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**Article**

## Rankings of international competitiveness in comparison

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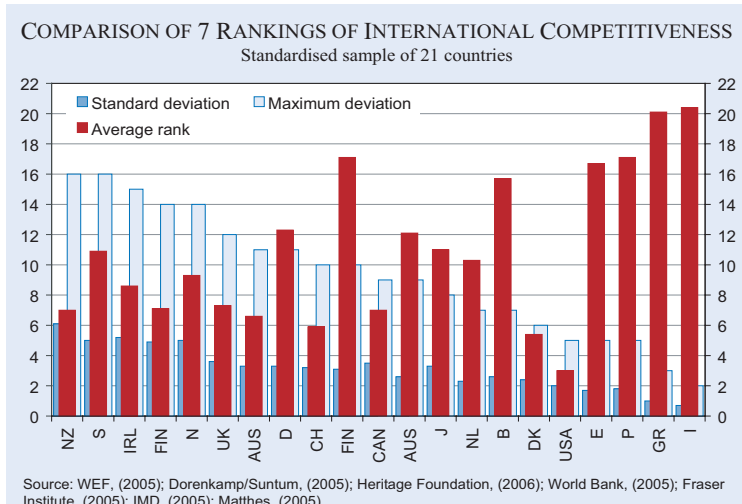
## RANKINGS OF INTERNATIONAL COMPETITIVENESS IN COMPARISON<sup>1</sup>

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Rankings of the international competitiveness of nations are methodically problematic, but nevertheless very popular. Taking a closer look, it is striking that studies with a very similar objective sometimes come to rather different conclusions. This is partly due to the fact, that the seven prominent rankings that are analysed cover a widely different number of countries – between 21 and 157. Thus, a standardisation is required and the number for each ranking is limited to 21 industrialized countries. However, the deviations are still significant. Germany is placed by most rankings at the lower end of the midfield, but its position varies between fifth place in the Global Competitive Index of the World Economic Forum (WEF) and sixteenth place in the Activity-Index of the Bertelsmann Foundation. For five other countries the span covers even more ranks – for New Zealand and Sweden 16 ranks, for Ireland 15 ranks and for Norway and Finland 14 ranks. Apart from the World Competitiveness Yearbook of the Institute for Management Development (IMD) all rankings produce one or more of the extreme results that contribute to the wide spans mentioned.

Concerning the objectives, nearly all rankings focus on the ability of nations to generate a high living standard and/or a high rate of economic growth. In contrast to this similarity, the number of indicators used varies widely – between 12 and 241. Most studies aggregate the basic indicators in a bottom-up approach covering various hierarchical stages of subgroups and using unweighted averages. However, due to the construction and choice of the subgroups, different weights are implicitly introduced with regard to the basic indicators. This is one major reason why results differ.

More important still are the differences in whether certain indicator groups are chosen or not, like eco-



conomic performance, business sophistication, infrastructure, business regulation, fiscal policy and foreign direct investment. For example, the two rankings of the WEF rank Germany rather differently (in position 5 and 12 respectively in the standardised sample) – mainly because one ranking covers the indicator subgroups business sophistication and infrastructure where Germany ranks at the top and the other ranking excludes these fields and includes instead macroeconomic performance where Germany displays significant weaknesses. Moreover, it is interesting that similar “indicator labels” can have different meanings. For example, the IMD also covers the indicator group business efficiency but focuses not only on the business field (as the WEF does) but also includes indicator subgroups concerning the labour market and social values.

There are also differences among the rankings in the extent surveys instead of hard statistical data are used. The latter has the disadvantage of a time-lag in publication by statistical offices, but the advantage of being rather reliable. On the other hand, surveys are better able to also cover the current situation and possibly also the outlook for the near future. However, survey respondents might not be objective. In this respect it is striking that the surveys of the WEF and the IMD sometimes come to rather different conclusions, for example regarding similar questions about the effectiveness of corporate boards and corporate governance in Germany.

In summary, it proves necessary to take a closer look at the complex rankings in order to find the reasons why rather similar approaches sometimes produce very different results.

<sup>1</sup> Vgl. Matthes (2005).

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