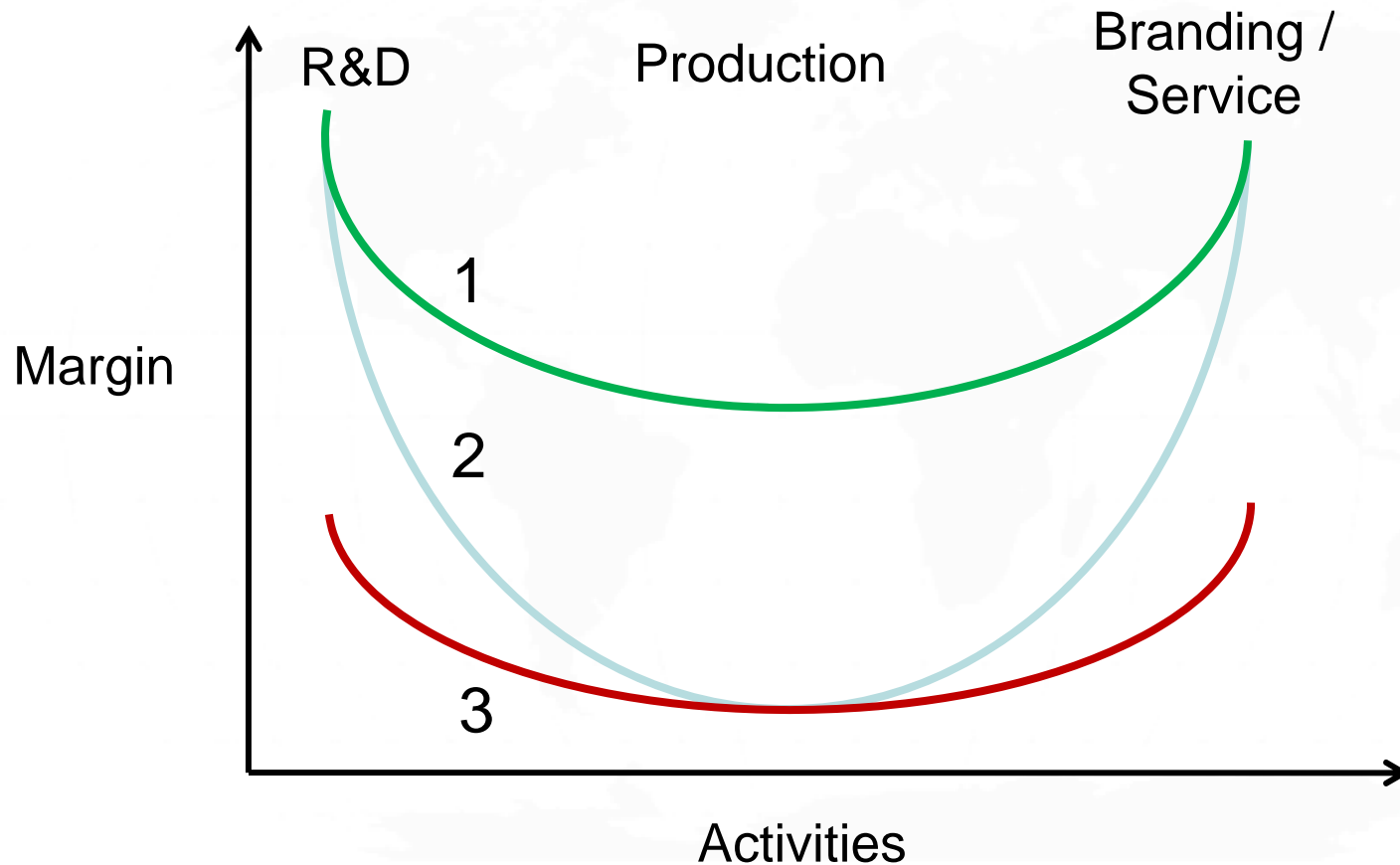


Globalization, the Knowledge Economy, the “Flat World”





Impact of competition over time





The Competitiveness Imperative

- Many of today's problems have arisen because individuals, companies, and nations have tried to borrow, rather than earn, their prosperity.
- The simple fact is that individuals, companies, and nations have to improve their competitiveness if they are to achieve a prosperity that is sustainable.
- Improved competitiveness is essential if economies are to grow without pushing unsustainable debt levels higher.
- Improved competitiveness is also essential for economies that have avoided the excesses, because they will be fighting for international markets that are less robust than expected.
- And in today's world, it is competitiveness that allows a nation or region to be the "flattener" rather than the "flattenee"



Some Approaches

- **Think**
 - **Of activities as well as industries**
 - **Innovation as well as R&D**
 - **Cities as well as countries**
 - **Production chains as well as production**
 - **Clusters as well as economies**



Activities as well as industries

Which activities are performed in the country?

Which are performed by local firms, which by foreign firms?

- **Research**
- **Development**
- **Product Design**
- **Product Engineering**
- **Process Design**
- **Process Engineering**
- **Component Manufacturing**
- **Subassembly Manufacturing**
- **Product Assembly**
- **Supply Chain Management**
- **Marketing and Branding**
- **Selling**
- **Retail Management**
- **Distribution**
- **After Sales Service**
- **Warranty and Returns**
- **Senior Management**
- **Strategy Setting**
- **Firm Administration**



Activity Matrix

Activities	In country by local firms	In country by foreign firms	ROW by local firms	ROW by foreign firms
R&D				
Product D & E				
Process D & E				
Components & SA				
Assembly				
Mktg & Branding				
Selling & Retail Mgmt				
Distribution				
AS Service, W & R				
Strategy Setting				
Firm Admin				



Innovation as well as R&D

- **Business innovation creates competitive advantage**
 - **New technologies**
 - **New applications of technologies**
 - **New geographic, product, service markets**
 - **New ways of reaching customers**
 - **New business models**
 - **New management tools and techniques**
 - **New ways of carrying out activities**
 - **New organizational forms**
 - **New ways of communicating inside and outside the organization**

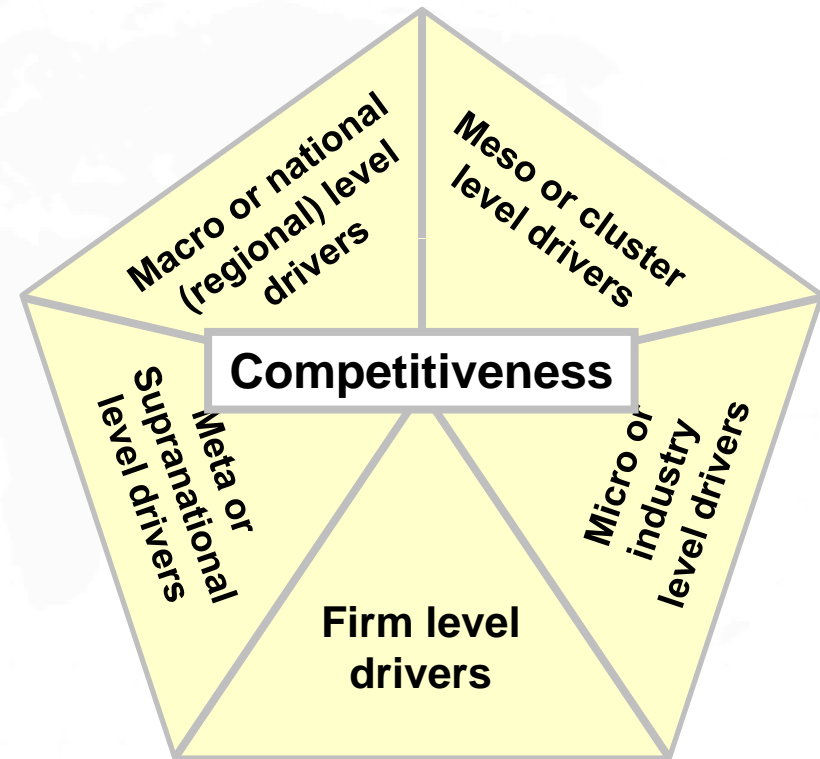


Some business innovators

- **Bill Gates**
- **Michael Dell**
- **Mark Zuckerberg**
- **Jeff Bezos**
- **Fred Smith**
- **Sam Walton**
- **Ray Kroc**
- **Ingvar Kamprad**
- **Daniel Ek**
- **Richard Branson**
- **Andy Sukawaty**
- **Bernard Arnault**
- **Hasso Plattner**
- **Arkhadi Kuhlmann**
- **Amancio Ortega**
- **Kiichiro and Eiji Toyoda**
- **Akio Morita**
- **Masayoshi Son**
- **Yoon-Woo Lee**
- **Stan Shih**
- **Cher Wang**
- **Jack Ma**
- **Ren Zheng-Fei**
- **Wang Chuan-Fu**
- **Ratan Tata**
- **Mukesh Ambani**
- **Narayana Murthy**
- **Muhammad Yunus**
- **Lorenzo Zambrano**
- **Maurício Botelho**
- **Etc.**

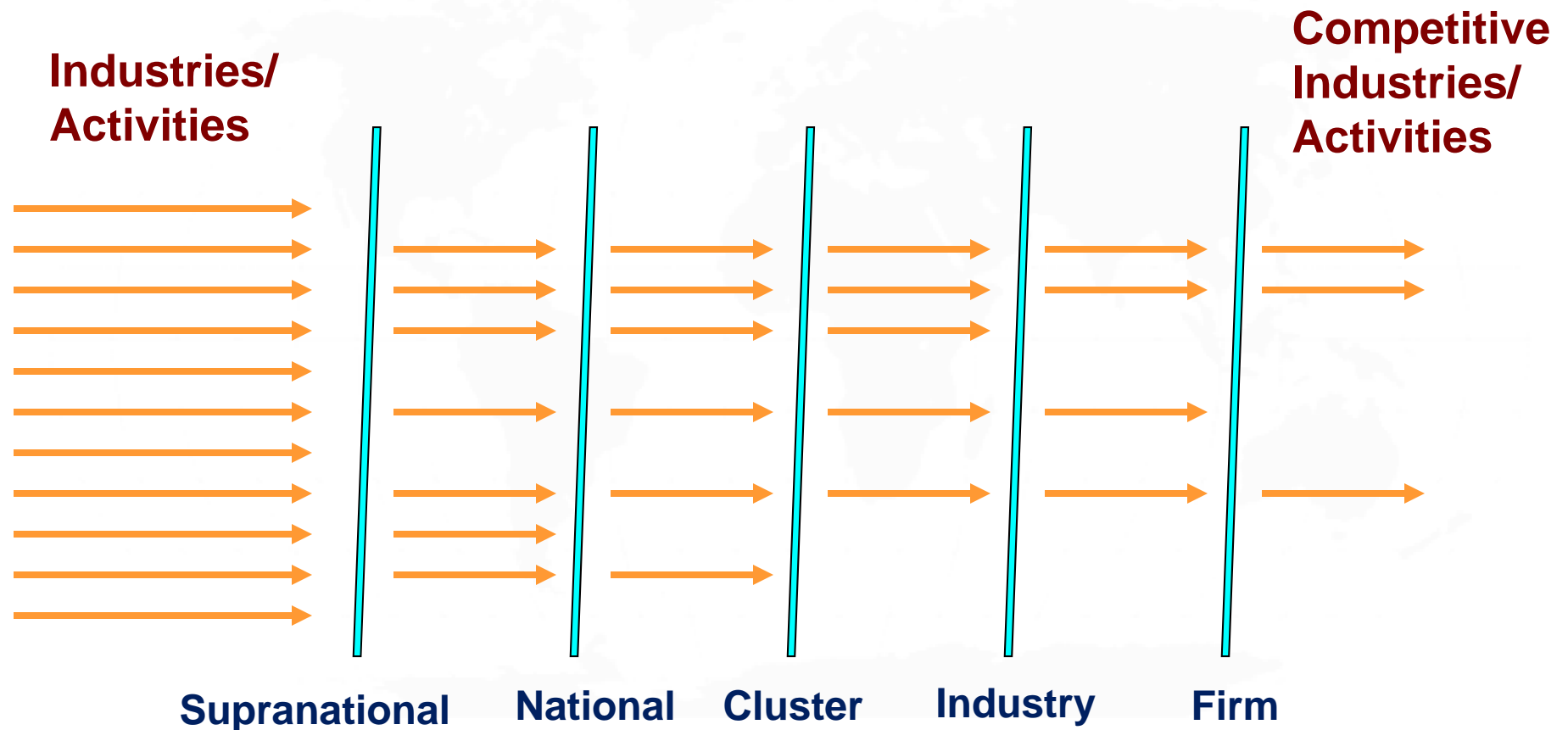
Business Innovation and Competitiveness

- **Business innovation comes from**
 - **Firm level drivers**
 - **Industry level drivers**
 - **Cluster level drivers**
 - **National (regional) level drivers**
 - **Supranational level drivers**
- **Fostering business innovation requires a systematic approach**
- **Most efforts fall short because they focus on technology alone**
- **The public and private sectors can work at and contribute at all of these levels**





No single level can make a nation, region, or city competitive, any single level can make it uncompetitive





Cities as well as countries

- **Why is city competitiveness important?**
- **Because cities are:**
 - Centers of population and opportunity
 - Engines of development
 - Markets for goods and services
 - Service support centers
 - Links to national and international markets
 - Command, control, and coordination centers
 - Public administration centers
- **Issues in developing cities**
 - Inefficient city structures
 - Transportation challenges
 - Inadequate housing
 - Lack of inclusiveness
 - Core city services stretched
- **Leverage points**
 - Urban planning
 - Utilities
 - Transport
 - Communication
 - Public services
 - Education / training
 - Business support
 - Lifestyle

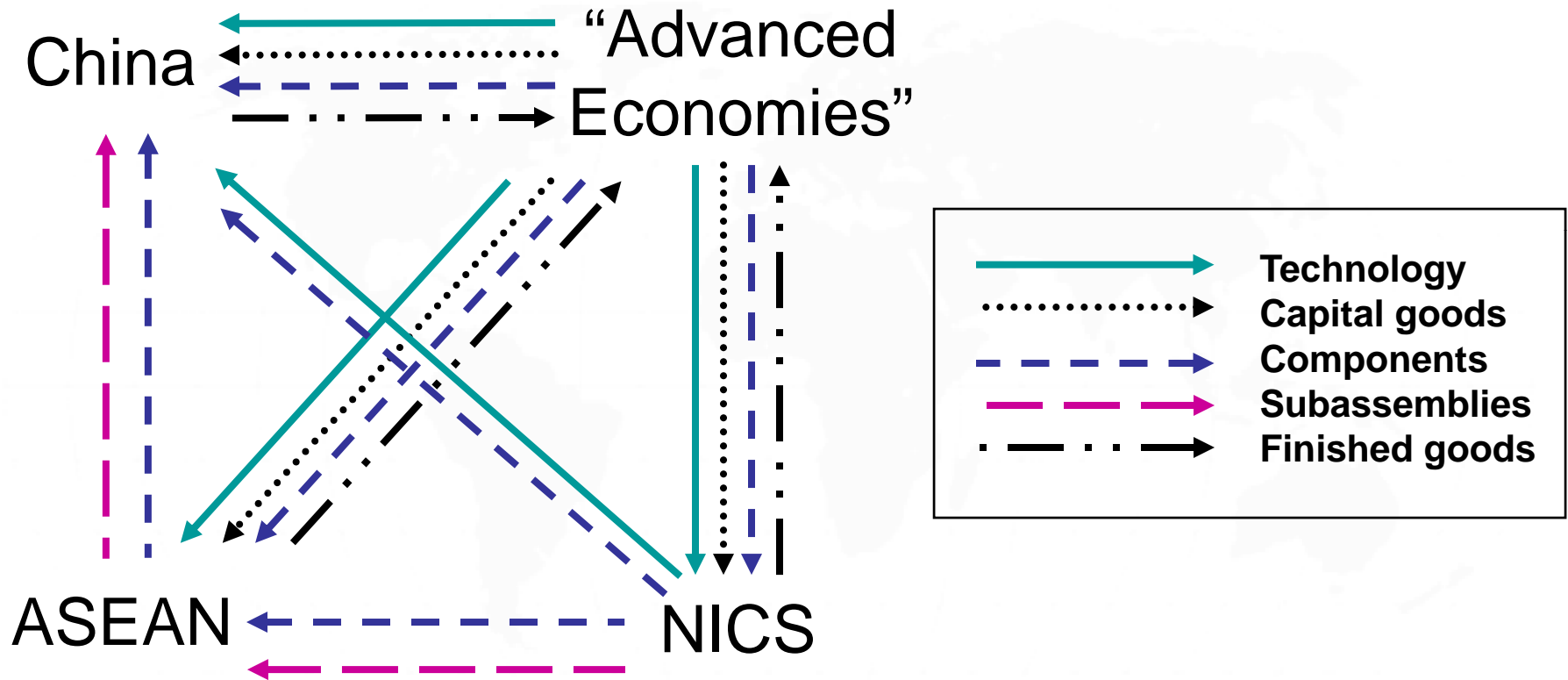


Making urban development inclusive

- **Serving different parts of the community**
 - Infrastructure
 - Utilities, Public services
 - Housing, Transportation
 - Affordability and coverage issues
- **Providing employment opportunities**
 - Not just high-tech and modern services
 - Construction, Tourism
 - Urban support services
 - Transportation and logistics
 - Microfinance and small business promotion
 - Traditional businesses
- **Improving public safety / health**
 - Safe public spaces, such as community centers, retail locations, schools
 - Safe water and food through sanitation and cold storage facilities
 - Waste management to reduce disease
 - Preventative and traditional medical care
- **Community-based management and administration**
 - Land, Transport issues
 - Documentation issues
 - Neighborhood-based services
 - Ombudsman function



Production chains as well as production



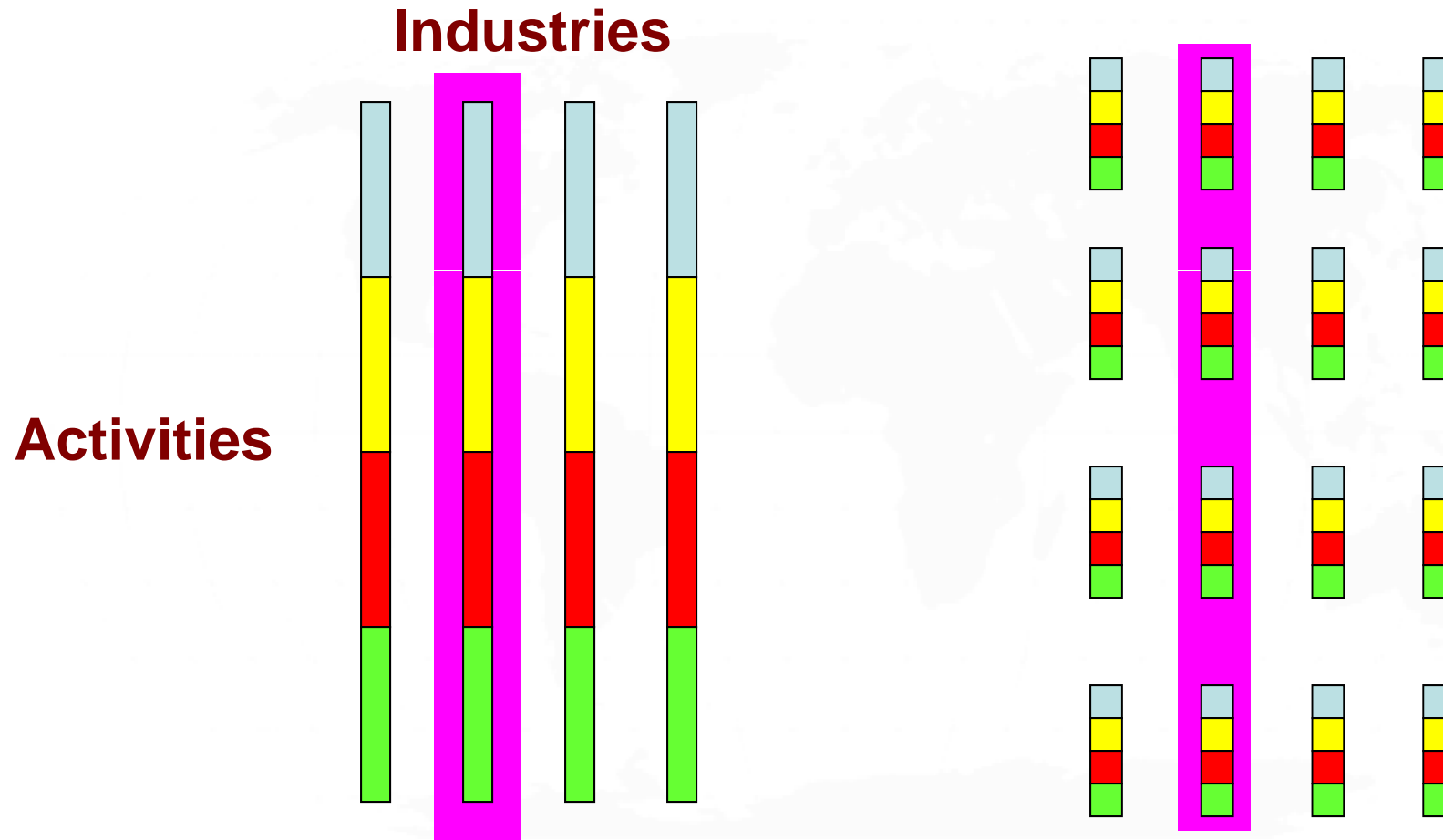


Clusters as well as economies

- **What are clusters?**
 - **Groups of firms in the same or related industries whose development is interdependent**
- **What are the types of clusters?**
 - **High technology agglomerations**
 - **Low tech, labor intensive industries**
 - **Fashion and creative industries**
 - **Large scale manufacturing industries**
 - **Small scale craft industries**
 - **Business and financial services**
 - **“Anti-cluster clusters”**
- **Why are they important?**
 - **Economies develop through clusters**
 - **They leverage and build local skills and capabilities**
 - **They foster interaction and collaboration among firms**
 - **They provide impetus and direction for innovative activities**
 - **They develop and attract resources**
 - **They allow locations to connect to the global economy**
 - **They provide a useful unit for policy and public-private interaction**

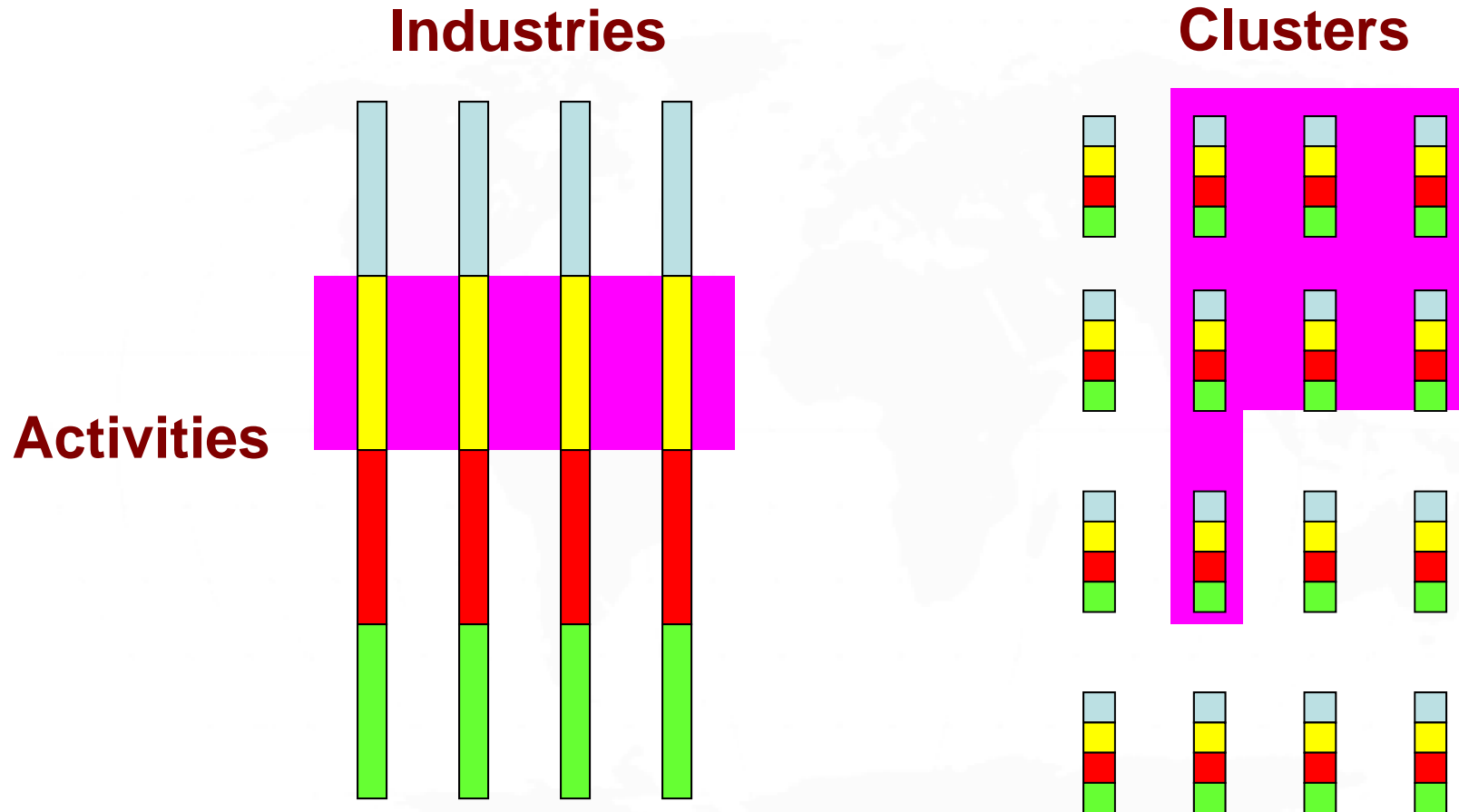


Competitiveness in...





Competitiveness in...





Need for a Paradigm Shift

- **Challenges**

- How will budget issues affect governments and firms?
- How to stimulate local employment without becoming protectionist?
- How to link companies to local skills, capabilities, mentors, and capital as well as infrastructure and shared services?
- Many governments and firms will be pressed to do more with less

- **Responses**

- More comprehensive development activities (soft as well as hard side)
- Understanding the environment, getting the basics right
- Creating innovative business communities
- Actively linking within the local system to foster clusters
- Actively linking with other clusters within the nation, around the world
- Leverage local advantages and international linkages
- This can only be done within a favorable international architecture



Thank you

Professor Michael J. Enright

**Sun Hung Kai Professor
School of Business, University of Hong Kong**

**Director Competitiveness Programs
Hong Kong Institute of Economics and Business Strategy**

menright@business.hku.hk