

## SUSTAINABLE COMPETITIVENESS OF BALKAN COUNTRIES

Yovka Bankova, Ph.D., chief assistant professor<sup>24</sup>

---

**Abstract:** *The paper is focused on the relationship between sustainability aspects and national competitiveness. The objective of the paper is twofold: (1) to discuss some of the indexes that measure sustainable competitiveness and their limitations; (2) to study the influence of social and ecological factors on the level of competitiveness of selected Balkan countries. The linkage between sustainability and competitiveness is tested by a sample of seven of the Balkan countries over a three year period.*

**Key words:** *sustainable competitiveness, Balkan countries*

---

### 1. INTRODUCTION

The most common definition of sustainable development is developed by World Commission on Environment and Development (to the United Nations) in 1987. It defines it as a “development that meets the needs of the present without compromising the ability of the future generations to meet their own needs.” [1]. The basic idea is that sustainable development goes beyond the concept of economic growth solely and refers to tangible as well as intangible aspects and needs of living. Nowadays, the significance of the intangible assets grows and creates opportunities for leveraging responsible business practices and intensification of competitiveness.

In comparison to sustainable development the concept of **sustainable competitiveness** focuses more on the economic dimension and especially on productivity accepted as a driver of prosperity and long term growth. According to World Economic Forum (WEF) sustainable competitiveness is “*the set of institutions, policies, and factors that make a nation productive over the longer term while ensuring social and environmental sustainability*”<sup>25</sup> [2]. The contribution of WEF in understanding sustainable competitiveness is important also with the following two considerations:

“1. Fundamental to the concept of sustainable competitiveness is the notion that, although competitiveness can be equated with productivity, sustainable competitiveness can be linked to a broader concept that focuses on aspects that go beyond mere economic outcomes to include other important elements that render societies sustainable prosperous by ensuring high-quality growth.

2. Another way of looking at the concept of sustainable competitiveness is that it aims to gauge not only whether a country has the potential to grow over the medium and

---

<sup>24</sup> University of National and World Economy;1, 8 dekemvri str., Sofia, Bulgaria

<sup>25</sup> WEF definitions about social sustainability - *the institutions, policies, and factors that enable all members of society to experience the best possible health, participation, and security; and that maximize their potential to contribute to and benefit from the economic prosperity of the country in which they live AND environmental sustainability - institutions, policies, and factors that ensure an efficient management of resources to enable prosperity for present and future generations.” [2]*

long term, but whether the national development process is producing the kind of society in which we want to live.” [2].

The statement of WEF is that if companies develop sustainable practices the productivity to a certain extent can be fueled [2]. Recently not only the awareness but the application of the corporate social responsibility practices by the firms worldwide is observed. The interrelationships between the before mentioned concepts of competitiveness – social sustainability – environmental sustainability, and competitiveness - corporate social responsibility are investigated and proven by number of studies [3], [4], [5], [6], etc.

## **2. MEASURING SUSTAINABLE COMPETITIVENESS**

Accountability is the organization that released the world’s first Responsible competitiveness index (RCI) in 2003. The main idea that lay behind that index is to reveal the linkages between corporate social responsibility and national competitiveness. RCI provides two perspectives for the analyses based on it. The first one is National Corporate Responsibility Index (NCRI) that refers to nations’ state of corporate responsibility and allows comparison between countries and regions, across variables, and over the time. The second perspective focuses on the Responsible Competitiveness Index that links the NCRI and nations’ competitiveness (drawing on the World Economic Forum’s Growth Competitiveness Index).

WEF, in 2011, has launched a methodological framework that adjusts Global competitiveness index (GCI) through factors that comprise social and environmental sustainability. The central role in the methodology, as explained in introduction, is given to the competitiveness being the main driver of prosperity.

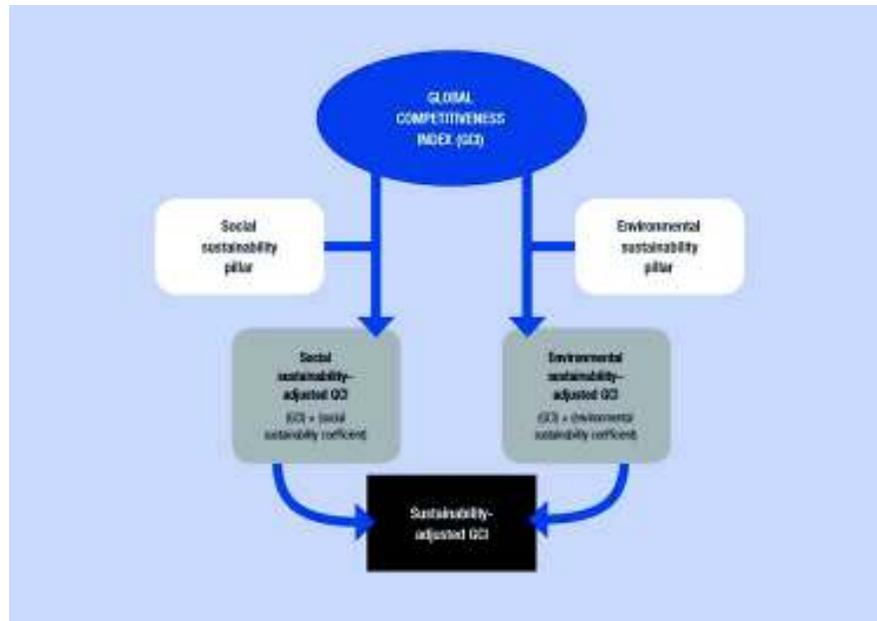


### **Yovka Bankova**

*Since 2001 and currently working at University of National and World Economy, department “Marketing and Strategic Planning”, Sofia, Bulgaria.*

*The courses: Competitiveness of Economic systems, Competitive strategies, Forecasting and Planning, Macroeconomic analyses and Forecasts.*

*The research interests are in the fields of: competitiveness, competitive strategies, economic analyses, industrial clusters, corporate social responsibility*



**Figure 1: The structure of the sustainability-adjusted GCI**  
Source: [7]

The GCI is a comprehensive index that takes into account 12 pillars or drivers: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. The outcomes and results achieved in each one of the dimensions, that encompass the GCI, may prove high competitiveness and prosperity. But in some cases that prosperity may be at the expense of the long term prosperity. In other words, competitiveness today itself does not guarantee and is not a sufficient condition for long term prosperity. That was the major reason GCI to be modified by additional factors that refer to the social and environmental sustainability and transferred in Sustainability-adjusted Global Competitiveness Index (SGCI).

SGCI is an average of the two sustainability-adjusted indexes: the social sustainability-adjusted GCI and the environmental sustainability-adjusted GCI. One of the significant limitations for measuring SGCI is the lack of indicators in many countries in the field of social sustainability such as “relative poverty”, “absolute poverty”, “number of individuals who require state support”, etc. The methodology for SGCI is under development and some of the indicators in the dimensions of social and environmental sustainability change over the time.

Another notion, in the field, is **responsible competitiveness**. “Responsible competitiveness means markets where businesses are systematically and comprehensively rewarded for more responsible practices, and penalised for the converse.” [5].

Zadek and others [5] specify the main three drivers of Responsible Competitiveness:

- Under pressure – responsible competitiveness practices evolve in response to a perceived economic threat like compliance with international standards, arrangements that are no active any more, etc.

- Owing standards – implementing and complying own standards can be a way to build competitive advantage in some cases;
- Building business infrastructure.

The study realized by Zadek and others [5] reached up to the conclusion that there is a significant correlation between the competitiveness of a country and its corporate responsibility level. On that basis they state that it could be an indication that national competitiveness may not be sustainable unless underpinned by responsible business practices or consistent growth in competitiveness depends on a greater responsibility of the society as a whole, business, government and civil society. In all cases, corporate responsibility can fuel country competitiveness.

SolAbility is other organization that develops a global sustainable competitiveness index. It is an independent sustainability think-tank and advisory, with presence in Korea and Switzerland. They have developed a methodology that differs from the methodology of WEF and is based on only quantitative indicators (in number-106). The definition specified by the organization is “the Sustainable Competitiveness Index is based on a model that integrates economic and financial indicators with the pillars that make the business success possible in the first place. It is based purely on comparable and measurable performance data collected by recognized international agencies, therefore excluding all subjectivity.”[8].

The main purpose of the usage of indicators of sustainable competitiveness is to be the basis and to enable countries to make better decisions and develop policies to balance the three dimensions “economic prosperity – social inclusion – environmental stewardship”. Some of the serious concerns about these indicators are fragility of data, statistical and theoretical problems. Due to these concerns and arguments indicators for sustainable competitiveness in their variety are not computed and presented by the organizations on a regular basis and are under a process of redefining. WEF did not announce SGCI in 2015. The newest dimension on which lot of organisations including WEF is working on and develop frameworks is the “**inclusive growth**”. Widely accepted definition of inclusive growth means an output growth that is sustained over decades, is broad-based across economic sectors, creates productive employment opportunities for the majority of the country’s population, and reduces poverty.

### **3. BALKAN COUNTRIES’ SUSTAINABLE COMPETITIVENESS: ANALYSIS**

The seven countries included in the sample of the current study are the countries that answer the following criteria:

- Balkan countries;
- Available information about the four indicators – Global competitiveness index (GCI), Social sustainability-adjusted GCI (SSGCI), Environmental sustainability-adjusted GCI (ESGCI), Sustainability-adjusted GCI (SGCI) - for the investigated period 2012 -2014.

The investigated period is covered by the Global competitiveness reports 2012-2013, 2013-2014, 2014-2015 [7], [9], [10]. Due to the short period and data limitations the study can not pretend to be an exhaustive one. ***The objective is the influence of social and ecological factors on the competitiveness of the selected Balkan countries to be studied.***

period	2012-13				2013-14				2014-15			
indicators	GCI	SS GCI	ES GCI	SGCI	GCI	SS GCI	ES GCI	SGCI	GCI	SS GCI	ES GCI	SGCI
countries												
Bulgaria	4.27	4.17	3.97	4.07	4.31	4.32	4.18	4.25	4.37	4.31	4.48	4.40
Croatia	4.04	3.84	4.20	4.02	4.13	4.09	4.39	4.24	4.13	4.06	4.21	4.14
Greece	3.84	3.59	3.82	3.71	3.93	3.79	4.08	3.94	4.04	3.85	4.09	3.97
Macedonia	4.04	3.66	3.64	3.65	4.14	3.99	3.83	3.91	4.26	4.13	3.66	3.9
Romania	4.07	3.71	3.73	3.72	4.13	3.97	3.98	3.97	4.30	4.13	4.21	4.17
Serbia	3.87	3.48	3.71	3.59	3.77	3.58	3.74	3.66	3.9	3.68	3.86	3.77
Slovenia	4.34	4.76	4.56	4.66	4.25	4.68	4.60	4.64	4.22	4.52	4.78	4.65

**Table 1: Sustainability adjusted GCI (score)**  
**Source: [7], [9], [10]**

The cross-country comparison shows that the countries, according to the values of GCI, rank the same positions for the whole time frame of the analysis. Beside, the competitiveness level is average to average-low. The first two places in the GCI ranking are for Slovenia and Bulgaria, while the last ones to Greece and Serbia.

According to the stage of the development [7], [9], [10] majority of countries belong to the stage 2 (Efficiency driven), Croatia is in transition stage 2 to stage 3. Only two countries Slovenia and Greece belong to the third stage (Innovation-driven). Hence, most of the selected countries confront similar objectives and problems.

The ranking changes when the values of GCI are adjusted by social sustainability, ecological sustainability and by both of them altogether. Slovenia attains the strongest sustainability performance of all the countries included in the sample. The score of SGCI preserves the same level mostly because the improvements in ecological dimension compensate the deterioration of the social aspects in the country during the observed period, and especially in 2014. In the case of Slovenia sustainable adjustment improves the rank of the country compared to the other six Balkan countries. Especially distinctive is that influence for the period 2014-2015– 4<sup>th</sup> place in terms of GCI and 1<sup>st</sup> – in SGCI [7].

Similar influence can be found out with Croatia but the change and difference in scores of the indicators is not as significant as in the case of Slovenia. For Bulgaria, Romania, Serbia, Macedonia and Greece are observed improvements in both dimensions – social and environmental.

In the third period the score of SGCI is higher than GCI for Slovenia, Bulgaria, Romania and Croatia. Therefore we can conclude that the social and environmental factors in these countries have reached levels that influence positively the level of competitiveness. While the other three countries (Macedonia, Greece and Serbia) still need some efforts in order sustainable dimension factors to be improved and the positive effects on the long term competitiveness to be visible. Our evidence suggests that the selected countries could be split into two groups depending on the observed differences between GCI and SGCI.

#### **4. CONCLUSION**

The analysis of sustainable competitiveness of selected Balkan countries proved the positive influence of the improvement of social and ecological factors on the countries' competitiveness. Hence the results correspond and support the results obtained by other studies in the field. The countries can be divided into two groups depending on level of correlation of social and ecological dimensions and competitiveness. Unlike the countries of the first group, in case of Macedonia, Greece and Serbia the positive relationship is not so significant.

The main problems that face organisations developing indexes about sustainable competitiveness are the fragility of the data, and associated statistical and theoretical problems. Maybe this is the reason why there is still no commonly accepted methodology to measure that relationship and why indicators change in quite short periods of time. The last makes studies based on such indicators quite difficult and the sustainability adjusted indicators of competitiveness would be better to be treated mostly as indicative.

#### **REFERENCES**

- [1] (1987) *Our Common Future* (Brundtland Report), World Commission on environment and Development, <http://www.un-documents.net/our-common-future.pdf>
- [2] WEF, *Defining sustainable competitiveness*, <http://reports.weforum.org/global-competitiveness-report-2014-2015/defining-sustainable-competitiveness/>
- [3] Porter M. E., M.R. Kramer (2006) *Strategy and society: the link between competitive advantage and corporate social responsibility*, Harvard Business Review, 84, pp.78-92
- [4] Porter M. E., C. Van der Linde (1995) *Towards a new conception of the environment-competitiveness relationship*, Journal of Economic Perspectives, 9, pp.97-118
- [5] Zadek S., P. Raynard, Cr. Oliveira (2005) *Responsible Competitiveness. Reshaping Global Markets Through Responsible Business Practices*, AccountAbility & FDC, report, p.9
- [6] Pitelis Ch., Boulouta (2012) *CSR – Based Positioning strategies, National Competitive advantage, and the Role of Innovation*, paper, DRUID 2012, pp.1-43,
- [7] Schwab, K. (Ed.) (2014) *The Global Competitiveness Report 2014-2015*, World Economic Forum, <http://reports.weforum.org/global-competitiveness-report-2014-2015/wp-content/blogs.dir/54/mp/image-cache/site/b/fig2-1.3a5d07c6065cbc8d19837c2331d6244e.png>
- [8] SolAbility (2015) *Global Sustainable Index 2015*, report, p.7, 58 p.
- [9] Schwab, K. (Ed.) (2012) *The Global Competitiveness Report 2012-2013*, World Economic Forum, [http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2012-13.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf)
- [10] Schwab, K. (Ed.) (2013) *The Global Competitiveness Report 2013-2014*, World Economic Forum, [http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2013-14.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf)