

# Innovative report on national competitiveness released: Two rankings with low cost and differentiation strategy

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EUNPYEONG-GU, SEOUL, KOREA, November 4, 2021 /EINPresswire.com/ -- The results of the [IPS National Competitiveness Report](#) were released on October 28, 2021. This report was conducted by three Swiss organizations: [IPS](#) (Institute for Industrial Policy Studies) Switzerland, a research institute in Geneva, UNITAR (UN Institute for Training and Research) in Geneva, and Taylor Institute at Franklin University Switzerland in Lugano.

## - Three Models in National Competitiveness Studies

Currently, there are three institutions that announce their results on national competitiveness in Switzerland every year. IMD (The International Institute for Management Development) and WEF (The World Economic Forum) show only one ranking, while IPS Switzerland has two rankings based on cost leadership and differentiation strategies. IMD is a Swiss business school that categorizes national competitiveness as a good

Ranking	Country/Region	Cost Strategy Index	Ranking	Country/Region	Cost Strategy Index
1	Australia	54.51	32	United Kingdom	36.27
2	Canada	53.49	33	Poland	36.24
3	New Zealand	51.19	34	Colombia	35.96
4	China	50.79	35	Italy	35.68
5	Singapore	48.4	36	Israel	35.21
6	Sweden	48.36	37	France	34.86
7	U.A.E.	47.9	38	Slovenia	34.82
8	Netherlands	47.64	39	Jordan	34.5
9	Hong Kong SAR	47.38	40	Greece	32.96
10	Finland	47.36	41	Hungary	32.64
11	Denmark	47.03	42	Peru	31.94
12	Switzerland	45.03	43	Bangladesh	31.77
13	United States	44.73	44	Egypt	31.65
14	Kuwait	44.52	45	Dominican Republic	31.59
15	Saudi Arabia	43.89	46	Argentina	31.16
16	Belgium	42.86	47	Turkey	30.86
17	Austria	41.58	48	Mexico	30.21
18	Germany	40.46	49	Spain	29.74
19	Taiwan, China	39.68	50	Ukraine	29.74
20	Russia	39.47	51	Pakistan	29.25
21	Malaysia	38.47	52	Guatemala	29.1
22	India	38.28	53	Cambodia	28.86
23	Chile	37.64	54	Brazil	28.72
24	Thailand	37.63	55	Nigeria	28.27
25	Vietnam	37.53	56	Oman	27.7
26	Indonesia	37.36	57	Sri Lanka	26.45
27	Philippines	37.23	58	Slovak Republic	26.13
28	Panama	37.04	59	Croatia	23.25
29	Korea, Republic of	36.61	60	Morocco	23.04
30	Japan	36.49	61	Kenya	21.13
31	Czech Republic	36.34	62	South Africa	16.5

(Table 1) National Competitiveness Ranking Based on Low Cost Strategy

Ranking	Country/Region	Differentiation Strategy Index	Ranking	Country/Region	Differentiation Strategy Index
1	Denmark	73.4	32	Philippines	45.1
2	Sweden	72.32	33	Chile	45.02
3	Netherlands	71.92	34	Vietnam	44.84
4	Switzerland	71.63	35	Indonesia	44.07
5	Finland	69.21	36	Greece	43.79
6	Singapore	68.91	37	Colombia	43.69
7	Hong Kong SAR	67.64	38	Panama	43.64
8	United States	67.5	39	Hungary	42.47
9	Canada	66.94	40	Turkey	42.01
10	Australia	65.67	41	Spain	41.75
11	Belgium	65.04	42	Jordan	41.73
12	New Zealand	63.53	43	Russia	41.37
13	Austria	61.88	44	Dominican Republic	41.26
14	Germany	60.21	45	Nigeria	39.37
15	China	59.25	46	Slovak Republic	37.79
16	U.A.E.	58.78	47	Mexico	37.43
17	Korea, Republic of	57.35	48	Ukraine	36.22
18	Taiwan, China	55.68	49	Argentina	36.21
19	Italy	52.68	50	Egypt	36.13
20	United Kingdom	51.97	51	Bangladesh	35.35
21	Saudi Arabia	51.68	52	Croatia	33.89
22	France	50.96	53	Peru	33.11
23	Japan	49.95	54	Morocco	32.51
24	Israel	49.81	55	Brazil	32.36
25	Thailand	48.6	56	South Africa	32.11
26	India	48.37	57	Guatemala	30.23
27	Poland	47.68	58	Sri Lanka	29.19
28	Slovenia	47.14	59	Pakistan	27.69
29	Malaysia	46.63	60	Cambodia	24.98
30	Kuwait	46.5	61	Kenya	20.41
31	Czech Republic	45.81	62	Oman	20.12

(Table 2) National Competitiveness Ranking Based on Differentiation Strategy

business environment of a country for global companies to invest in. In the IMD 2021 report, Malaysia, which has a good investment environment, ranked 25th out of 64 countries, a position higher than Japan's 31st. On the other hand, WEF is a Swiss non-profit corporation which measures national competitiveness as the productivity of industries owned by individual countries. In the WEF 2019 report which is the most recent report for national rankings so far, Japan, which has high productivity, was ranked 6th out of 141 survey countries, much higher than Malaysia's 27th. The IPS report presents a different approach. Unlike IMD and WEF, which evaluate only the resource conditions of each country without considering its national strategy, IPS divides the strategic options into two nationwide strategies: low cost and differentiation. This can offer markedly different outcomes. The U.S. ranks only 13th if it uses a low-cost strategy, but rises to 8th with a differentiation strategy. By contrast, China ranks 4th if it uses a low-cost strategy, yet falls to 15th if it uses a differentiation strategy. The reason for such a difference is that the differentiation strategy is suitable for countries that can produce high-quality products while the low-cost strategy is suitable for countries with abundant resources.

Four types of countries are identified in this presentation. Type 1, such as Australia and Canada, has both abundant resources and high-quality production capacity. They are high in both low-cost and differentiation rankings. Type 2, such as France and Korea, is a high-quality production country. They are poorly ranked with low cost strategy, but move up high with differentiation. Type 3, such as Saudi Arabia and Russia, relies on abundant resources. They are high in the low-cost ranking, but low in the differentiation ranking. Type 4, such as Kenya and Oman, does not have either abundant resources or high-quality production capacity. They are low in both rankings. □ The IPS Methodology and Its Strategic Implications to Switzerland

To determine national competitiveness, IPS ranking uses Dong-sung Cho's "9-Factor Model" which consists of four physical factors, four human factors, and opportunity conditions. The physical factors consist of production conditions, management conditions, related industries, and demand conditions, and the human factors consist of workers, politicians and administrators, entrepreneurs, and professionals. By analyzing the elements, governments of the 62 countries can develop specific national strategies to enhance their respective rankings.

For example, Switzerland falls to 12th place when it uses a low-cost strategy, but rises to 4th place when it adopts a differentiation strategy. Such a dramatic change can be explained by the fact that Switzerland is already an advanced economy that can produce high-quality products. But Switzerland has a chance for further improvement in national competitiveness.

Looking at Switzerland's physical factors in the model, demand conditions (3rd), related industries (3rd), and business context (6th) are at the top, and factor conditions (39th) are at the intermediate level. Among the human factors, policymakers and administrators (3rd), entrepreneurs (8th) and professionals (4th) remain at the top, and workers (41st) remain at the bottom.

It would appear to be natural for Switzerland to improve the factors which are ranked low, such

as factor conditions and workers. But such an effort would only enhance Swiss ranking with a low-cost strategy, which may not be an ideal strategy. IPS model suggests Switzerland to improve demand conditions among the physical factors, and professionals among the human factors. IPS model further suggests such subfactors as the market size and quality to improve demand conditions, and personal competence and social context to improve professionals.

Vice President Christoph A. von Arb of Franklin University Switzerland emphasized in particular the effective strategy of enhancing national competitiveness through university research. He stated "Swiss universities are known for their excellence in fundamental research including public/private partnership projects. However, when focusing on "Science to Market" efforts, the rankings were pretty low... strategy matters."

Professor Emeritus Hw-y-chang Moon of Seoul National University, the leading researcher for the IPS project which uses his co-authored "Double Diamond Model" for global context, explained that Switzerland must undertake two approaches to preserve its high ranking with a differentiation strategy. Firstly, Switzerland needs to enable top-class entrepreneurs and professionals to work efficiently. Secondly, it needs to connect the nation's portfolio of related industries and global market for sustainable development."

#### - Future Directions of IPS Research

Carlo Giardinetti, Dean of Franklin University Switzerland and Co-Director of the Taylor Institute, joins the IPS project as co-researcher. He mentioned that the national competitiveness conference reports the most important issues in each year and this year's report included the Covid-19 and the US-China relations. Mr. Jonas Haertle, UNITAR's Chief of Office of the Executive Director, also joins the IPS project as co-researcher. He stated "We will include Environment, Society, and Governance (ESG) in the 2022 report. Eventually, we may cover the 17 issues of Sustainable Development Goals (SDG) in subsequent reports."

World Scientific Publishing will soon publish this IPS Report 2021 as a book entitled, "The Competitiveness of Nations, First Volume: Navigating the US-China Trade War and the COVID-19 Global Pandemic."

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