



Competitiveness and its Nexus with Quality and Productivity

The word “competitiveness” is believed to be coined only about 3 decades ago. But today, it has been one of the most profusely used and often abused terms. Competitiveness is a multi-faceted concept – touching not only upon quantifiable economic issues such as growth rates, but also upon softer and more qualitative considerations such as the impact of education, culture and value systems in the way a society or nation carries out economic activities.

The theory of competitiveness has been evolved as a field of economics which analyses the facts and policies shaping the ability of a nation to create and maintain an environment which sustains increasing value creation for firms and greater prosperity for its people.

Competitiveness of a nation may be defined in a simple way as the nation’s sustained high productivity. It is not really about its high or good macro-economic indicators, cheap labour or raw materials, good government policies or competitive management practices. These factors could be competitive advantage of the nation for certain industries that too not forever. Prof. Michael E. Porter of Harvard Business School describes these factors in his famous “diamond” model of national competitive advantage. The four determinants in the “diamond” are factor conditions (infrastructure, cheap materials, skilled and productive labour, etc.), demand conditions (sophisticated and demanding customers in the home market), firms’ structures (including strategies, management practices, rivalries, etc.) and related supporting industries.

The competitiveness of the firms operating in an industry with a favourable “diamond” in turn contributes in competitiveness of the nation. But the competitive advantage or the favourable “diamond” itself does not directly bring competitiveness to the nation. The “diamond” model also argues that it is not necessary and possible that a nation be competitive in all industries. Other authors add that besides the “diamond”, the government policies, practices and capacities as well as factors beyond anybody’s control, for example natural calamities or luck also determine national competitive



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advantage for industries or firms.

Sustained productivity of people combined with that of capital and other resources translate to competitiveness of firms and nations. However, a nation’s overall level of prosperity and therefore competitiveness results from the interaction of 3 forces namely competitiveness of people, firms and the nation. Thus the 3 levels of competitiveness are mutually reinforcing among themselves too.

As mentioned above, competitiveness of a firm or nation depends on its sustained productivity, which in turn depends on a number of factors within or outside someone’s control. Though productivity, to some extent, can encompass the quality aspect, it is better to consider it as yet another major pillar of competitiveness. A sustained and improving quality with technological as well as procedural innovations, continuous customer orientation and winning strategy coupled with sustained and improving overall productivity bring firms to a new height of competitiveness.

Sustained and improving quality and productivity in all factors in the “diamond”, including the government, shape competitiveness of firms and the nations. In the context of the globalised market place and global competition, understanding and working on quality and productivity are necessary but not the only sufficient conditions. We have to look at them as the main pillars of competitiveness but also keeping in mind that there are other important determinants of competitiveness of firms and the nation. ●

The views expressed herein the article are those of the individual writer/contributor and do not necessarily represent the views of NQPCN.

The following personalities and the institutions they represent assume important roles in the promotion of quality and productivity in Nepal. We present their views/opinions on (i) Inter-relationships of quality, productivity and competitiveness in one’s industry/trade (ii) ensuring sustainable productivity in one’s industry/trade, and (iii) efforts made to enhance the competitiveness of one’s industry/trade

Mr. Hari Bhakta Sharma

Executive Director
Deurali-Janta Pharmaceuticals Pvt. Ltd

We at Deurali-Janta (DJPL) strongly believe that products should be of optimal quality. The consistency of quality should be ensured through a built-in Quality Management System. The productivity and competitiveness of our business will be reflected through the quality of our products. First and foremost, considering its sensitive nature, pharmaceutical products should be safe, efficacious and affordable. That is what we meant by quality and our management principals are based on this framework. DJPL is proud that it is in the forefront of all these features among other Nepalese products. There are 40 pharmaceutical manufacturing companies in Nepal alone. If we look at the market, there are various Indian and International companies from different parts of the world who sale their products through more than 15,000 drug stores in Nepal. Optimizing quality and productivity becomes a big challenge for companies in Nepal as the competition is fierce, but our competitiveness is possible only through our commitment towards the quality of our products.

DJPL follows very stringent quality assurance system – not merely to satisfy the requirements of the Department of Drug Administration (DDA) of the government. Sadly, our national drug authority (DDA) manifests ineffective administration capacity in terms of policy, manpower, infrastructure, other resources and research. But that does not mean that we should play with the weaknesses of the regulatory system. For us, adherence to strict quality parameters is the only

way we do our business. Quality control is a part of the overall Quality Assurance System. Dealing with the field of life science products, that too with short life cycles, we pursue time-bound upgradation of our technology; continuous monitoring of quality of our products not only in the production process but also of those in the market; testing efficaciousness and stability of our products spread out in diverse geo-ecological environments of our country ranging from high mountains to the Terai. We mostly conduct regular tests of drugs in simulated human body conditions (in-vitro tests). DJPL’s competitive strategies are adherence to good manufacturing practices and CSR activities. We are among the few to have adopted WHO GMP standards, and certified with ISO 9000:2000 and ISO 14000. These certifications reinforce our faith in the sincerity of our business and we try to live up to them. We ensure faster delivery and proper shelf life of our products. To the best of our ability, we respond faster to the requirements of the market and to the latest trends shown by international research on efficacy and hazards of prevailing drugs. We are collaborating with local and international universities and institutions on research activities - that helps us to improve our scientific and technical abilities. Rather than quantitative, we go for qualitative expansion of our market. Last, but not the least, we invest a lot on HRD and technological enhancement. A motivated and strong team is our biggest asset and the main drivers of our competitiveness. ●

Ms. Jiwan Prava Lama

Deputy Director General
Government of Nepal/ Ministry of Agriculture and Cooperatives
Department of Food Technology and Quality Control

Quality is an intellectual effort and ensuring food safety is an intelligent and scientific effort. The Department of Food Technology and Quality Control (DFTQC) is a governmental regulatory agency in the field of surveillance, assurance and certification of quality of food-related processes and materials to ensure food safety and imposing legal actions on defaulters and disseminating ways of adopting standard practices to minimize food hazards. From the quality management perspective, DFTQC has the mandate to administer food quality control norms in the supplier-processor-consumer chain. There is no competition as such in the strict marketing sense in the field that DFTQC is at present. However, whether at the institutional level or at the national level, we have to satisfy our goals and stakeholders through optimum utilization of resources. In this context, quality and productivity and competitiveness are very closely interrelated. Although we do not need to compete in our field, we definitely strive to ensure that our laboratories, technicians, inspectors, and other supportive resources are put into most productive use. All our activities and efforts at the field and at our

laboratories are properly planned and implemented to ensure resource optimization. We help industries enhance their product quality so that they can be competitive within certain norms and be sustainable. In the future, as in some developed countries, private agencies may be entrusted with quality administration activities we are presently engaged in; or the responsibility may be devolved at the local governmental level. In the context of globalization, we may even face international competition in the area. Real competition will then come in the force.

DFTQC implements regular in-house training of its staff. Till recently, we had a senior JICA volunteer training our manpower on some Japanese management techniques. We are making efforts to start Quality Control Circle activities. After Nepal’s accession to the WTO, to fulfill one of its requirements, DFTQC has been entrusted with the responsibility of SPS Enquiry Point to function as a national authority on matters relating to quality of sanitary and phytosanitary products in trades. In this role, we are striving to contribute to national competitiveness of its products in the global market. ●

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- Training workshops on ILO Tool-Kit on enhancing productivity and competitiveness at the enterprises level were held by FNCCI at Narayangarh Chamber of Commerce, Narayangarh & Industry and Butwal Chamber of Commerce & Industry, Butwal on November 4 and 12, 2006 respectively
- Quality Circles in Education for Students’ Personality Development-Nepal (QUEST – Nepal) organized the Second National Convention on Students’ Quality Circle in Cooperation with Kathmandu University, IIFWP-Nepal, NQPCN, FNCCI, PABSON & NJS from 25th to 27th November 2006 at Kathmandu, Nepal.