

# FREQUENTLY ASKED QUESTIONS

## **What do we analyze?**

The IMD World Competitiveness Yearbook (WCY) analyzes and ranks the ability of nations to create and maintain an environment that sustains the competitiveness of enterprises. The WCY is the world's most thorough and comprehensive annual report on the competitiveness of nations, published without interruption since 1989. It covers 60 countries and regional economies using 323 criteria to provide a multifaceted view of the competitiveness of nations.

## **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.

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

It means that enterprises depend a great deal on the national environment in which they operate. Some nations support competitiveness more than others by creating an environment that facilitates the competitiveness of enterprises and encourages long-term sustainability. We rank and analyze these environments.

## **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 700 pages of relevant data and the collaboration with 57 Partner Institutes around the world helps ensure that the data is as reliable and up-to-date 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 criteria of competitiveness related to 60 different economic entities. In fact, the WCY is a huge matrix of more than 300 criteria individually linked to 60 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 assessment.

*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 2003.

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

- **Online access to the WCY database** (Excel and PDF) is now available in addition to the World Competitiveness Yearbook, including 5-year time series. This allows a customized, interactive approach to the selection of countries and criteria.
- In 2003, a new **regional dimension** was introduced covering Bavaria, Catalonia, Ile-de-France, Lombardy, Maharashtra, Rhone-Alps, the State of Sao Paulo and Zhejiang. This year we have added Scotland.
- **Different ranking perspectives** are now shown to meet the different needs of our customers. We have re-introduced one overall global ranking in addition to rankings split by population size, by GDP per capita and by geographical region (Europe-Middle East-Africa, Asia-Pacific and the Americas).
- The entire World Competitiveness Yearbook is available on CD-Rom for a quick and easy-to-use reference tool.
- World Competitiveness Online is a service offered by IMD to complement the Yearbook. Users may log on to our website (<http://www.imd.ch/wcy>) at any time to access key rankings and important reference material.

**Why are split 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 and regions that are of 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 have been recalculated for the past 5 years in order to highlight the evolution of competitiveness with the new approach. This also ensures a high degree of compatibility with past results and allows us to provide time-series of individual criteria.

**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 (eg. 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 shows a “picture of the past”.

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

Price - 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.

**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 320 criteria, the impact of any one criterion is limited.

**How good is your survey?**

A panel of more than 4,000 executives completes our survey. The Survey respondents form a representative cross-section of the business community in each country or region analyzed.

**Why are the survey respondents from the country or region itself?**

Because it would be impossible to find more than 4,000 people, worldwide, who have the relevant expertise in all 60 countries and regional economies analyzed. In order to be as objective as possible, we survey local and foreign enterprises operating in a given economy, and local executives 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 region 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 we know what happens in so many countries?**

We rely on an extensive and unique network of 57 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 and regional economies that rank ahead of the country or region in this year's ranking but were not included in previous years.

### **What is included in a National or Regional Competitiveness Profile?**

These are in-depth analyses for each of the nations or regional economies covered by the WCY. Each 8-page profile includes:

- Competitiveness trends showing the evolution of overall performance and key factors.
- Comparison of factors to the leading economy (spider chart).
- Competitive balance sheets showing the economy's strengths and weaknesses in each key factor.
- The 20 strongest and weakest criteria overall.
- A "What If?" Simulation to show how an economy's overall ranking could change if the weakest criteria were improved.
- Evolution of major competitiveness indicators.

### **Why is our 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 the latter puts more emphasis on survey data 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 (102) than we can (60) 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 or region 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 or region in order to define what is acceptable or not and to draw the consequences and policy implications which are advisable for your economy.

### **What is the distribution of the WCY?**

We distribute about 3,000 books to the business, government and academic communities worldwide. In general, it goes to top decision-makers that influence and shape World Competitiveness.

### **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.