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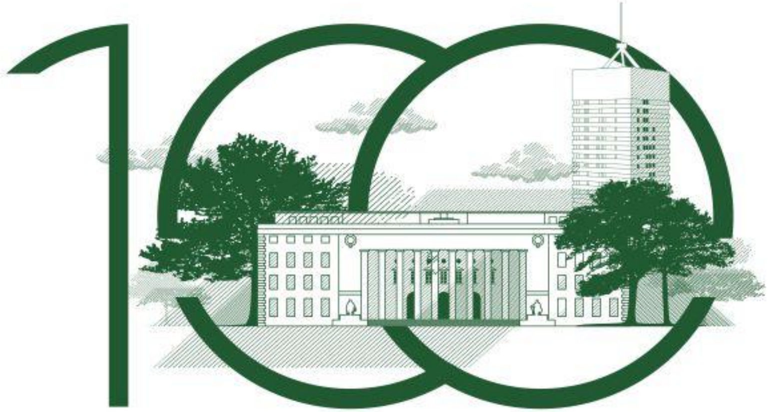
Competitiveness – is productivity the only thing that matters?

The World Economy Research Institute's 20th Annual Conference on Innovation and Competitiveness

Reconfiguring Global Value Chains For Competitive Edge in Europe and Beyond

SGH Warsaw School of Economics, Warsaw 23-24 October 2025



1. Introduction

- The structure of this paper is based on a somewhat exaggerated—and controlled—opposition between the traditional, productivity-based understanding of competitiveness and an approach that suggests the need to revise this approach, moving beyond the productivity category to include additional attributes or dimensions of competitiveness, such as resilience, effectiveness, innovation, and fairness/equality.
- The paper also attempts to address the fact that economic systems are entities at various levels—from global through macro, meso, and micro to micro-micro.
- Therefore, attempting to build a universal concept of competitiveness that applies to many, or ideally all, of these levels should be inherent in the nature of economics, or economic sciences more broadly. Such an attempt has been undertaken in this text.
- Nevertheless, the dominant level of analysis developed in this text is the enterprise level.

2. Traditional approach to competitiveness – competitiveness reduced to productivity (1)

- Most popular definition of competitiveness equates it with productivity. This approach, in principle, drew on the work of Michael Porter, in which the idea of linking competitiveness with productivity was widely present and treated as a kind of axiom (Porter, 1991).
- Porter's concept of competitiveness appears primarily in relation to the national economy or industry level, yet it is also deeply embedded in the concepts of competitive strategy and competitive advantage as applied to the enterprise.
- It rests on the microeconomic foundations of competitive advantage in enterprises, regions, clusters, and countries. There have, of course, been voices attempting to undermine this definition (Aiginger & Vogel, 2015), but these were so weak that it has not been seriously challenged (Atkinson, 2013).
- Porter's understanding of competitiveness, which effectively reduces it to productivity, was, in a sense, an unnamed manifestation of what is today referred to as the GDP fetish, or the recognition of the dominant role of GDP in economic development.

2. Traditional approach to competitiveness – competitiveness reduced to productivity (2)

- The equivalent of this approach to understanding competitiveness, when shifted to a lower level, i.e., the enterprise level, is firm competitiveness, identified with the competitive position described by the firm's efficiency, which in specific cases can be identified with profitability.
- Therefore, while in relation to the competitiveness of the national economy, one can speak of a GDP fetish, competitiveness at the firm level, i.e., microeconomic competitiveness, can be linked to the efficiency of the enterprise and considered a profit fetish. This is likely the type of efficiency Skidelsky (2020) had in mind when he wrote that efficiency is passé.
- In the above circumstances, I attempted to develop a concept of enterprise competitiveness in which productivity played a fundamental role (Gorynia, ed. 2002).The three-dimensional concept of enterprise competitiveness presented here draws on the aforementioned studies and encompasses three basic elements:
  - the competitive position of the enterprise,
  - the competitive potential of the enterprise,
  - the company's competitive strategy.

2.1 Terminological arrangements (1)

- The following terminological convention is proposed:
  - *Ex post* competitiveness is the current competitive position. The achieved competitive position is the result of the implemented competitive strategy and the competitive strategies of rivals, and is also determined by the initial state of resources, i.e., competitive potential.
  - *Ex ante* competitiveness is the future (prospective) competitive position. It is determined, among other things, by the relative (i.e., relative to the skills of rivals) ability of the enterprise to compete in the future, i.e., its competitive potential; in other words, it is achievable competitiveness.
- The distinction between *ex post* and *ex ante* competitiveness underscores the dynamic approach to this category. This dynamic approach raises at least two implications: first, rivals can also develop their competitive capabilities, which will impact the firm's *ex ante* competitive position ; second, the firm's future competitive potential can also be developed thanks to support from government policy.

2.1 Terminological arrangements (2)

- Building and leveraging competitive potential is described by a planned or intended competitive strategy.
- A company's competitive strategy is therefore an analytical category enabling the transition from competitive potential, or potential competitiveness (*ex ante*), to actual, or realized competitiveness (*ex post*).
- Competitive strategies are employed to ensure that a company achieves the best possible competitive position.
- Achieving the desired competitive position requires a competitive advantage. In turn, having a competitive advantage is a *sine qua non* condition for achieving a good competitive position. Competitive advantage can be cost-price and/or qualitative (differential) in nature.
  Competitive advantage results from the use of a set of competitive instruments that are components of a competitive strategy (e.g., product quality, price, advertising, brand, etc.).

2.1 Terminological arrangements (3)

- A company's competitive potential can be understood in a narrow and broad sense. In the narrow sense, competitive potential encompasses all resources used or available for use by the company (primary resources, secondary resources, and output resources). In a broader sense, a company's competitive potential encompasses, in addition to resources, the company's culture, organizational structure, strategic vision, and the company's specific behavior (the strategy development process).
- A company's competitive position, on the other hand, is the result of the market's assessment (particularly by buyers, customers, and clients) of what the company offers. The most basic and concise measures of any company's competitive position are its market share and its financial situation. It seems that a company's competitive position is the attribute most closely associated with equating competitiveness with productivity.
- It's also important to distinguish between competition and competitiveness in the domestic market and in foreign markets. Just because a manufacturer doesn't export its products doesn't mean it can't, and in fact doesn't, compete with foreign rivals. If its domestic market is open, it's possible to compete with foreign competitors in the domestic market (competing with imports in the domestic market).

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2.2 Competitive Difference Analytical Scheme (1)

- Suppose we accept the above proposition that a company's competitiveness can be considered in terms of three components (potential competitiveness, i.e., ex ante, competitive strategy, and realized competitiveness, i.e., ex post). In that case, it seems that differences in relation to each competitiveness component can be defined as a competitive advantage (a *plus difference*) or a competitive gap (a *minus difference*). When considering a company's competitiveness, it is necessary to consider its overall description, which includes the elements presented in Table 1, and not just one of the selected competitiveness components.

Table 1. Components of enterprise competitiveness

Components of competitiveness	A positive difference (*in plus*)	A negative difference (*in minus*)
1. potential competitiveness (*ex ante*) – competitive potential	advantage in terms of competitive potential	gap in competitive potential
2. competitive strategy (set of competitive instruments)	competitive strategy advantage	competitive strategy gap
3. realized competitiveness (*ex post*) – competitive position	advantage in terms of competitive position	competitive position gap

Source: own study.

2.2 Competitive Difference Analytical Scheme (2)

The considerations presented above can serve as a starting point for concretizing the analytical framework for competitive difference. Taking into account the previous terminological findings, it is possible to distinguish four dimensions (aspects) of competitive difference:

- competitive difference as deviations in the current (present) competitive position of a given entity in relation to rivals,
- competitive difference as deviations in the future competitive position of a given entity in relation to rivals,
- competitive difference as deviations in the current (initial) competitive potential; competitive potential is one of the determinants of the competitive capabilities of an entity; it also co-determines the spectrum of possible competitive strategies; we further assume that differences in the future (referred to a certain moment in the future) competitive potential will be significant for competition in the period that will follow this moment – this circumstance indicates the dynamic nature of the competitive difference in relation to the competitive potential,
- competitive difference as deviations in the competitive strategy in the period under consideration; differences in the competitive strategy can be reduced to differences in the instruments of competition, an example list of which was presented earlier; competitive difference related to the competitive strategy is also dynamic in nature.

3.2 Efficiency and resilience competitiveness: two complementary dimensions (1)

- As noted earlier, in the most commonly adopted simplified sense, competitiveness is a derivative of efficiency or is even identified with it. However, the evolution of the concept of competitiveness indicates that a reconstruction of this category's meaning is necessary.
- Therefore, it is postulated that a modern approach to competitiveness should go beyond productivity (Gorynia 2024).
- Economic sciences, and economics in particular, deals with the efficient allocation of resources among various uses (Robbins 1932). The remaining pool of resources is to be used rationally, and this rationality is measured by the ability of the goods and services produced to satisfy human needs.
- Efficiency understood in this way is desirable and beneficial because it reduces the cost of living or allows for better satisfaction of needs with limited resources at our disposal (Skidelsky 2020).
- Efficiency is generally synonymous with a higher level of well-being and, in this sense, is socially desirable and beneficial.
- However, the aforementioned author points out that efficiency is, in a sense, becoming passé. In his opinion, the last four decades have seen a situation he describes as follows: "...since 1982, the frequency of use of the terms 'effectiveness' and 'efficiency' has fallen dramatically, while the frequency of use of the terms 'resilience' and 'durability' or 'sustainability' has increased dramatically . More talk is being made about the stability of economic life, that is, its resistance to shocks. Economists who only think about efficiency have found themselves far behind the cultural curve."

3.2 Efficiency and resilience competitiveness: two complementary dimensions (2)

- In my opinion, it does not seem justified or prudent to frame these concepts in opposition, in mutual opposition, or as alternative solutions (either or). In fact, long-term effectiveness and efficiency have always been correlated with resilience, durability, and stability.
- In the contemporary debate on competitiveness, both at the level of enterprises and states, it is worth distinguishing between two basic approaches: efficiency-based or efficiency-oriented competitiveness and resilience-based or resilience-oriented competitiveness. It seems that the terms efficiency-based and resilience-based refer to *ex post* competitiveness, while efficiency-oriented and resilience-oriented refer to *ex ante* competitiveness.
- Efficiency-based competitiveness is based on efficiency, productivity, and cost minimization. Resilience-oriented competitiveness emphasizes the ability to persist rather than a one-sided understanding of efficiency, which is often simplistically equated with profit. Both dimensions have different logics, but together they form a complementary foundation for a modern understanding of sustainable competitiveness.
- The conclusion is therefore that efficiency and resilience are not alternatives, but complementary.

3.3 New dimensions of competitiveness: effectiveness (1)

- Regarding the relationship between effectiveness and efficiency, it is worth emphasizing that it is of particular interest to praxeology. Effectiveness, considered unilaterally, corresponds to the achievement of a set of goals, regardless of the resulting input-output ratio. As Janeway (2025) notes, the absolute pursuit of efficiency in resource allocation can threaten true effectiveness in achieving goals.
- A goal can be considered both binary and gradable. Sometimes, an efficiency fetish can be synonymous with blocking effectiveness – this is the case, for example, when we are dealing with a strict adherence to the budget allocated for promotion, which can lead to the squandering of achievable effectiveness goals due to the inability to mobilize small additional expenditures relative to the budget. But there are also opposite situations – for example, if the assumed goal is to gain a specific market share in a given period, the very effectiveness in achieving this goal, understood in isolation from efficiency and paid for with unreasonably high expenditures, may lead to undermining the foundations of the company's existence in the long run.

3.3 New dimensions of competitiveness: innovation (2)

- Regarding the next dimension of competitiveness, innovation, Janeway notes that innovation is essentially the opposite of narrowly understood efficiency, grounded in a temporarily understood current economic situation.
- Technological progress is always achieved through trial and error, and when new ventures implement an innovation that displaces established players, previously productive assets become unprofitable and largely worthless.
- The state's significant role in fostering innovation should also be emphasized. Research and development expenditures are often partially financed by governments, and the incurred expenditures do not always pay off.
- Innovation disrupts the current equilibrium, which guarantees short-term efficiency, in favor of efficiency in the next equilibrium(s), which signifies efficiency in the longer term (or rather, the next, further removed from the present).
- Paradoxically, therefore, progress comes at the expense of losses in current efficiency, which result in increased efficiency in subsequent periods. It turns out that the relationship between efficiency and innovation, which is another dimension of competitiveness, is also a rather subtle and complex trade-off.
- Janeway (2025) highlights the inevitable inefficiencies that underlie innovation, calling them "Schumpeterian waste."

3.3 New dimensions of competitiveness: fairness/equality (3)

- According to the aforementioned author, efficiency dominated American economic policy throughout a series of presidencies, from Carter to Obama. In a sense, it represented a departure from the policies of fairness and equality during the New Deal and part of Johnson's presidency.
- Taken together, this led to the formation of a neoliberal order dominated by efficiency. While the slogan of "equality of outcomes" as an alternative to efficiency in this order is too extreme to withstand political contestation, the demand for "equality of opportunity" is a principle at a critical juncture, where the distribution of market power intersects with the distribution of political power.
- While efficiency is the guiding virtue of economics, the virtue of an open political system is equality, subjectively assessed by those with access to the political process.
- It seems that the link between fairness/equality and efficiency within the concept of competitiveness of the national economy, industry or company has not yet been satisfactorily developed and would require further work.

4. Conclusion – summary and directions for further research

- The attempt made in this article to diagnose and evaluate the current development of the concept of competitiveness and to determine the directions of its evolution leads to the formulation of several conclusions:
  - From a theoretical and conceptual point of view, it is not justified to reduce the category of competitiveness solely to efficiency and productivity.
  - It is advisable to conduct further conceptual work on developing a theoretical framework for understanding this category, which is both intellectually justified and practically feasible.
  - The reasoning carried out showed that it is possible and promising to include additional elements/dimensions/components/attributes/aspects of competitiveness, such as: resilience, effectiveness, innovation, and fairness/equality.
- The demand to abandon the blind fixation on efficiency requires further detailed and thoughtful conceptualization and operationalization of the fundamental attributes of competitiveness, going beyond the simplified dogma of efficiency. This statement does not in any way question the need to adhere to the principle of rational management in business operations. It merely means that the fetish for efficiency can be just as dangerous as its neglect or even abandonment.

- The presented concept raises questions about the directions for continuing work on its essence. One question may concern how to incorporate new dimensions of competitiveness into empirical research on this topic. It seems that the postulated "new" dimensions should simply become part of the canon of theoretical knowledge, and their use in practical research should become a well-understood routine.
- A second, valid question, taking into account an important trend in contemporary research on corporate competitiveness (especially in terms of its implications and practical applications), concerns the place within the presented concept for the conglomerate of issues encompassed by the acronym ESG. Personally, I believe that this issue essentially falls within the dimension of competitiveness defined as resilience, understood much more broadly than simply ensuring the continuity of supply chains. It is also worth noting that, according to some researchers, ESG falls within the concept of so-called "sustainable competitiveness", which complements the efficiency approach with social and ecological sustainability, which can be linked to resilience (or at least some of its aspects) (Kowalski, Weresa, eds. 2022).
- All the issues and arguments considered above lead to the conclusion that, while positively assessing the observed evolution of the perception of the essence of the competitiveness category, it is necessary to postulate further work on its conceptual framework and practical applications both in the development of company strategies and in the creation of the state's economic policy.

THANK YOU