

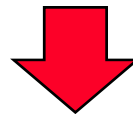
The Competitive Advantage of Nations: Implications for Nigeria

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*Institute for Strategy and
Competitiveness
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This presentation draws on ideas from Professor Porter's articles and books, including, *The Competitive Advantage of Nations* (The Free Press, 1990), "The Microeconomic Foundations of Economic Development," in *The Global Competitiveness Report*, (World Economic Forum), "Clusters and the New Competitive Agenda for Companies and Governments" in *On Competition* (Harvard Business School Press, 2008) and ongoing research at the Institute for Strategy and Competitiveness. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means - electronic, mechanical, photocopying, recording, or otherwise - without the permission of Michael E. Porter. Further information on Professor Porter's work and the Institute for Strategy and Competitiveness is available at www.isc.hbs.edu,

What is Competitiveness?

- Competitiveness is the **productivity** with which a nation uses its human, capital, and natural resources.
 - Productivity **sets the sustainable standard of living** (wages, returns on capital, returns on natural resources)
 - It is not **what** industries a nation competes in that matters for prosperity, but **how** it competes in those industries
 - Productivity in a national economy arises from a **combination of domestic and foreign firms**

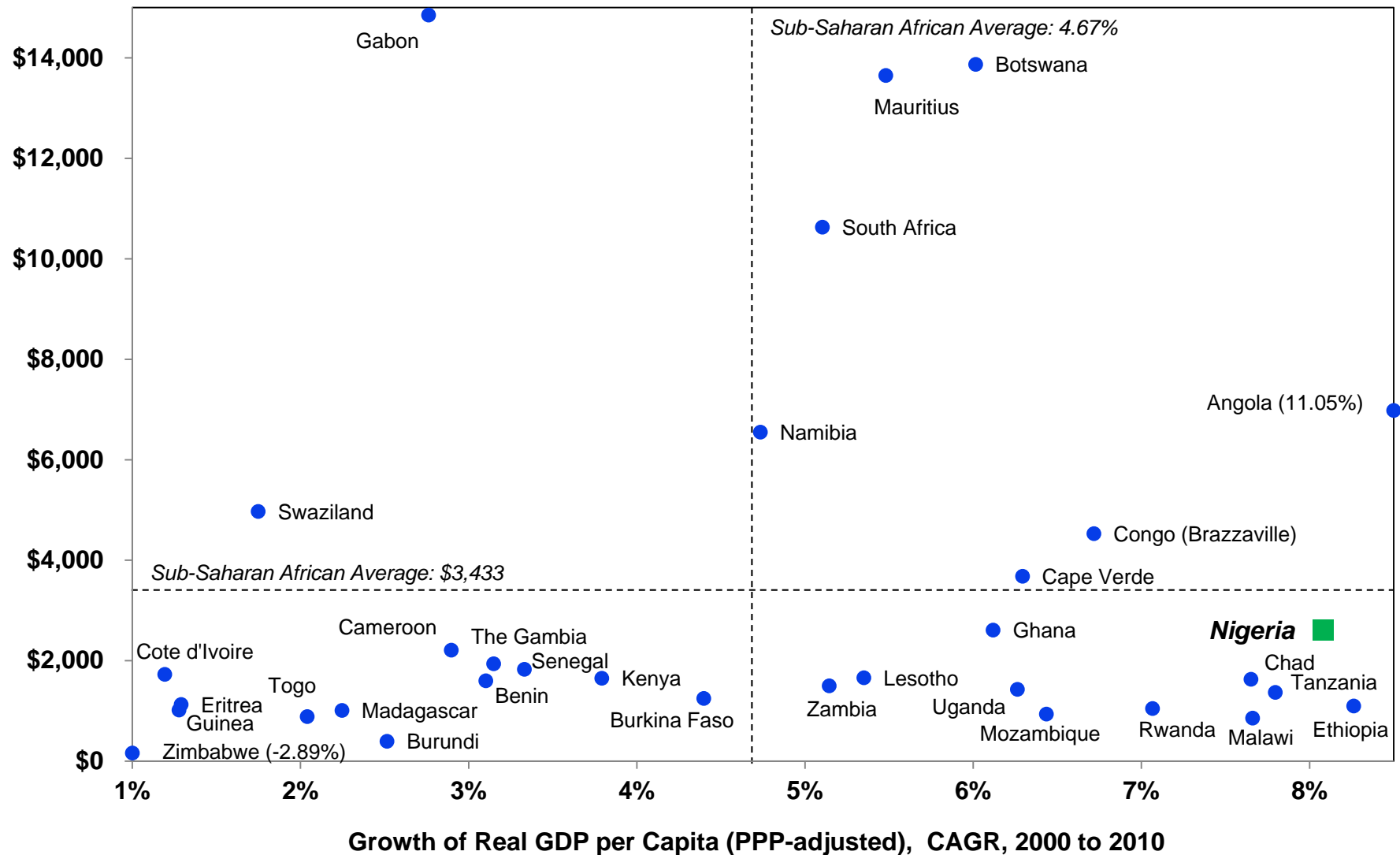


- Only business can create **wealth**
- Nations compete to offer the **most productive environment for business**
- The public and private sectors play **different but interrelated roles** in creating a productive economy

Competitiveness Challenges Facing Nigeria

Prosperity Performance vs. Selected Countries

PPP-adjusted GDP per Capita, 2010 (\$USD)

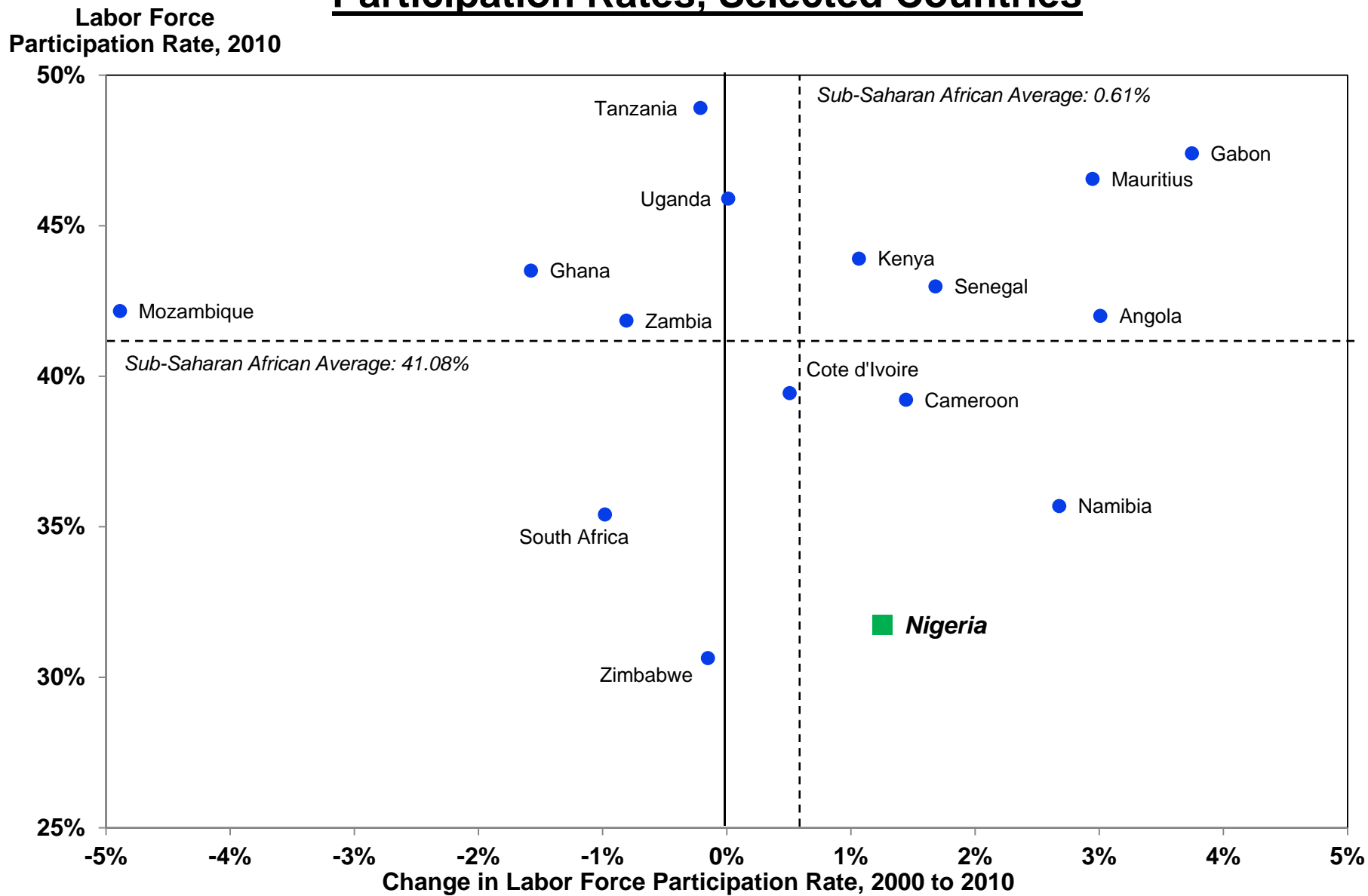


Source: EIU (2011), authors calculations

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Labor Force Utilization

Participation Rates, Selected Countries

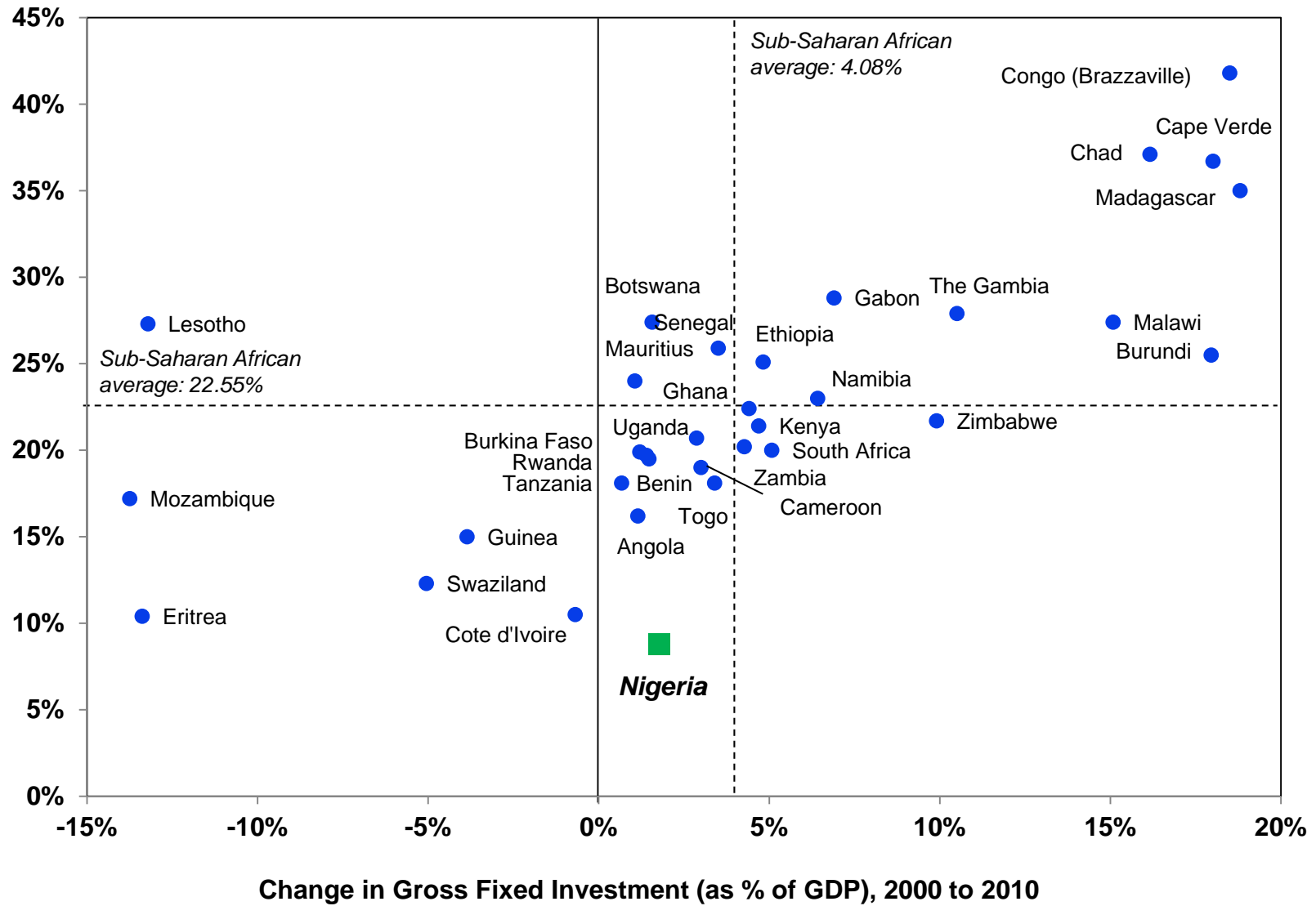


Source: EIU (2011), authors calculations

Domestic Investment Performance

Selected Countries

Gross Fixed Investment
as % of GDP, 2010



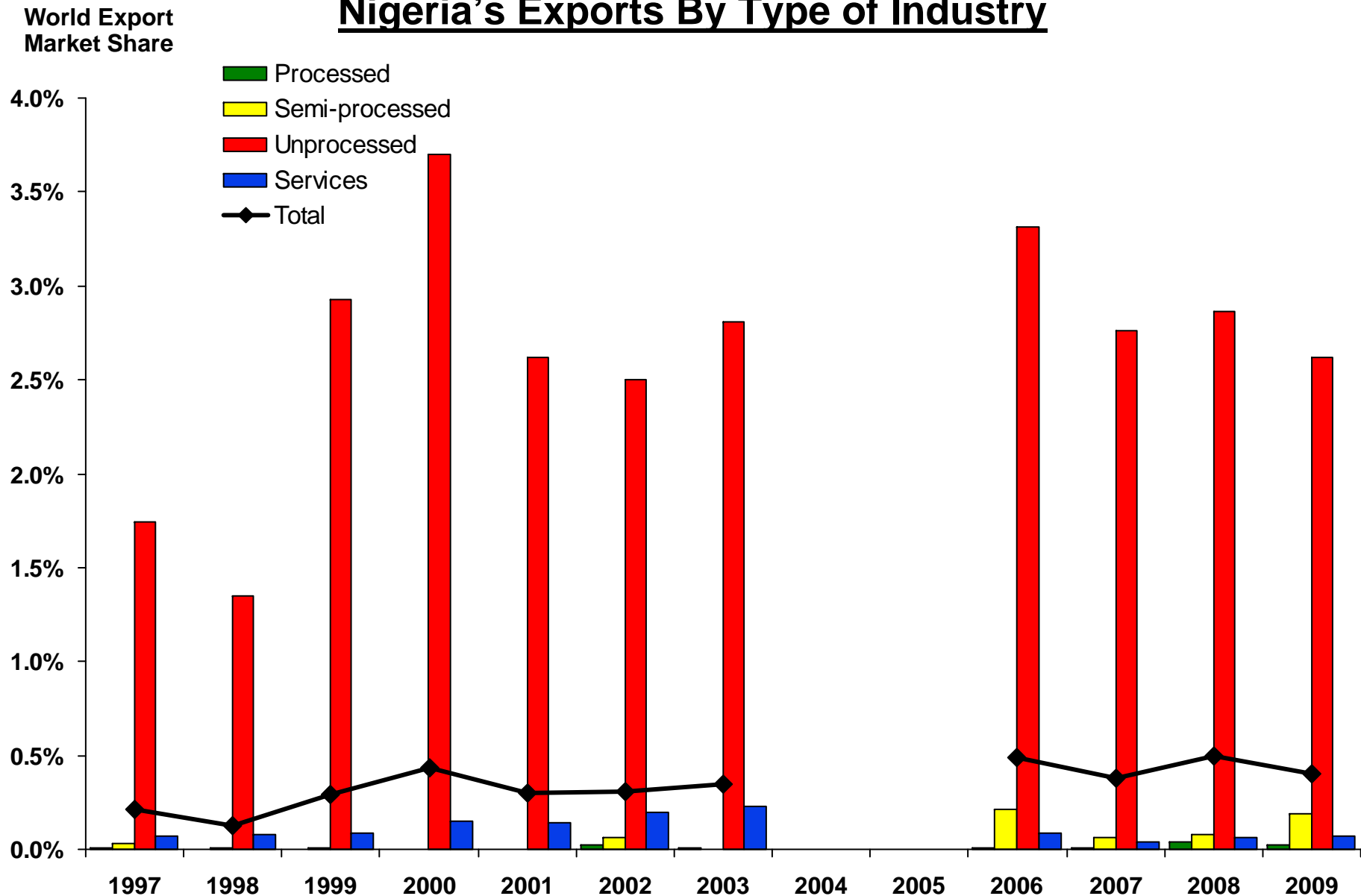
Note: Includes inbound FDI.

Source: EIU (2011)

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Composition of Exports

Nigeria's Exports By Type of Industry

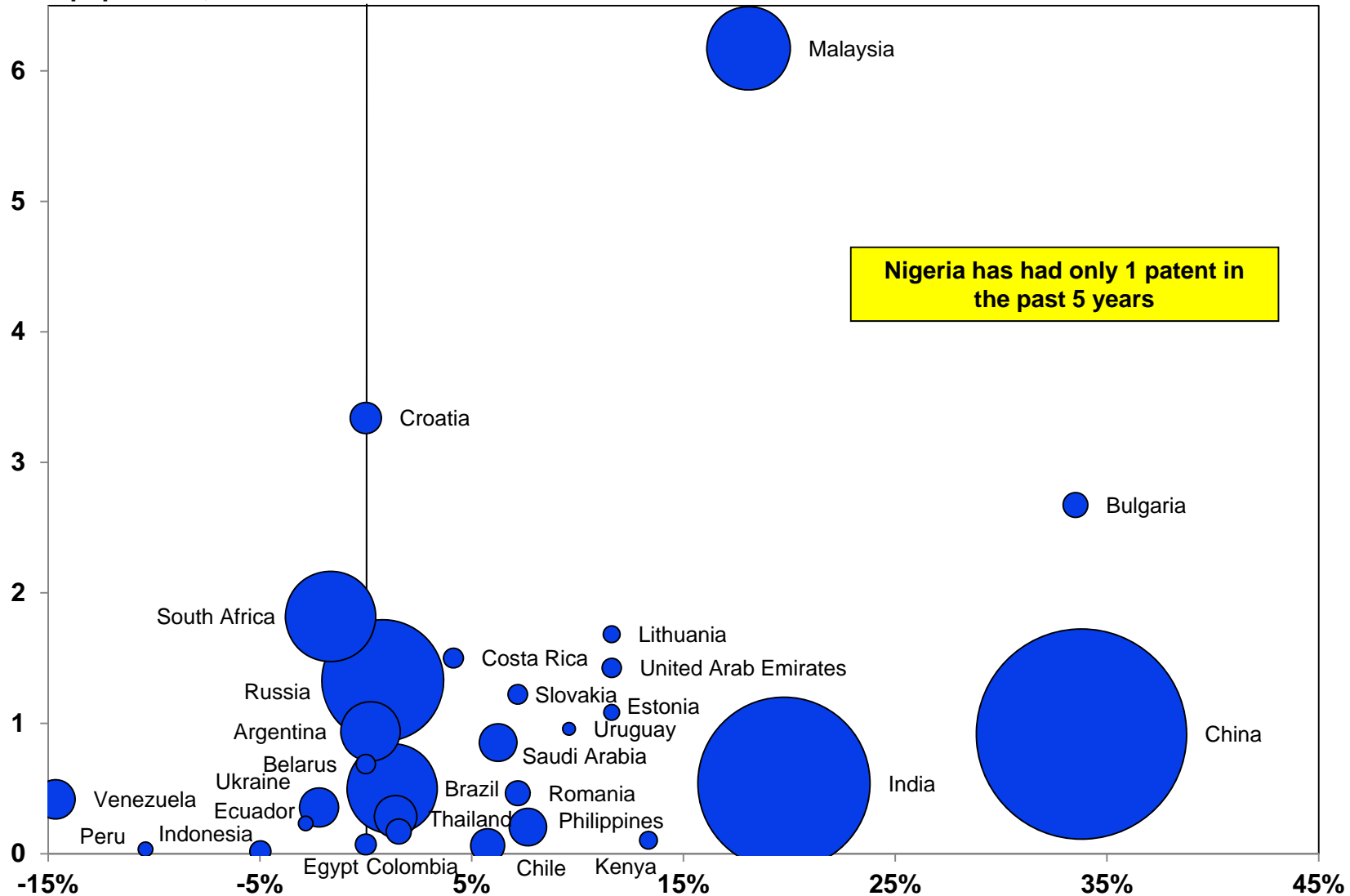


Source: Prof. Michael E. Porter, International Cluster Competitiveness Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director. Underlying data drawn from the UN Commodity Trade Statistics Database and the IMF BOP statistics.

Innovative Output


Selected Countries, 1999 to 2009

Average U.S. utility patents per 1 million population, 2007-2009



Nigeria has had only 1 patent in the past 5 years

CAGR of US-registered patents, 1999 to 2009

50 patents (avg. 1999 – 2009) = 

Source: USPTO (2010), Groningen Growth and Development Centre, Total Economy Database (2010)

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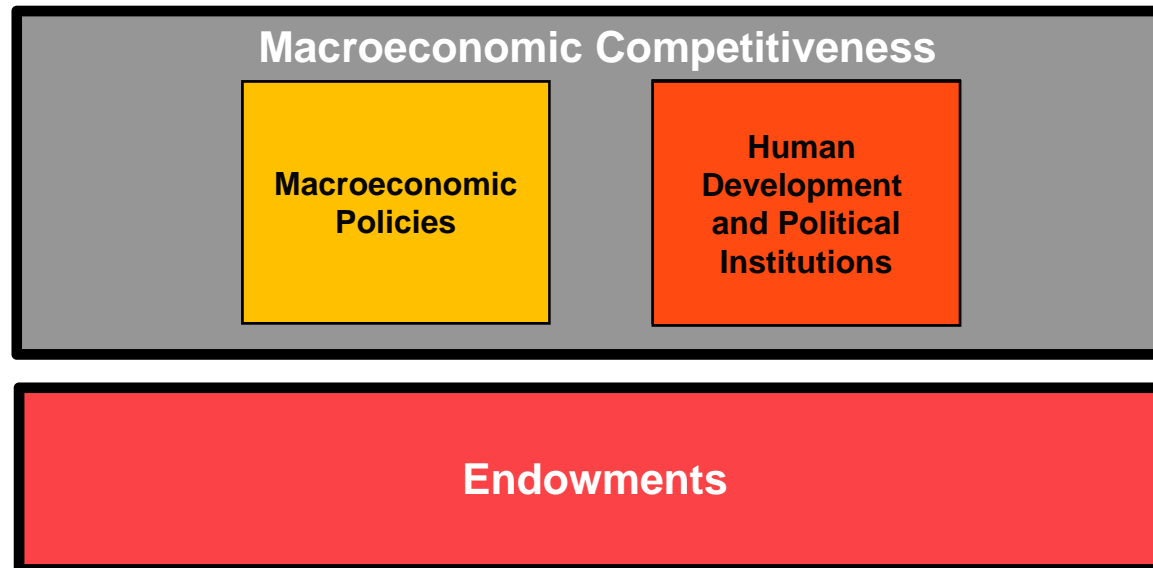
What Determines Competitiveness?



Endowments

- Endowments create a **foundation** for prosperity, but true prosperity is created by **productivity in the use of endowments**

What Determines Competitiveness?



- Macroeconomic competitiveness sets the **potential** for high productivity, but is **not sufficient**
- Endowments create a **foundation** for prosperity, but true prosperity is created by **productivity in the use of endowments**

Macroeconomic Competitiveness

Macroeconomic Policies

- **Fiscal policy**
 - Government surplus/deficit
 - Government debt
- **Monetary policy**
 - Inflation
 - Business cycle management
 - Savings

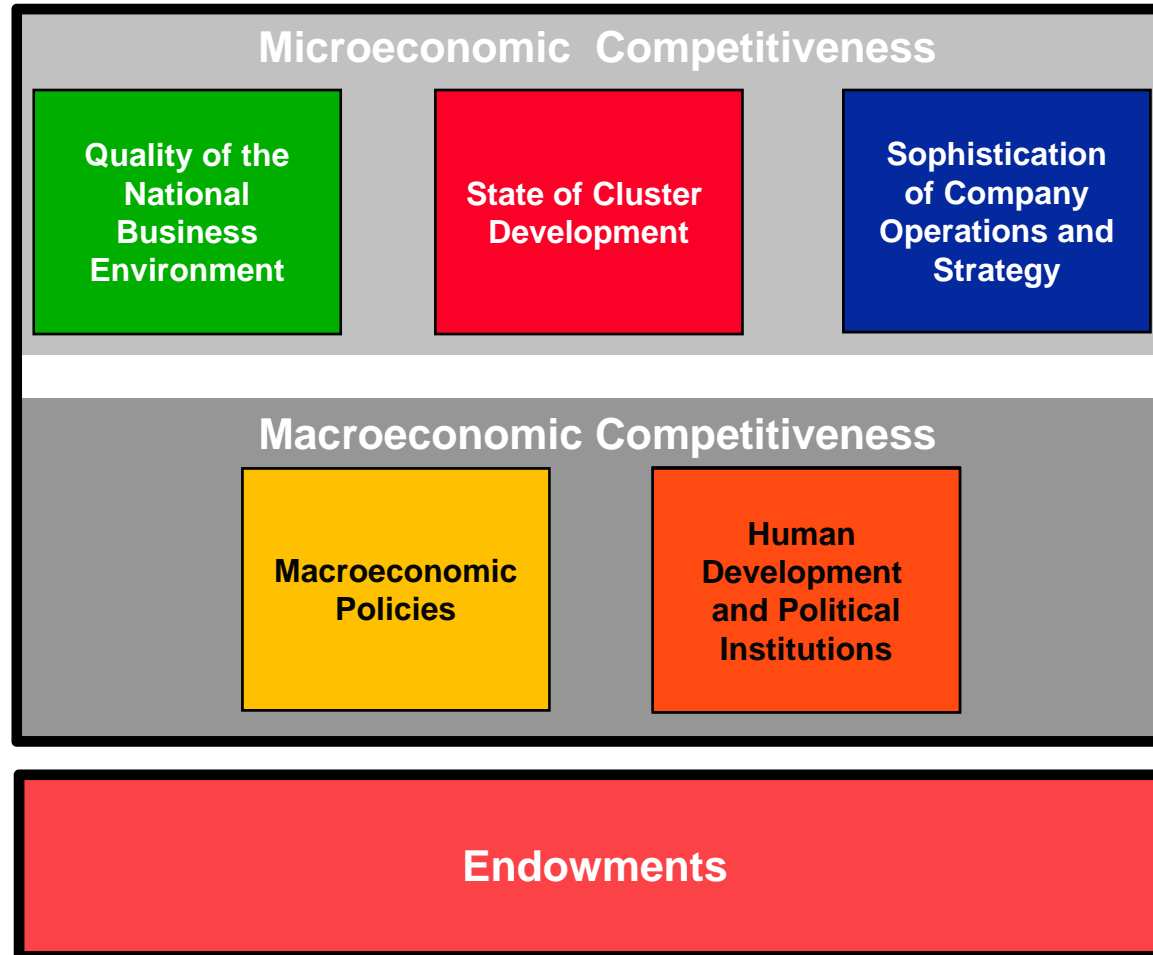
Social Infrastructure and Political Institutions

- **Human development**
 - Basic education
 - Health
- **Political institutions**
 - Political freedom
 - Voice and accountability
 - Political stability
 - Government effectiveness
 - Decentralization of economic policymaking
- **Rule of law**
 - Security
 - Civil rights
 - Judicial independence
 - Efficiency of legal framework
 - Freedom from corruption

Human Development Nigeria vs. Peer Countries

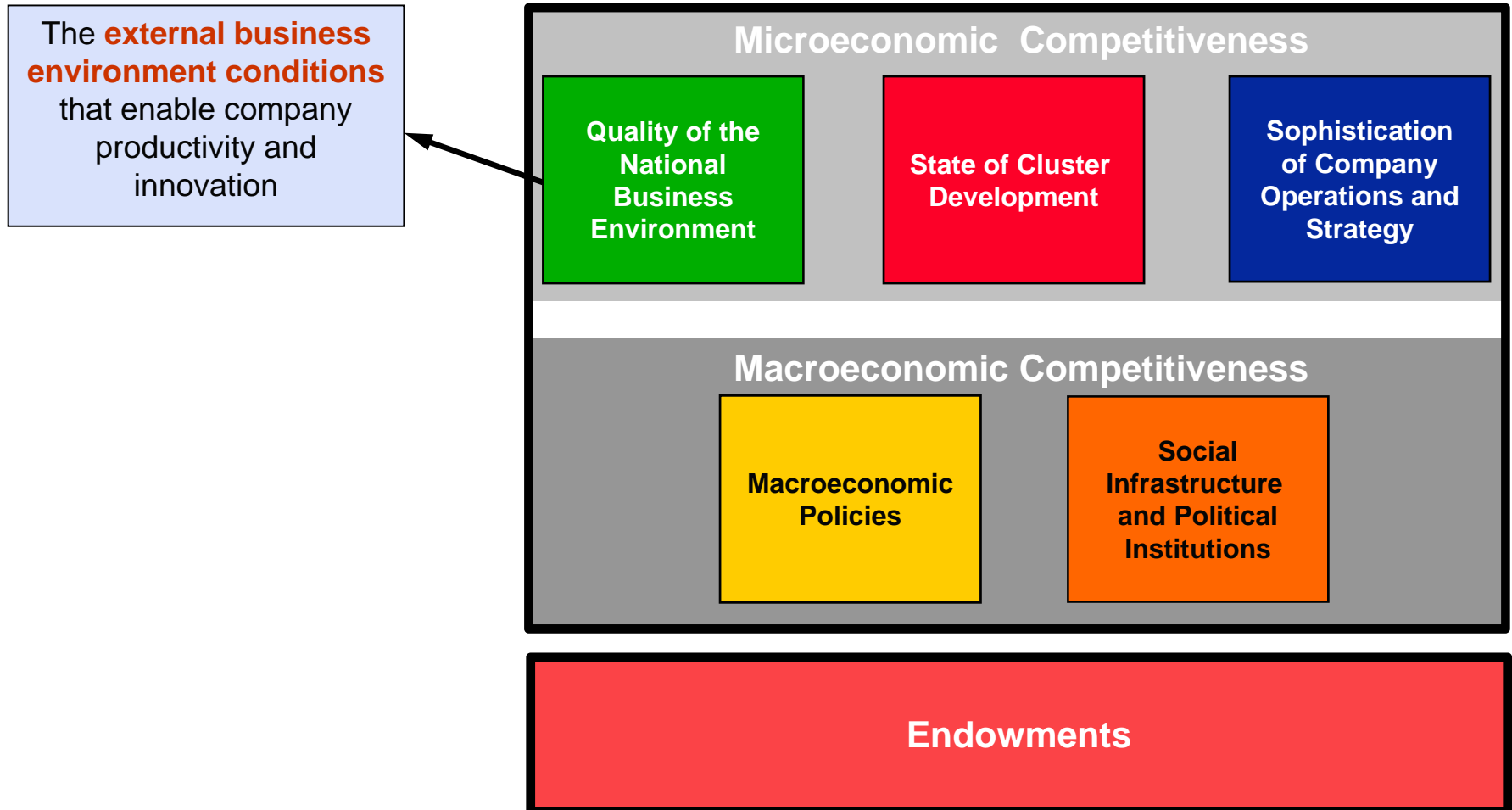
Country	GDP per capita rank	Human Development Rank	
		Life expectancy index	Education index
South Africa	61	164	80
Cameroon	102	165	121
Nigeria	100	173	134
Angola	73	176	164
Central African Republic	N/A	178	159
Chad	112	171	171
Niger	N/A	163	173

What Determines Competitiveness?

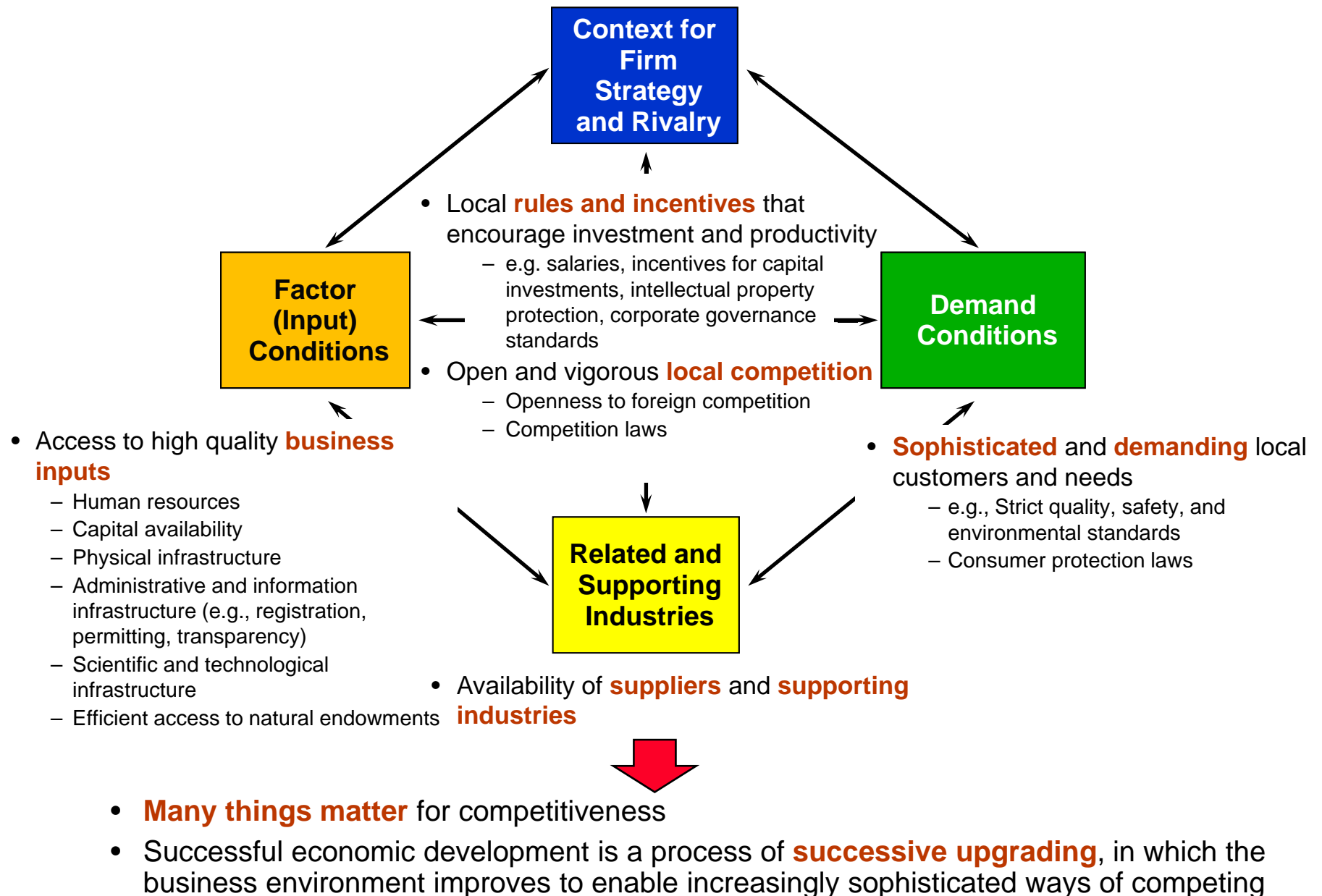


- Productivity ultimately depends on improving the **microeconomic capability** of the economy and the **sophistication of local competition**
- Macroeconomic competitiveness sets the **potential** for high productivity, but is **not sufficient**
- Endowments create a **foundation** for prosperity, but true prosperity is created by **productivity in the use of endowments**

What Determines Competitiveness?



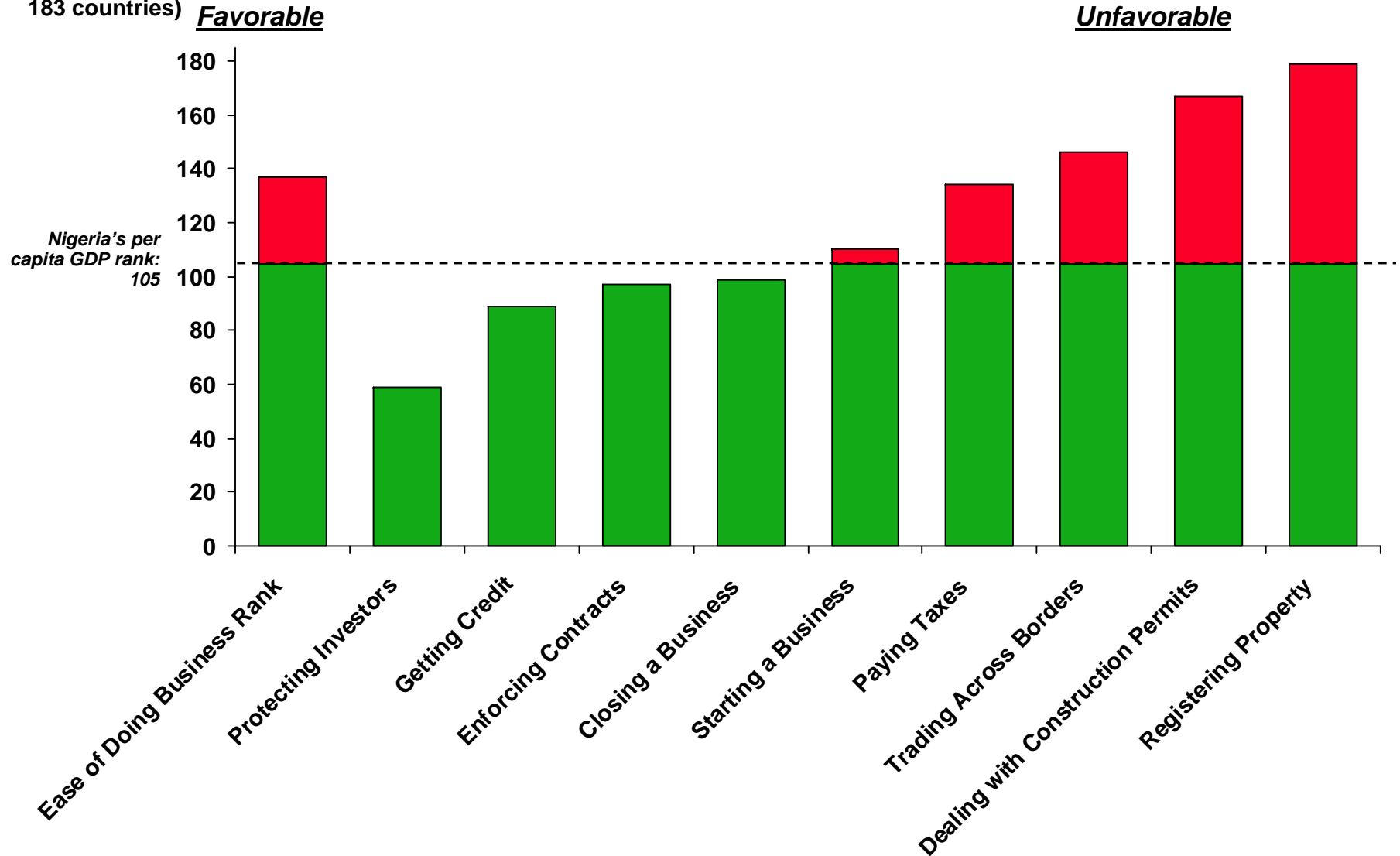
Quality of the National Business Environment



Ease of Doing Business Rankings

Nigeria, 2010

Ranking, 2010 (of 183 countries)

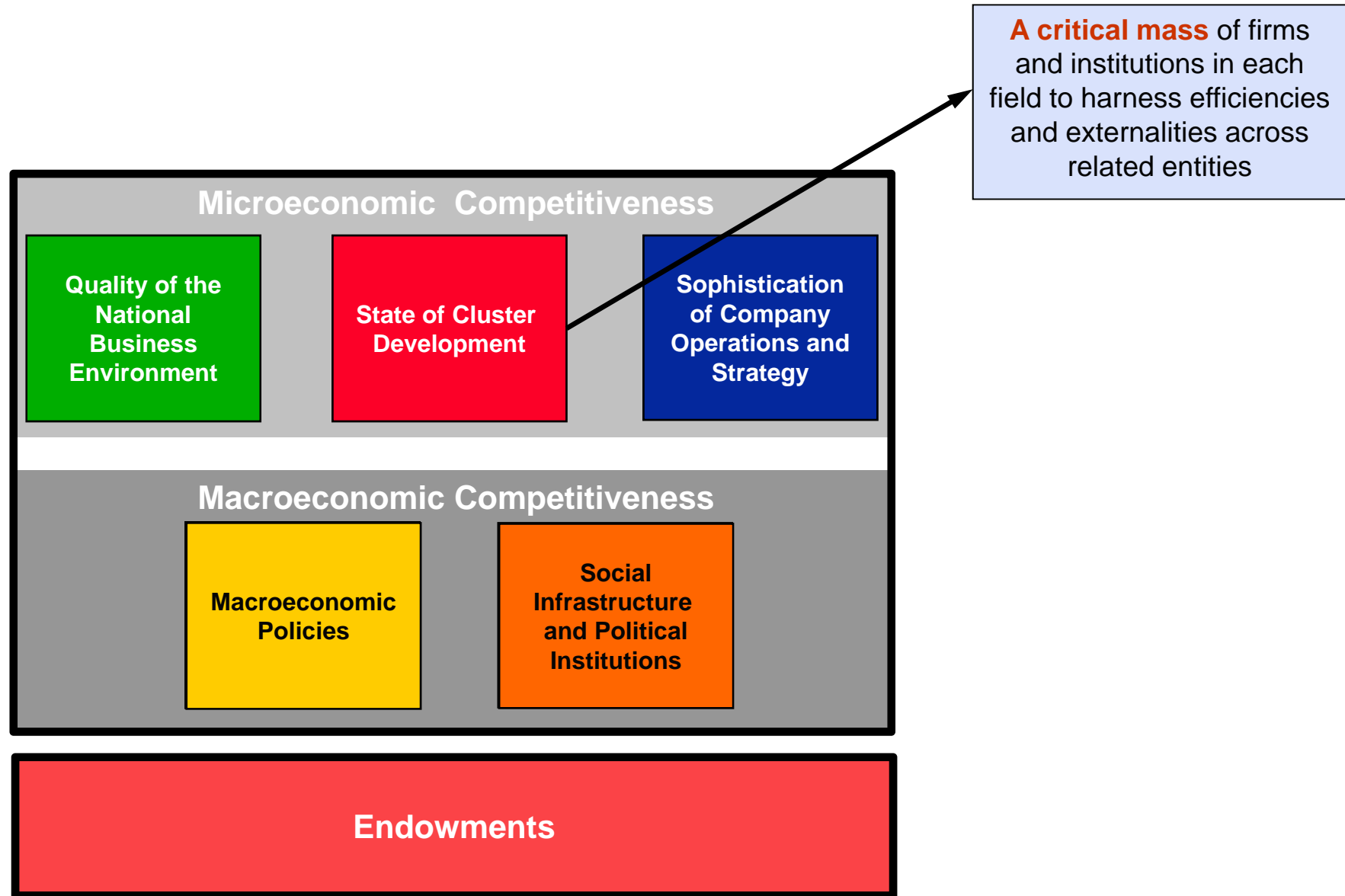


Note: 2010 index omits "Employing Workers" metric.

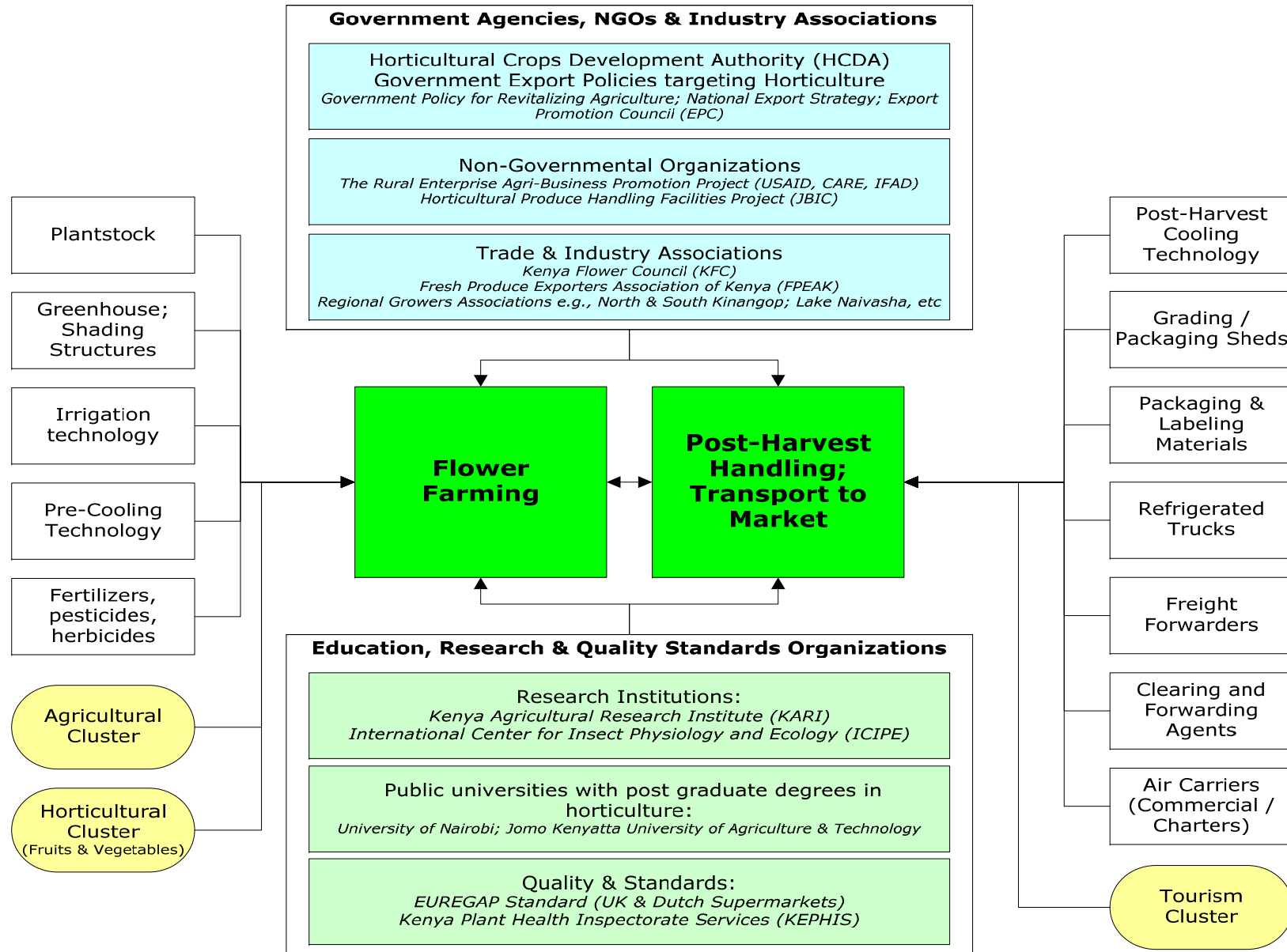
Source: World Bank Report, Doing Business (2011).

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What Determines Competitiveness?



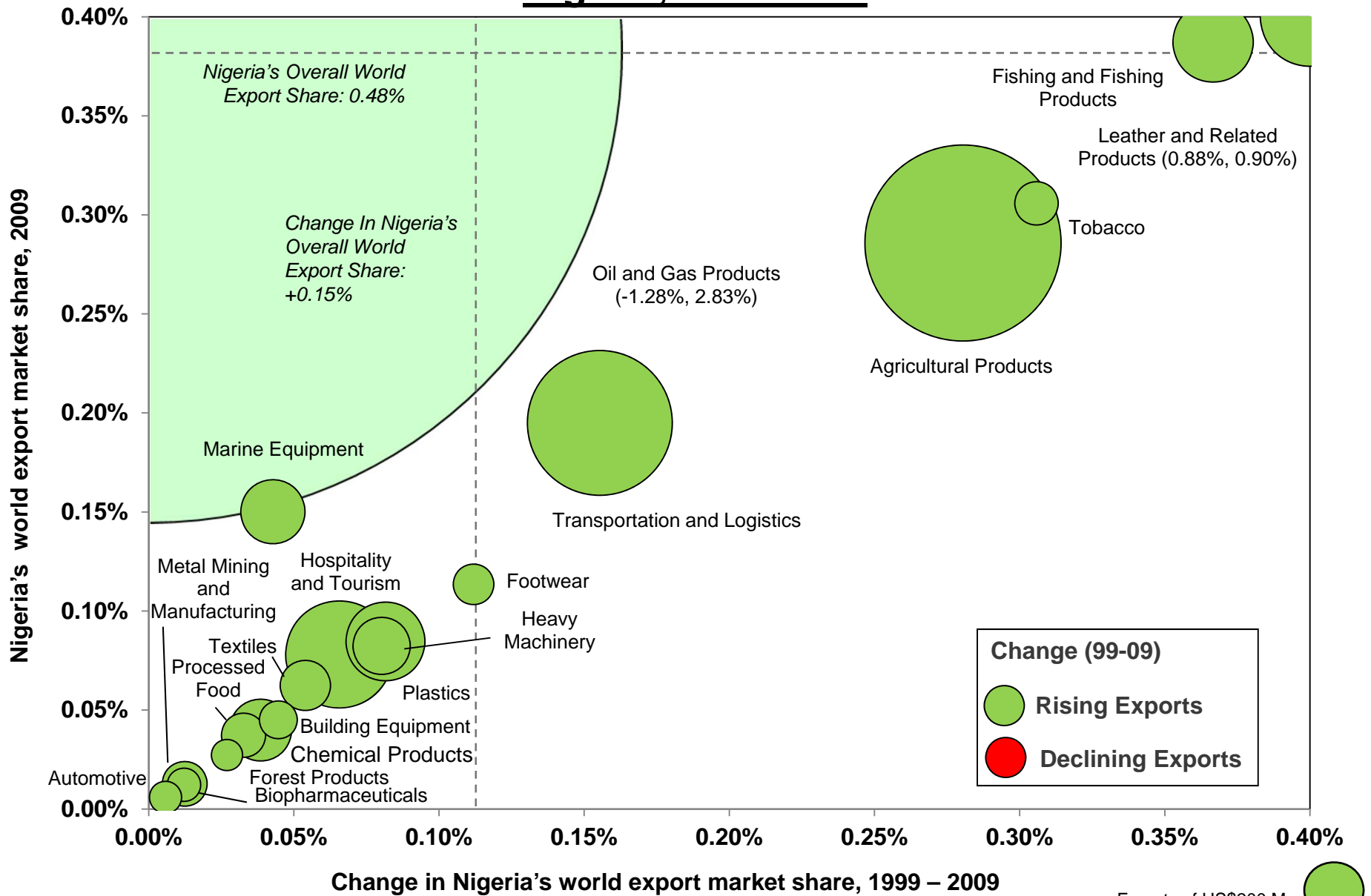
Kenya's Cut Flower Cluster



Sources: MOC student team research by Kusi Hornberger, Nick Ndiritu, Lalo Ponce-Brito, Melesse Tashu, Tijan Watt, Harvard Business School, 2007

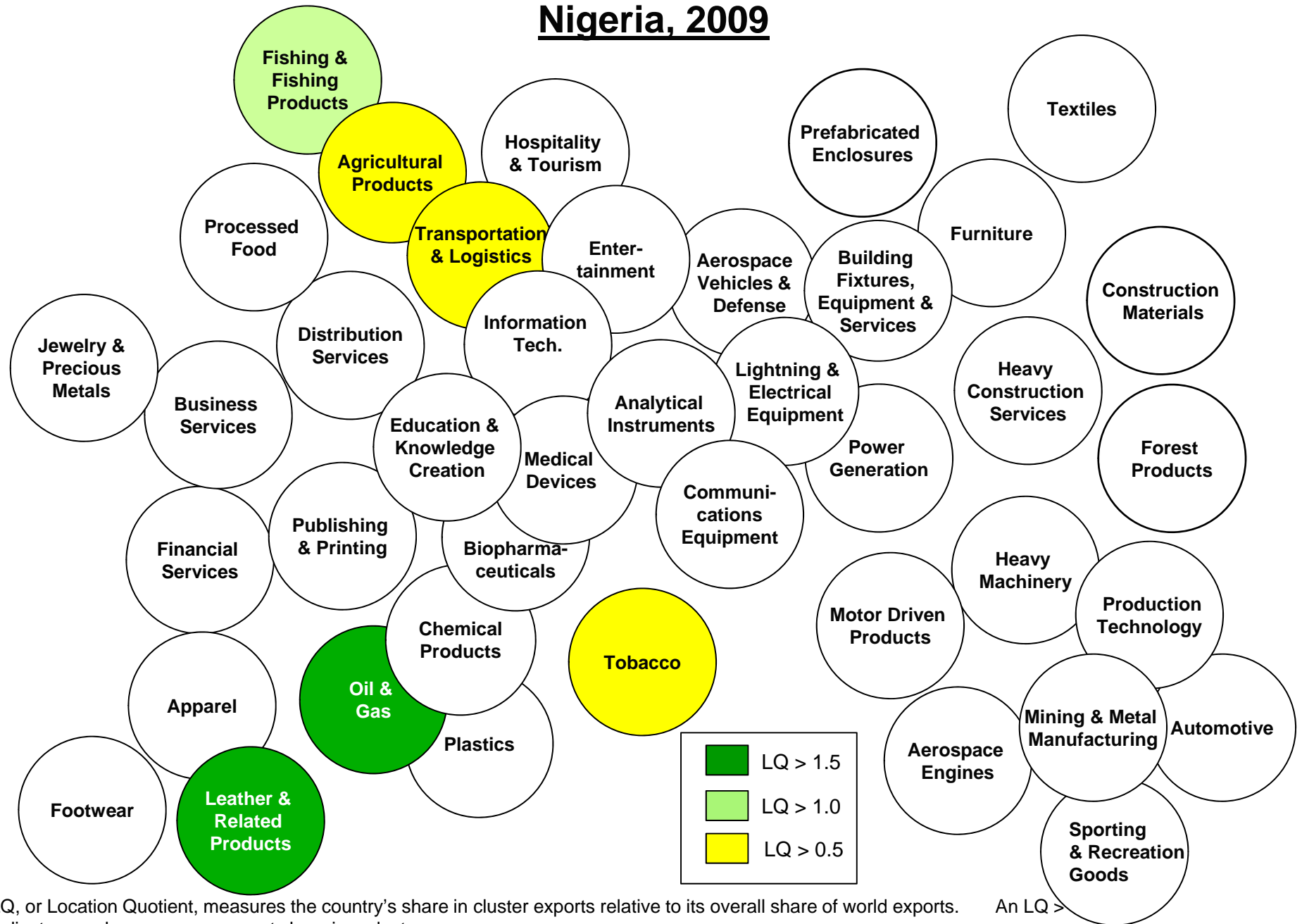
National Cluster Export Portfolio

Nigeria, 1999-2009



Source: Prof. Michael E. Porter, International Cluster Competitiveness Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director. Underlying data drawn from the UN Commodity Trade Statistics Database and the IMF BOP statistics. 20110808 – Nigeria CAON – version presented – Prepared by RA Stacie Rabinowitz

Cluster Linkages and Economic Diversification Nigeria, 2009

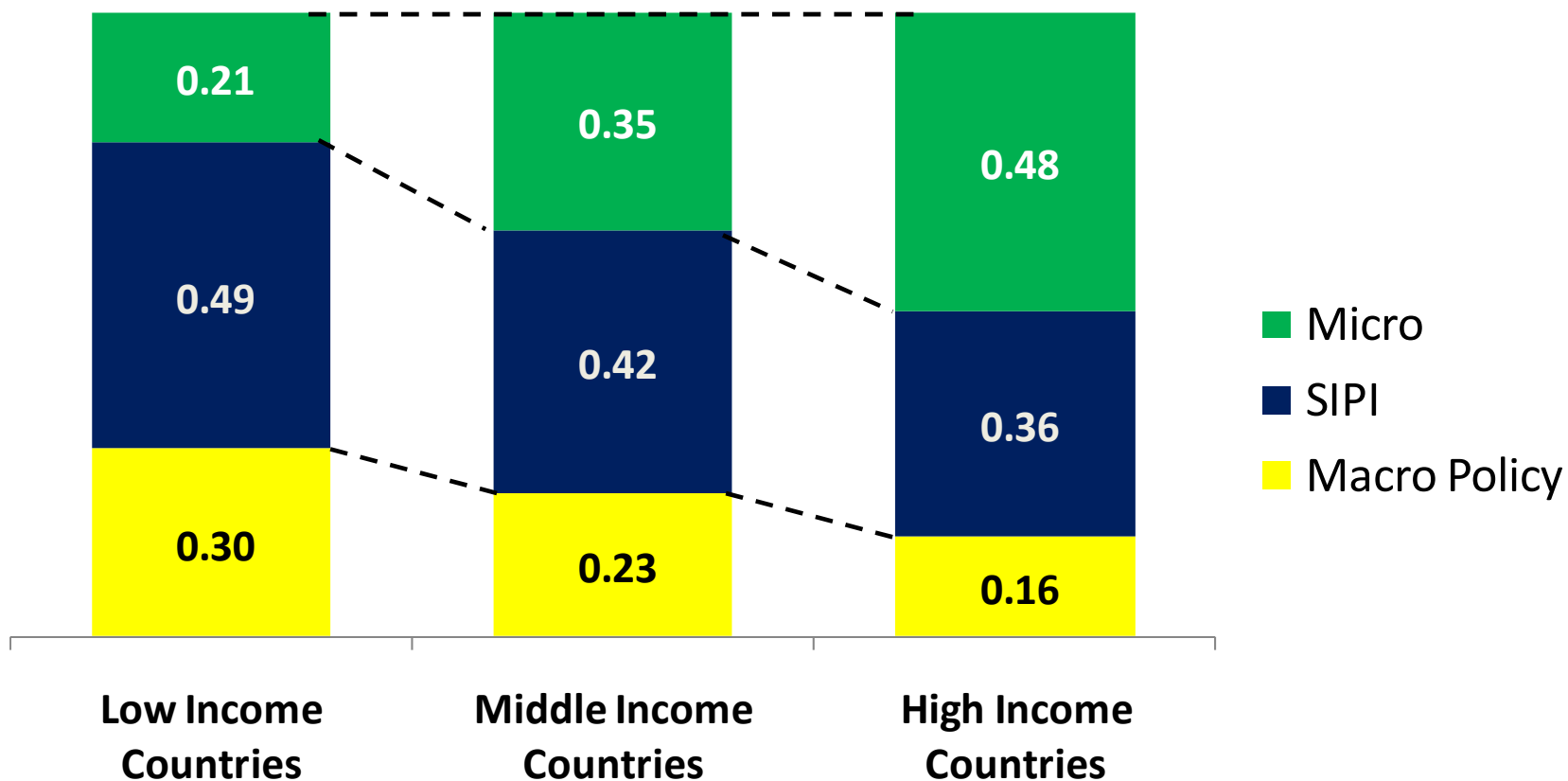


LQ, or Location Quotient, measures the country's share in cluster exports relative to its overall share of world exports. An LQ > 1.0 indicates an above average export share in a cluster.

An LQ >

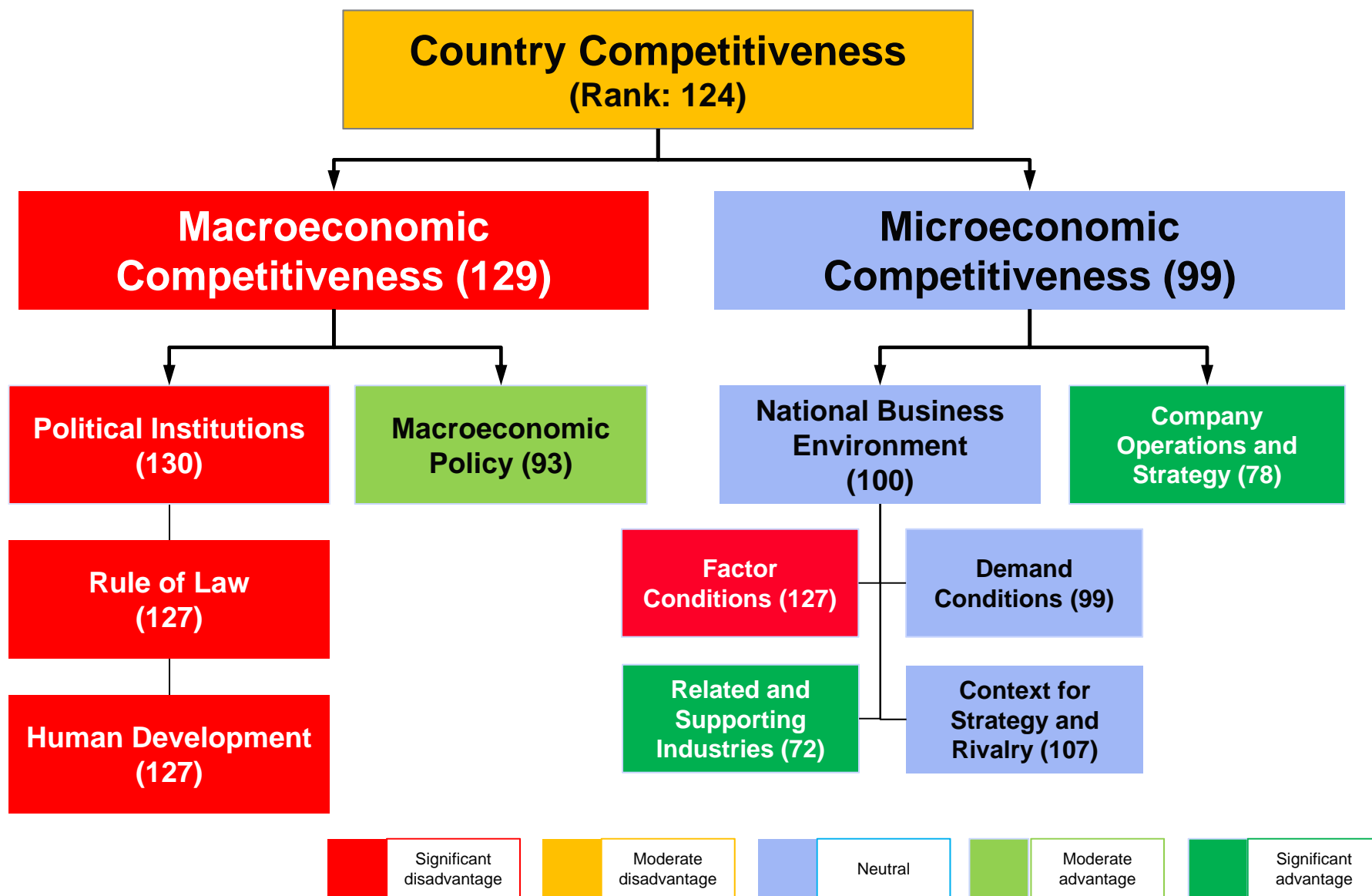
ISC Country Competitiveness Model

Subindex Impact across Stages of Development



Notes: - Weights in a linear model across all economies: Micro: 0.31, SIPI: 0.41, Macro Policy: 0.28
- Middle-stage weights are an average of Low- and High-stage weights.

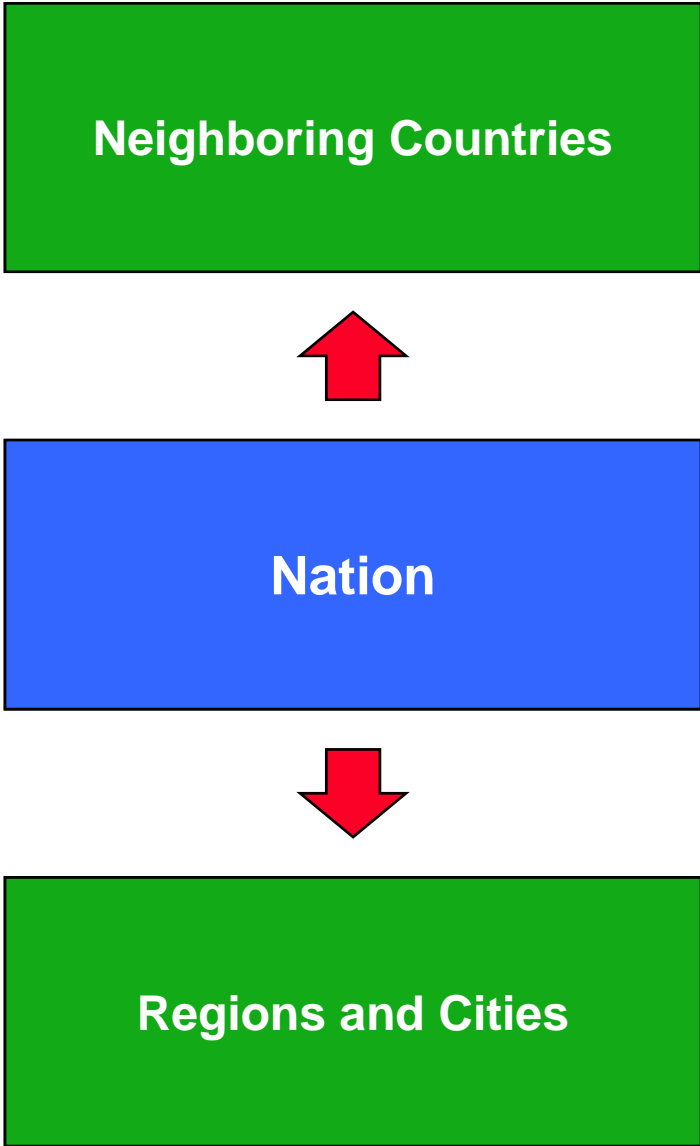
Nigeria's Competitiveness Profile 2010



Note: Rank versus 139 countries; overall, Nigeria ranks 105^h in 2010 PPP adjusted GDP per capita and 124th in Overall Competitiveness

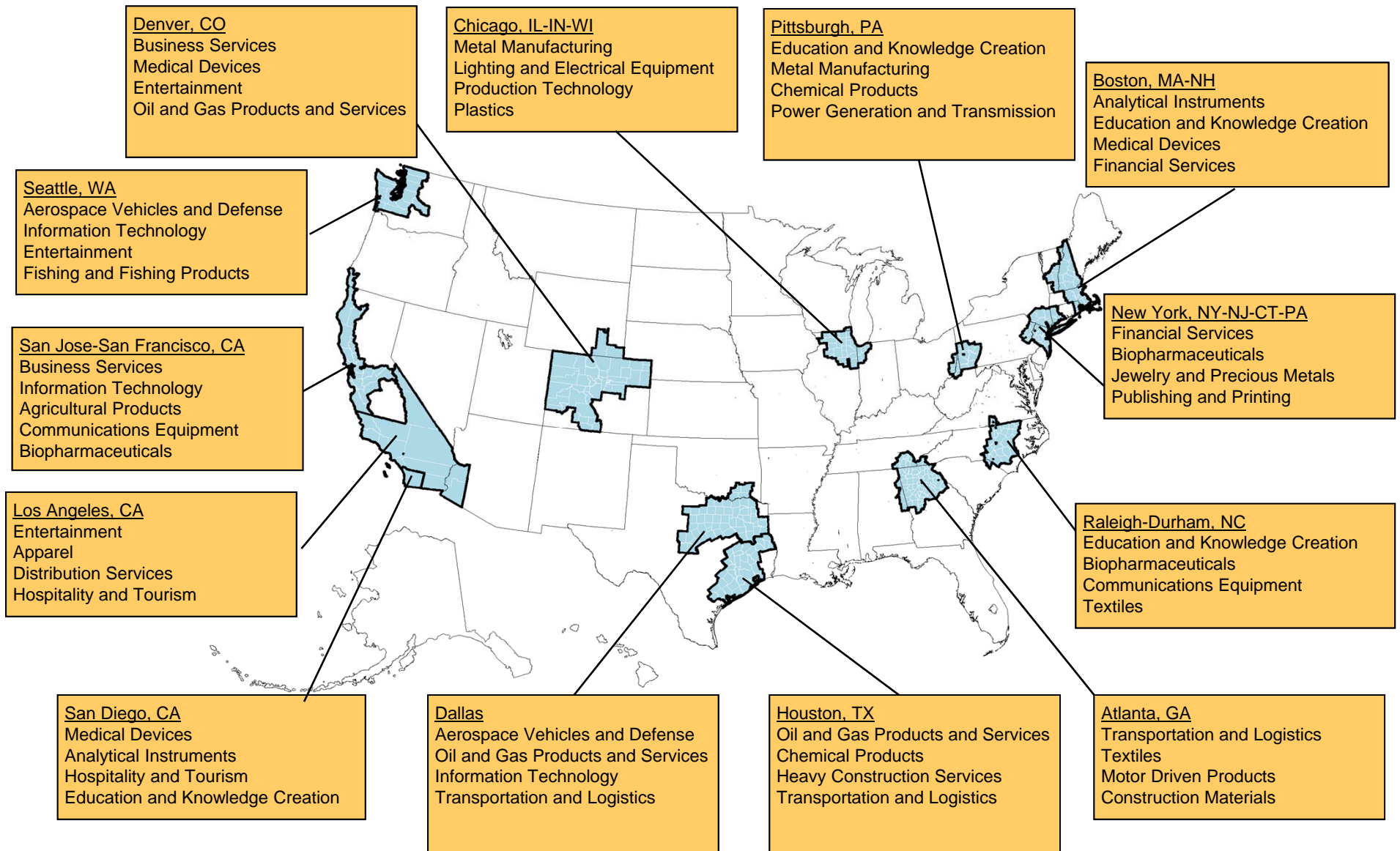
Source: Institute for Strategy and Competitiveness, Harvard University (2010), based in part on survey data from the World Economic Forum.

Geographic Influences on Competitiveness



Specialization of Regional Economies

Leading Clusters by U.S. Economic Area, 2008



Source: Prof. Michael E. Porter, Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director.

Competitiveness Upgrading Among Neighbors

Capturing Synergies

Business Environment

Factor Conditions

- Improving the efficiency and interconnectivity of **transportation infrastructure**
- Enhancing regional **communications**
- Creating an efficient **energy** network
- Linking **financial markets**
- Opening the movement of students for **training** or **higher education**

Context for Strategy and Rivalry

- Eliminating **trade and investment barriers** within the region
- Simplifying and harmonizing **cross-border** regulations, paperwork and visas
- Coordinating **antitrust** and **competition policies**

Demand Conditions

- Harmonizing **environmental** and **energy standards**
- Harmonizing product **safety standards**
- Establishing reciprocal **consumer protection laws**
- Opening **government procurement** within the region

Related and Supporting Industries

- Facilitating cross-border **cluster upgrading**

Macroeconomic Policy

- Coordinating **macroeconomic** policies
- Coordinated **financial market rules**
- Strong regional **development bank**

Political Institutions and Governance

- Sharing **best practices** in government operations
- Creating regional **institutions**
 - e.g., disaster relief
 - Dispute resolution mechanisms
 - Economic statistics
- Developing a regional approach with **international organizations**

Creating a National Economic Strategy

National Value Proposition

- What is the **distinctive competitive position** of a nation given its location, legacy, existing strengths, and potential strengths?
 - What unique value as a business location?
 - For what types of activities and clusters?
 - And what roles with neighbors, the region, and the broader world?

Developing Unique Strengths

- What **elements of the business environment** can be unique strengths relative to peers/neighbors?
- What **existing** and **emerging clusters** represent local strengths?

Achieving and Maintaining Parity with Peers

- What **weaknesses** must be addressed to remove key constraints and achieve parity with peer countries?

- **Priorities** and **sequencing** are necessity in economic development