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**National Competitiveness Policy: Actions and Actors – a  
Concept for Implementation \***

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## **Abstract**

National competitiveness and competitiveness policy have been advocated by several nations and the European Union since decades. Though there are many critiques on the concept and its content they are well elaborated. The reasons for the mismatch between the requested and realized measurable and sustainable outcomes are much less discussed and covered by the competitiveness literature. The assumption of this paper is that one of the reasons for that is rooted in the policy nature of competitiveness. The paper is based on Balázs Szepesi's presentation on the First Working Conference on Competitiveness. This written version recommends a three-pillar concept for understanding the national competitiveness initiatives as a policy. Out of the sketched three-pillar concept it describes the characteristics of policy action, and that of the actors. The future research is needed and intended to enrich this concept by the policy framework, and then its application onto competitiveness policy.

The increasing interests on competitiveness enhancing policies rises the question how competitiveness initiatives could be inbuilt into government activities more effectively. This article analyzes the nature of public sphere from this perspective. We draw up the key issues of political processes and actors at first then we apply this frame to the public initiatives aimed to increase competitiveness.

## Introduction

Political leaders, policy managers and advisors have been pushing a greater emphasis on competitiveness since decades. This is based on traditional correspondence between success and competitiveness of communities, and nations, and it is further enhanced by the challenges and consequences of economic crisis of 2008.

*“So Europe needs to be competitive and we also need to be competitive if we wish to remain an interesting economic partner for the United States. This has to be done on the basis of strength, of competitiveness.”* Angela Merkel, Chancellor of Germany<sup>†</sup>

*“The world becomes more competitive, every day”* Jeffrey Immelt, CEO of GE, head of the U. S. Council of Jobs and Competitiveness<sup>‡</sup>

*“Enhancing Competitiveness in the New Normal”* Mr Dominic Barton Worldwide Managing Director, McKinsey & Company<sup>§</sup>

*“In this situation, our main task is to find the right balance between austerity measures and stimulus, between competitiveness and social inclusion”* Herman van Rompuy, President of the European Council<sup>\*\*</sup>

Both empirical research and historical examples show a relation between competitiveness and political success. Some contemporary examples:

- The Soviet Union was an empire with the greatest army in the world. In 1985 the international economic environment turned unfavorable, the inflexible, unadaptive Soviet economy was not able to finance itself without foreign loans. After 1989 it could only avoid famine with ‘politically motivated’ credits (Gaidar

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<sup>†</sup> Joint Press Conference of President Obama and Chancellor Merkel at the White House, June 7, 2011 - <http://iipdigital.usembassy.gov/st/english/texttrans/2011/06/20110607140024su0.1581799.html#axzz1xfHRueQ2>

<sup>‡</sup> Press Conference of GE Foudation, Sep 26, 2005 - [http://www.csrwire.com/press\\_releases/25673-GE-Foundation-Invests-100-Million-to-Get-More-Students-College-Bound](http://www.csrwire.com/press_releases/25673-GE-Foundation-Invests-100-Million-to-Get-More-Students-College-Bound)

<sup>§</sup> Address at the Hong Kong Management Association’s Annual Conference entitled as ‘Revitalizing Competitiveness’, Nov 18, 2009 - [http://www.britcham.com/sites/britcham/files/HKMA%20Annual%20Conference\\_0.pdf](http://www.britcham.com/sites/britcham/files/HKMA%20Annual%20Conference_0.pdf)

<sup>\*\*</sup> Speech at the Lisbon Council’a Euro 2011 Summit [http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/ec/126072.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/126072.pdf)

2007). The economic crisis quickly turned into a political one, and the dissolution of the Soviet Union was unavoidable.

- South European countries are in deep financial crisis nowadays that brings them to the edge of bankruptcy and dangers the existence of European Monetary Union. The table below shows that these economies had significantly lower level of competitiveness than other Euro countries. Access to Euro-zone based on cheap financial opportunities let these countries to disregard this competitiveness gap for more than a decade. It has a serious price: the threatening turbulences are consequences of postponed response to this gap.
- Statistical correlation demonstrates a strong link between competitiveness and prosperity beside historical events: variation in business competitiveness rankings explain 82% of the variation in GDP per capita<sup>††</sup>.

**Table 1 Competitiveness Rankings for Euro-zone members**

	1996 <i>WEF Growth Competitiveness Ranking</i>	2006 <i>WEF Global Competitiveness Ranking</i>	2011
<b>Belgium</b>	25	24	19
<b>Germany</b>	22	7	5
<b>Ireland</b>	26	22	29
<b>Greece</b>	39	61	83
<b>Spain</b>	32	29	42
<b>France</b>	23	15	15
<b>Italy</b>	41	47	48
<b>Cyprus</b>	NA	49	40
<b>Luxembourg</b>	5	25	20
<b>Netherlands</b>	17	11	8
<b>Austria</b>	12	16	18
<b>Portugal</b>	34	43	46
<b>Finland</b>	16	6	7

Source: EuroStat, WEF, Management and Accounting Web (MAAW)

The message of these examples is enforced by the economic crisis of 2008 and its circumstances. Economic fortune of industries and locations depend on their success to reconstruct their activities and institutions, and the success of political regimes depend on their ability to offer acceptable perspectives for citizens.

Global competition cannot be prevented by money, closure or oppression. Imbalances like public debt and trade deficit raise the cost of buying delay to reconstruct through public spending. Strong

<sup>††</sup> Porter (2007)

interconnectedness of economies and strengthening competition of global regions constrain the political appeal and feasibility of protectionist solutions like tariffs, legal barriers, home biased regulatory regimes. Free flow of capital, information and people across countries minimizes the political viability of oppressive solutions like constraint on political movements, freedom of speech, free move of people. Political alternatives of promoting productivity, attractiveness and innovation loose ground, thus claim on competitiveness oriented policy toolkits is thriving.

This increasing interests on competitiveness enhancing policies rises the question how competitiveness initiatives could be inbuilt into government activities successfully. This article focuses on the constraints and opportunities of successful adoption and implementation of competitiveness initiatives and not on the optimal content of pro competitiveness agenda. The competitiveness industry (e.g. national and international policy makers, academics, think tanks, governmental organizations) offers several solutions to fill up the competitiveness policy package but analysis on the dissemination and delivery of these kinds of packages define a niche for an intellectual venture – that is to be settled by this article.

Analysis on the obstacles and the options of pro business, pro entrepreneurship agenda in public sphere connects to the broader question: how ideas and knowledge can be effective to shape public decisions and institutions for enhancing competitiveness. Feeling the deepness and weight of this question we try to keep our project on the pragmatic side and discuss what experts and scientists can do to successfully support the improvement of competitiveness of their community.

We take two important notes before starting the discussion:

1. For entering the public arena it is vital to see that concept of competitiveness is a normative one. The public activities stem from this concept can be disadvantageous for several economic and social actors, so political actions against these initiatives are essential and natural parts of public life. These policies can also conflict with other normative concepts like safety, sustainability, equity etc. Consequently supporting any competitiveness initiative means entering into the political ground where good intentions conflict with almost as good ones. Working for competitiveness lobby is not superior thus rules of political game must not be broken. On the other hand supporters of an initiative may use the ways and means that are allowed in the political game that is inevitable for victory. Political actions cannot be enforced outside of political sphere, thus successful competitiveness initiatives require respect and acceptance of rules of the game inside the public sphere and the application of artillery that is available in this realm.

2. Private actions without any intended intercourse with the state or with any other public institutions frequently may have robust impact on the competitiveness of a community. Business decisions, innovations, private reactions to the changing economic environment shape the competitiveness. From pragmatic point of view it does not matter if private actions or public actions have higher impact on competitiveness. The real question is not if air force or artillery can win a battle. There are two questions from the pragmatic aspect of competitiveness enhancement:
  - i. What kind of action does contribute more effectively to the goal of competitiveness? For example: how can we use better 10 million € additionally: should we spend it on lobby activity to cut red tape or should we invest in technological innovation in a private company.
  - ii. How can we improve the efficiency or efficacy of certain activities to increase their expected impact on competitiveness? For example: what should be done to reach a more robust and enduring impact utilizing our resources to lobby against red tape or to motivate entrepreneurship.

We deal with the second question. It is investigated in this article how a given activity to pursue a competitiveness initiative could be more effective. The focus is even narrower: we study activities that are intended to improve competitiveness through public action that would like to get an impact through modification of allocation, regulation, administration or other practices of the state and its agencies.

Success of policy initiatives to enhance competitiveness depends on the implementation and delivery. Consequently the applicability of concepts on competitiveness policy improves if the actors who and the framework that shape ideas into public actions are considered. We draw up a concept for this consideration, which includes an analysis of relevant actors and institutional framework. This concept may highlight the political and economic context of competitiveness initiatives.

There are three exercises before discussing what the practical implications are if we apply an approach that encompasses political environment of policy issues:

1. We need a framework to outline what competitiveness initiatives and policy are;
2. We should define what the specificities of actions, actors and framework in the case of competitiveness policy;
3. We have to find the political consequences of these specificities.

## **Content focused competitiveness initiatives and policy**

This article avoided to deal with the exact definition of competitiveness that is not by accident. Vitality of competitiveness definitions depends on their applicability consequently good definitions define targets, domain and indicators. These are policy declaration tools, instruments to organize and motivate policy packages. Thus the most useful definitions are not pure analytical constructs but carefully constructed boxes of well developed and equipped toolkits.

It is the normal way of life that normative concepts are defined in the context of their application. Equity, fairness, welfare, well being, sustainability, community, mobility, safety, entrepreneurship etc. – looking through the development of these ideas we can see that scientific efforts may have impact outside of the academia if their results are found applicable in practical life. Even the best normative approaches are invisible if they cannot leave their campus. No normative approach can exist disregarding its social and political context.

Table 2 sums up some widespread concepts of competitiveness. All of these have a conceptual framework as a basis and a practical list of indicators and/or proposed measures. Beside these each has a background industry offering measurement, benchmark, good practice, consultancy, events and public support for clients. This intellectually and organizationally well developed sector has a problem similar to the diet industry. Guides, recipes and appetite suppressants have a flourishing market but mostly without impact on body weight. Usually the proposal is right but the client does not follow it precisely or he gives it up early.



**Table 2 Definitions, orationalizations of competitiveness by leading institutions,**

INSTITUTION	DEFINITION	FACTORS/PROPOSALS	MISSION OF ACTIVITY
<b>WEF</b> <i>Global Competitiveness Report</i>	“the set of institutions, policies, and factors that determine the level of <b>productivity</b> of a country”	<ul style="list-style-type: none"> <li>• Institutions</li> <li>• Infrastructure</li> <li>• Macroeconomic environment</li> <li>• Health and primary education</li> <li>• Higher education and training</li> <li>• Goods market efficiency</li> <li>• Labor market efficiency;</li> <li>• Financial market development</li> <li>• Technological readiness</li> <li>• Market size</li> <li>• Business sophistication</li> <li>• Innovation</li> </ul>	“WEF is an independent international organization committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas”
<b>IMD</b> <i>World Competitiveness Yearbook</i>	“ability of nations to create and maintain an <b>environment</b> in which enterprises can <b>compete</b> ”	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Government efficiency</li> <li>• Business efficiency</li> <li>• Infrastructure</li> </ul>	“IMD aims to provide a truly global, practical perspective that helps leaders grow in their career and see the business world in a different way. We strive to provide innovative management education that challenges the status quo and contributes to sustainable high performance in an ever-changing world; and to be the learning partner of choice for outstanding companies worldwide, based on our deep understanding of their business challenges and our ability to offer relevant solutions”
<b>World Bank</b> <i>Doing Business</i>	“economic activity requires <b>good rules</b> —rules that establish and clarify property rights and reduce the cost of resolving disputes; rules that increase the predictability of economic interactions and provide contractual partners with certainty and protection against abuse”	<ul style="list-style-type: none"> <li>• Starting a business</li> <li>• Dealing with construction permits</li> <li>• Getting electricity</li> <li>• Registering property</li> <li>• Getting credit</li> <li>• Protecting investors</li> <li>• Paying taxes</li> <li>• Trading across borders</li> <li>• Enforcing contracts</li> <li>• Resolving insolvency</li> </ul>	“The <i>Doing Business Project</i> provides objective measures of business regulations and their enforcement across 183 economies and selected cities at the subnational and regional level.”
<b>European Union</b> <i>European Competitiveness Report</i>	“competitiveness is about stepping up productivity, as this is the only way to	<ul style="list-style-type: none"> <li>• Environment enhancing R&amp;D and innovation                             <ul style="list-style-type: none"> <li>○ Special emphasis on knowledge-intensive business services</li> </ul> </li> </ul>	“The aim of the report is to contribute to policymaking by drawing attention to recent economic trends and developments and by discussing policy implications”

	<p><b>achieve sustained growth</b> in per capita income — which, in turn, raises living standards”</p>	<ul style="list-style-type: none"> <li>• Resource (energy and carbon) efficiency</li> <li>• Accessibility and affordability of non-energy raw material</li> <li>• Synergies of industrial, competitiveness and competition policies</li> </ul>	
<p><b>Kaufmann Found.</b> <i>Good Capitalism, Bad Capitalism Framework</i></p>	<p>“all economies need some degree of <b>entrepreneurship</b> to generate radical innovation, yet they also need effective big firms to refine it and commercialize it on a mass scale”</p>	<ul style="list-style-type: none"> <li>• Easy to start and grow a business <ul style="list-style-type: none"> <li>○ Business registration</li> <li>○ Bankruptcy protection</li> <li>○ Access to finance</li> </ul> </li> <li>• Rewards for productive entrepreneurial activity <ul style="list-style-type: none"> <li>○ The rule of law, property and contract rights</li> <li>○ Avoiding onerous taxation</li> <li>○ Proper regulation</li> <li>○ Rewarding new ideas</li> <li>○ Government-supported R&amp;D</li> <li>○ Commercializing university inventions</li> <li>○ Rewarding imitation</li> </ul> </li> <li>• Disincentives for unproductive activity</li> <li>• Keeping the winners on their toes <ul style="list-style-type: none"> <li>○ Antitrust legislation</li> <li>○ Welcoming trade and investment</li> </ul> </li> </ul>	<p>“Our vision is to foster “a society of economically independent individuals who are engaged citizens, contributing to the improvement of their communities.” [...] we focus our grant making and operations on two areas: advancing entrepreneurship and improving the education of children and youth.”</p>

Sources: WEF, IMD, World Bank, European Commission, Kaufmann Foundation

Consequently these concepts focusing on measures to support competitiveness at national level do not define entirely competitiveness policy. There are one or more fields or policies mentioned in the concepts to enhance competitiveness. There is a shared assumption, which is reflected from the concepts in Table 1, that one of the key actors of national competitiveness is the government. The government cannot be considered as an economic actor. Government is rather a political actor embedded in multiparty democratic system. The competitiveness concepts disregard implementation, delivery and reception of policy elements. Thus a broader concept of competitiveness initiatives and policy is needed. This broader framework should focus not only on the content but on the two other aspects of public actions: actors and framework.

## **Outline for a concept including actors and institutional framework**

Proposed measures draw up the hills that are to be climbed. Actors are who take the efforts to get there and framework sets the paths and obstacles toward the peaks.

In proposals policy actions are usually defined by their intended outcome. In the domain and arena of policy there are some other aspects of public decision that are to be considered that describe the technical details of the measures. There are four key issues concerning ratification, implementation and application of policy: (1) scope of policy, (2) the mood of its progress, (3) the process of implementation and (4) the commitment behind the policy.

Study of actors is important not only because all public actions are outcomes from the interaction of actors. Competitiveness is characteristic of an individual, or a group of individual (i.e. an organization), thus the end of any policy for competitiveness is to change the abilities and motives of certain actors. Features of actors concerning policy actions can be summarized into four categories: (1) their position concerning the issue, (2) their involvement in the issue, (3) the characteristics of their decision, (4) the policy relevant impact on them.

Assessment of framework gives insights in two ways. On the one side it highlights how institutional machinery forms private intentions and ideas into public actions and rules. On the other side it opens the analysis to investigate how the existing institutional environment shapes future competitiveness autonomously without external intervention.

The following subchapters will review these three pillars of competitiveness policy framework presenting their key elements and discussing their consequences for successful fulfillment of policy goals. Three important remarks:

1. Actors and institutional framework are not separable: actors shape the framework (consciously and unconsciously) and they are specified by their position in the framework. Rules frame the players and players shape the rules.
2. This analysis focuses on public policies that include public authorities. Private initiatives may have a robust role in shaping competitiveness of organizations or communities - authors guess that this effect is more powerful than it is usually assumed. The only reason for disregarding it is that we study public policies that are actions with dominant participation of public bodies.

In this concept the analysis of competitiveness policy focuses on

1. Initiatives and measures to enhance competitiveness. They will be discussed first as the action of policy.
2. Actors who (i) take effort for or against an initiative or a measure to rise competitiveness, and (ii) realize the change of their competitiveness. Their roles in policy making and decisions will be discussed then.
3. Institutional settings have at least two facets. One of them shape implementation and delivery of measures initiated to rise competitiveness, and the other shape autonomously and directly the future competitiveness of the community.

Accordingly, we can formulate the core questions that are to be answered concerning a given competitiveness initiative or policy:

1. What should be done to improve the competitiveness of a social entity?
2. Who supports and obstacles measures to improve competitiveness?
3. Whose competitiveness is to be improved?
4. What risks are defined by the framework of policies and how they could be mitigated?
5. How could the autonomous, self-shaping processes of institutional framework be modified in order to support continuous strengthen of competitiveness?

After the discussion the three pillars of the concept (action, actor, framework) it will be applied for the competitiveness policy.

## Action

The core task of policy planning is to elaborate the details of an intended policy action. This exercise is not technical at all. Decisions on the scale, speed, level and guarantee of a certain policy raise serious questions that all connected to two fundamental trades-offs:

- Trade-off between probability of success and magnitude of impact – more focused measures with more compromise and slower implementation are more probable to get through but these have lower impact and less energy to give impetus for competitiveness enhancement through indirect or symbolic effects
- Trade-off between political gains and successful implementation – Successful implementation requires politically costly conflicts and compromises, it need symbolic involvement of influential stakeholders who may 'steal the show'. On the other side political gains would lead to more powerful political position, so this opportunity motivates opponents or rivals to increase the price of neutrality or to attack against the initiative.

The investigation of actions in this concept focuses on aspects that influence the implementability of public actions: scope, mood, process and commitment.

### Scope

Scope refers to the comprehensiveness, sequence, deepness, abstraction level, and conditionality of the measure. In one scale we can say that a scope is heavy or light.

Light scope means that the preparation, implementation and application of a certain public action is straightforward and well observable. Lightness of scope does not equal easiness of public action: A BBC program on family cars once formulated the idea that it is easy to design a good sport car: get a stronger engine and a better design. It is more complicated to design a family car where applications and expectations are far more complex.

**Table 3 Assessment of the scope of a policy action**

SCOPE	light				heavy
<b>Comprehensiveness</b>	targeted				extensive
<b>Sequence</b>	one shot	sequential			continuous
<b>Formability</b>	assets	formal rules	state functions		thoughts
<b>Abstraction level</b>	specified				abstract
<b>Conditionality</b>	universal				conditional

These features can be assessed on a scale. In the case of formability the distinction between categories is more informative. Thus this aspect not defined on a scale but on the target of the intervention. Allocation or reallocation of assets is relatively easy, put it simply it needs only power. It is more difficult to revise formal rules because these (1) are technically embedded into a web of other rules and institutions and (2) politically involves more aspects and actors to take care of. It is more complicated to modify public machinery that is responsible for preparation, implementation and application of public actions because of the same technical problems and due to the influential position of public administration that is hard to be overestimated. Rules of public actions that are coded into the brain of people are the hardest to change with public act. Thoughts like expectations, heuristics, conventions, norms are in the zone where the key wizard of public acts – enforcement ability – has not real power.

## **Mood**

Mood shows if a measure is conflict seeking, activist, fast, visible, and unique. It can be harsh or smooth in general.

Harsh actions are on the front pages, invite emotions, open conflicts, create momentum, open new agenda, and symbolically attack the status quo. Smooth actions are the opposite, these are almost secret, seek avoiding tension, and apply small maneuvers (called some minimal technical refinement) declare acceptance of stability.

Mood and content are not always consistent. It is frequent that slight modifications of policy are presented as revolutionary launching of new era or radical policy changes are smuggled in with camouflage techniques. The choice of mood depends on political strategy. This choice influences consequences through expectations. Smooth policies have smaller effect on expectations in general. Harsh policies can successfully generate overreaction in expectations if they are credible – the commitments behind them are strong enough.

**Table 4 Assessment of the mood of a policy action**

MOOD	smooth	harsh
Conflict	defensive	offensive
Activism	reactive	proactive
Continuity	incremental	radical
Speed	gradual	sudden
Visibility	elusive	spectacular
Connection	single	connected to others

## Process

Process assesses the form of public action and the tractability of implementation. It can be scored on the scale of implementability as easy or hard.

Political action means modification of rules of practice. Put it simply there are five basic layers in changing rules of practices: laws as purely political decisions of elected representatives, decrees as measures enacted by political leaders of administration, orders and directives of executives and managers, practice and heuristics used by operators.## If a public action needs changes at one level that does need serious rearrangements on other arrays, the process of implementation is easy. If several levels are to be modified, it is far tougher to get through.

Actions are observable if the compliance of instructions can be checked ex post through other channels than the report of the agent who was responsible for the execution. Observability of outcomes refers to the ability to measure the outcome of the performance independently from the direct stakeholders. Implementation and application are important to distinguish because it may happen that change of rules does not have the intended effect on its adaption. Visibility of actions and outcomes are to be separated too because diligently implemented changes do not guarantee the expected change in practice because of failures in design or hidden resistance of management or executive level.

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## Wilson

**Table 5 Assessment of the process of a policy action**

PROCESS	easy	hard
Multiplicity of targeted levels (law, decree, order, practice, heuristic)	one level	all level
Observability of actions in implementation	observable	unobservable
Observability of actions in application		
Observability of outcomes in application		

The observability of actions and performance are key elements of Wilson's theory on bureaucracy.<sup>§§</sup> He distinguishes administrative organizations following these dimensions. Organizations are more similar to private companies where processes can be defined and incentives can be linked to outcome. In procedural organization the rules dominate, in craft organization the culture of achievement is the key driver and in coping organization there is a strong 'getting through the issue' approach.

**Table 6 The adequate bureaucracies by observability of procedures and performance**

		Observability of performance	
		high	low
Observability of procedures	high	production organization	procedural organizations
	low	craft organization	coping organization

More levels are involved into an action, less observable are the efforts (or their lack) in implementation process and less measurable the relation between the public action and the performance. Consequently the organization behind the multi-layer political acts can be categorized as coping ones that focus on survival instead of result or prudence.

## Commitment

Commitment describes the guarantees behind a measure. Guarantees can be political, institutional, economic, social or external. Based on strength of those the commitment can be firm, fragile or powerless. Fragility refers to situations when guarantees are there but their basis is not strong enough. Sometimes guarantees are there but no one expects them to function in case of need.

The strength of the **political guarantees** depends on the following factors:

<sup>§§</sup> hivatkozás



- The possessor of political power can lose a lot political votes if they do not enact the promised action, do not enforce application or tries to withdraw, postpone or replenish it
- The rival political forces cannot get political momentum committing themselves to nullify or radically modify the action.
- The action has a strong support from dominant and well organized interest groups.

**Institutional guarantees** can be based on the following devices:

- The steps and outcomes of implementation and application are observable for external parties.
- The legal and organizational roots of the action and the resources that ensures implementation and application are shielded enough to prevent attempts to revise it.
- Effective enforcement devices ensure retaliation against attempts to neglect or breach the rules defined by the action and this retaliation poses a credible threat against to prevent these attempts.
- The design of rules and institutions that put the action into force are flexible enough to keep against the pressure and/or to accommodate easily and predictably to the foreseeable changes in the political, economic, social, international, environmental or in other spheres.

Economic, social and external guarantees are based on the danger of disadvantageous consequences in case of inadequacy of action delivery. It may have several forms. Some examples for illustration:

- Withdrawal of assets (like capital or labor force) from the economy;
- Ruin of incentives for investment, development, innovation and entrepreneurship;
- Loss of economic potential against rival economies;
- Opting out from the legal economy into hidden activities or inactivity;
- Rise of social unrest, violence, legitimacy of rules and order;
- Environmental threat.

It is important that these guarantees work only if the correspondence between mismanagement of the action and the disadvantageous consequence is adequately strong, visible and accepted by political stakeholders.

**Table 7 Assessment of the commitment of a policy action**

<b>COMMITMENT</b>	<b>firm</b>	<b>fragile</b>	<b>powerless</b>
<b>Political guarantees</b>			
<b>Institutional guarantees</b>			
<b>Economic guarantees</b>	firm	fragile	powerless
<b>Social guarantees</b>			
<b>External guarantees</b>			

### Summing up – Slope can be steep or slight

The proposed concept assesses political action in four aspects, regarding their scope, mood, process and commitment. As we could see these aspects can support us to evaluate if a given political action is simple or difficult to implement and apply.

**Table 8 Evaluation of a policy action**

<b>ACTION</b>	<b>simple</b>	<b>difficult</b>
<b>SCOPE</b>	light	heavy
<b>MOOD</b>	smooth	harsh
<b>PROCESS</b>	easy	hard
<b>COMMITMENT</b>	firm	fragile powerless

A difficult action needs remarkable and concentrated efforts to put into effect even if it seems to be minor one politically. At the other extreme a simple action does not mean straightforwardly that it is easy to implement because the obstacles created by involved actors or built into the framework of implementation and application can wreck them.

### Actors

The core task of analysis on actors is to assess the feasibility and political gains of a certain public action. There are three questions to answer in this exercise:

1. How do actors influence feasibility of the implementation and application of a certain initiative or a policy?
2. How do actors influence the political gains of a certain policy?
- 3.
4. How do actors influence the effectiveness of policy from the perspective of competitiveness?

The sequence of questions is important: a policy cannot be successful without implementation, a normative intention of a policy is always secondary to its political gains because political actors will not support actions that are disadvantageous for them.

Of course, we never can say never, if we are so close to political issues as it is now. There are policies that results political gains or improves competitiveness despite of failure in implementation or application – mostly because of their impact on expectation or modifying the allocation of political power. It may

happen that political actors sacrifice their position (at least temporarily) in order to push through policies that are important because of normative stances. But these are exceptions that are usually based on unintended consequences. Thus, positive side effects of policy failure and suicidal motives of actors whose No. 1. strategy is survive will be disregarded in the analysis.

Actors in the policy game can be mapped by answering the following questions:

- What is the role of the most important groups concerning a policy?
- What are the outcomes for them?
- How does allocation of costs and benefits influence the policy process?
- How do features of involved groups influence the policy process?

Four analytical purposes, position, involvement, decision and impact will be introduced to support the mapping.

## **Position**

Position summarizes the characteristics of the actors that are external. Someone's position can be strong or weak concerning a policy based on evaluating motives, mindsets, assets and activities of actors.

This setting is a conventional rational choice based one that is supplemented with two aspects that is important when political issues are under scrutiny.

1. Procedural assets and social assets are included into the analysis. The former one reflects to the exclusive position concerning information, assets, goods or decision making processes. These aspects can be treated exogenously in an economic setting but in political analysis the significance of these privileges are independent from their value in the division of labor. These positions frequently revalue someone's situation in political games. Just think of the hidden jump in price of infertile lands or ruined houses when a road construction is planned. Social assets are important because these shape the motivation and ability of actors to participate in collective actions. More cohesive social groups and people with central position in social networks usually have an advantage in political participation.

2. Three types of activities are distinguished: public, private other regarding and private. This categorization separate three spheres of action. Now participation in public decision is the primary for us. Private activities are in the focus of economic analysis. That is important (1) because material aspects have crucial role in actors' evaluation on policies and (2) because we are intended to assess the link between policy and competitiveness in general. Private, other regarding activities are outside of this analysis, but we never should forget that political and economic view of acts disregard a lot of important aspects of human activity.

**Table 9 Mapping the position of an actor**

POSITION	<i>strong</i>		<i>weak</i>
<b>Motives</b> preferences, intentions, desires, identities, ideologies, endogenized norms	<b>Mindset</b> <b>Individual</b> knowledge, heuristics, expectations, beliefs <b>Social</b> identities, conventions, norms, informal rules	<b>Assets</b> <b>Physical</b> assets, physical conditions <b>Mental</b> knowledge, abilities, options, available technologies and supports) <b>Procedural</b> rights, location in information transmission or decision making processes, exclusivity of access to or supply of critical assets, goods, information <b>Social</b> status, relations, memberships, embeddedness	<b>Activities</b> <b>Public</b> politicians, administrators (operator, manager, executive), jurisdiction, lobbyists, political movements, voters; <b>Private</b> entrepreneurs, owners, managers, workers, consumers <b>Private - other regarding</b> world shapers, discourse shapers, social movements

## Involvement

Involvement describes the link between the actor and the policy issue in a question. It can be evaluated by inclusion, engagement, power and cost of participation. Involvement also can be conceptualized in a strong-weak scale.

Inclusion refers to the attachment between the actor and the content of the policy. Engagement indicates phase in which the actor gets involved into the policy game. Power reflects to the ability to support or obstacle an initiative. Cost of participation shows what efforts are necessary to activate the power of influence in the policy process.

There are three points that worth to highlight:

- target, affection and incorporation are not the same thing;
- involvement may differ in different stages of the policy formation;
- cost of participation is not simply about money.

It is important that being targeted, being incorporated and being affected are three different things.

There are policies when targeted groups are not incorporated, for example pupils and education policy.

- It is frequent that not the targeted group but some other ones are mostly affected by a policy. For example business support for small-sized enterprises to improve their ability to supply for big companies may have minimal positive effect on targeted firms because the benefits will be realized on the big ones due to their bargaining power.
- Some actors are incorporated into certain policies although they do not have direct stakes in it. Take legislator votes or administrative consultations where indifferent actors trade with their votes or voice in order to improve their position in other issues that are relevant for them.

Power and cost of participation are different for the same actor in different phases of the political action. Experts and ideology based groups can successfully raise issues and propagate policy proposals. Elected politicians and general interest groups have more influence and lower participation costs in the legislative process than others. Organizations of specialists have their cost advantages and influence in the phase of implementation and application. Jurisdiction has their momentum in case of conflicts concerning the application of public rules. Elephants may become mice and sardines may become whales in the policy process. The result of the influence fluctuation is that many actors have effective power to bar certain options but few (if any) parties have real influence to push through their issues completely.

Political participation is not for free. It is a well documented and deeply analyzed phenomenon.<sup>\*\*\*</sup> There are other currencies (costs) to be invested in political bargains too. Scarcity of time is crucial in principal-agent like situations when elected politicians and high level politicians are under time pressure and their

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<sup>\*\*\*</sup> See interest group theories

administration has several options to take advantage on it.<sup>†††</sup> Risk resistance of involved parties can differ dramatically. Risk proof groups (for example companies with locations in several constituencies) against losses (like employment hungry local or national governments who are afraid of losing jobs because of factory closures). Capacity for conflicts or reputation damaging events is different for actors too. Politicians loose this capacity with light speed proceeding toward elections, agencies or professions are more prone to collisions when their services becomes more demanded (like airport trade unions in vacation periods or police managers when issue of security becomes politically more important). These “technological” advantages or disadvantages vary with phases of policy process similarly to changes of influence and the consequences of this fluctuation are the same too.

Gains and costs of participation alter in the policy process. Distribution of this variation shapes strength of involvement.

**Table 10 Mapping the involvement of a policy actor**

<b>INVOLVEMENT</b>	<i>strong</i>		<i>weak</i>
<b>Inclusion</b>	<b>Engagement</b>	<b>Power to support/to block</b>	<b>Costs of participation</b>
Targeted	Initiator	Not relevant	Money
Incorporated	Participation in issue building,	Marginal, minor, considerable, strong	Time
Affected directly	Participation in bargaining and decision	Dominant	Risk
Affected indirectly	Participation in implementation,		Conflict
	Participation in application		Reputation
	Observably impacted		
	Unobservably impacted		

<sup>†††</sup> Wintrobe-Breton conceptualizes bureaucracy like a bargaining field where public executive have to offer several informal favors to subordinates in order to ensure timing and quality of delivery.

## Decision

Decision conceptualizes the key aspects of actions in the policy game. Four dimensions of an actor's decision are discussed: moves, attitude of actor, deepness, and sophistication of acting. These aspects are to assess if an actor's decision promotes or offends the intended political action.

This approach applies the logic of game theory to the concept presented above. Someone

- follows a strategy that is based on his/her position and involvement to reflect to the formation of a public action in a given phase of policy process.

OR

- his/her strategy reacting to the new information (s)he gets during the process.

There are two extensions included: (1) the frame of the game is not fixed, (2) the sophistication of decision may have different levels.

The actors can change the game in two ways. (i) They can consciously modify their position – for example a private actor can decide to enter the political arena or someone takes efforts to develop assets that are critical to improve his/her involvement in the policy bargaining. (ii) The other option is purely political: in public sphere the rules of the game are part of the game, so there is an option to break or attack the rules when it seems to be advantageous. Opening a new dimension in the policy debate, pursuing incorporation of previously neglected actors, overthrowing closed deals – these are risky and costly steps but available and sometimes advantageous.

Sophistication of individual decision can vary between fast emotional decisions and effortful calculation and reasoning. The level of sophistication can be endogenized: the optimal amount of resources used for a decision depends on the expected stake of it. For us it is secondary to decide if these expectations and stakes or other factors direct the level of sophistication, what matters that it matters: some groups behave instinctively, other base their steps in policy steps on careful calculations.

**Table 11 Mapping the decision of an actor**

DECISION	<i>promoting</i>		<i>offending</i>
Moves	Attitude	Deepness	Sophistication
Issue building	Support or resistance	Direct reaction	Emotional
Bargaining and decision	Moderate or strong	Strategy modification	Heuristic
Implementation	Proactive or reactive	Revision of position	Rational
Application		Attack the rules	Reasoned
Revision			

## Impact

Impact on actors is important from the following angles: How does policy influence their position by satisfaction, reaction and competitiveness? Impact of policy can be assessed as positive (some advantage) or negative (some disadvantage) in general.

Usually impact on the future position directs if someone is satisfied with the given political action or not. This subjective evaluation change motivates reaction of actors that induces indirect policy effects.

The core of our analysis is the impact of policy on actors' competitiveness.<sup>†††</sup> Three aspects of individual competitiveness are introduced in order to incorporate the economic, the institutional and the dynamic elements of the issue.

Value creation refers not only to efficiency of activity (productivity) because concept of competitiveness always includes a normative element. This normative element is based on the notion that the given activity is socially beneficial. It depends on value judgment what is socially beneficial. In case of competitiveness the most straightforward approach is to distinguish productive activities and unproductive ones.<sup>§§§</sup> The former ones focus on improving quality, cutting production and transaction costs, developing new solutions and products. The latter ones seek options to increase incomes without effort through acquiring rents, privileges or other position based incomes. <sup>\*\*\*\*</sup>

<sup>†††</sup> If we would like to analyze the feasibility of actions from the aspect of one another normative concept, this framework could be used, only this element should be replaced.

<sup>§§§</sup> See Baumol entrepreneurship, and good-bad capitalism

<sup>\*\*\*\*</sup> Tullock, Robinson rent seeking society



Cooperation refers to the institutional aspects of economic actors. Value is created through cooperation when collaboration is to increase gain for each collaborating partner. There are two generic ways to increase gain from these activities: via deepening existing relations to cut transaction costs and broadening the relations by starting new ventures.

Challenge seeking reflects to the dynamic aspect of competitiveness. Competition represents a continuous pressure. Relative yields cannot be maintained without adaptability and innovation. They are must for renewal in the pressure of competition. Thus competitiveness of an economy is stronger when economic actors face challenges. It happens deliberately if the positive effects of them are more positive than the costs and risks associated to competition and innovation.

To assess the impact of a certain policy on competitiveness the following questions should be answered:

- How do assets and their forecasted yield change?
- How does return on productive and unproductive activities change?
- How do costs, risks and gains of existing economic relations change?
- What will be the costs, risks and gains of a newly established economic relation?
- How does of the rule of competition change?
- How does expected gain from innovation change?
- How does costs and risks of innovation and competition change?

**Table 12 Mapping the impact of an actor**

IMPACT	<i>positive</i>	<i>negative</i>	
<b>Position</b>	<b>Satisfaction</b>	<b>Reaction</b>	<b>Competitiveness</b>
<b>Change in</b> <ul style="list-style-type: none"> <li>• motives</li> <li>• mindset</li> <li>• assets</li> <li>• activities</li> </ul>	with the <b>content</b> of action <ul style="list-style-type: none"> <li>• direction</li> <li>• magnitude</li> </ul> with the <b>characteristics</b> (scope, mood, process, commitment) of action  experienced <b>impact</b> of action	Induced steps to modify <b>private activities</b>  Induced steps to modify <b>public activities</b> (characteristics as public actors: position, involvement, decision in public issues)	<b>Value creation</b> <ul style="list-style-type: none"> <li>• focus of activity</li> <li>• efficiency of activity</li> </ul> <b>Cooperation</b> <ul style="list-style-type: none"> <li>• deepening</li> <li>• broadening</li> </ul> <b>Challenge seeking</b> <ul style="list-style-type: none"> <li>• innovation</li> <li>• competition</li> </ul>

## Actors' impact on the feasibility and success of policies

The role of given actors in policy process and its impact on them can be assessed by the analytical concept that is summarized in the table below. We have to select which actors' situation is to be analyzed and these results are to be aggregated in order to respond the questions on feasibility, political and policy success of a given public action.

**Table 13 Mapping an actor in a policy process**

<b>POSITION</b>	<i>strong</i>		<i>weak</i>
<b>Motives</b>	<b>Mindset</b>	<b>Assets</b>	<b>Activities</b>
<b>INVOLVEMENT</b>	<i>strong</i>		<i>weak</i>
<b>Inclusion</b>	<b>Engagement</b>	<b>Power to support/to block</b>	<b>Cost of participation</b>
<b>DECISION</b>	<i>promoting</i>		<i>offending</i>
<b>Moves</b>	<b>Attitude</b>	<b>Deepness</b>	<b>Sophistication</b>
<b>IMPACT</b>	<i>positive</i>		<i>negative</i>
<b>Position</b>	<b>Satisfaction</b>	<b>Reaction</b>	<b>Competitiveness</b>

An actor is more important to assess if (s)he has

- higher influence;
- higher loss or benefit in absolute terms;
- higher loss or benefit relative to the size of the group;
- higher change in competitiveness

Influence equals the impact of decision and decision is based on involvement that is mostly shaped by position of actor. Consequently, these three aspects (position, involvement, decision) define together the influence of actors.

Loss or benefit of actors depends on the change of position and her satisfaction with the policy.

## Conclusions

The domain of competitiveness is well elaborated on its content side. Competitiveness initiatives and policies have not been examined from policy making and implementation perspective. This paper

provided a three-pillar concept for that. It may support our understanding on why nicely formulated competitiveness initiatives and policies fail in their implementation phase.

The paper described two pillars of the concept. One of them was the context of policy action and the other is the actors of the competitiveness policy. Both of them were discussed by aspects and scales. The aspects were defined to provide complete description. The formulated scales were to support the analysis and evaluations of each aspect. The concept of policy action and actors were consolidated. It was shown that each of them can be analyzed and evaluated by the discussed aspects, and the scaling. The summary and the consolidation of the results require a multidimensional exercise.

In the further research framework as the third pillar of the concept is to be elaborated. The characteristics of competitiveness policy are going to be described. Based on the three-pillar concept and the characteristics of competitiveness a conclusion will be drawn for the advocates of competitiveness. Its purpose is to highlight those traps that come from the policy nature of competitiveness policy.

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