

Keeping America (and your business) Competitive



"At the beginning of the 21st century, America stands at the dawn of a conceptual economy in which insight, imagination and ingenuity determine competitive advantage and value creation. To succeed in this hyper-competitive, fast-paced global economy, we cannot, nor should we want to, compete on low wages, commodity products, standard services, and routine science and technology development. As other nations build sophisticated technical capabilities, excellence in science and technology alone will not ensure success. Lower costs and improving quality will not answer the new competitive realities either. Today, competitive pricing and high quality are merely the baseline for entry into global markets. The United States must focus on its strengths – on what it means to be American. We must innovate and embrace the opportunities of the rapidly emerging, high-value conceptual economy. It is increasingly clear that the most important competition is being fought in the arena of ideas, learning and delivering new kinds of value to the marketplace. Looking back at the tremendous growth of America's gross domestic product over the past half century, information and ideas have been equally, if not more, important than materials and manpower to sustaining America's economy."

So declares Deborah Wince-Smith, president of the [Council on Competitiveness](#), in a report released on Nov. 14 titled [Competitiveness Index: Where America Stands](#). The 111-page report, co-authored by Harvard Business School Professor Michael Porter, offers a sweeping, thorough analysis of America's place in the global economy—past, present, and future.

The bulk of the report is divided into four sections: the shifting landscape of the global economy, how Americans rank on a global prosperity index, where the U.S. stands in the global economy based on its strengths and weaknesses, and **key sources of U.S. competitiveness** and how those can be leveraged for future prosperity. Those sources are **entrepreneurship, education, energy, and innovation**. These sources are not only key to the competitiveness of the American economy, but to the competitiveness and health of your business. Here are some key excerpts from the report:

Entrepreneurship: *The growing importance of entrepreneurship is a reflection of fundamental changes in the nature of value creation in many industries. Today, companies must focus on their respective competitive advantages while relying of other companies to provide the complementary products and services needed to serve customer needs. This outsourcing of activities has created many opportunities for entrepreneurs to create spin-offs and other new ventures to serve large companies as well as create entirely new markets. Another driver of entrepreneurial activity has been a change in the innovation process itself. Large corporate R&D centers have been replaced by – or are collaborating more – with smaller, research-focused companies, often with strong ties to universities.*

Have you embraced an entrepreneurial spirit in your company? Are you outsourcing non-core activities?

Education: *Education enables individuals to increase their incomes, provides employers with more capable workers, and boosts the overall productivity of the economy. In an economy where technical change is one of the major drivers of growth, and where lower-wage workers in emerging markets are increasingly able to compete directly for work that once could be done only in America, the demand for more skills – higher educational attainment and higher-order competencies in communication and expert thinking – has risen rapidly. Despite decades of focus on*

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this issue and progress in some areas, the U.S. educational system still fails to meet the needs of a globally competitive economy on many levels.

Does your company provide the educational opportunities required to maintain a competitive workforce?

Energy: *The convergence of several critical trends – rising energy prices, rapidly growing global demand, increasing U.S. dependence on foreign oil, and rapid climate change due in large part to the burning of fossil fuels – are changing America's perceptions around energy. This creates a huge opportunity if the nation can avoid the mistake of basing long-term policy decisions on short-term fluctuations in the oil price. One key area to address is energy efficiency. The United States has the technological capacity and the entrepreneurial dynamism to pursue the market opportunities that exist in more energy-efficient products and operating practices. These forces should be encouraged to motivate companies to develop market offerings that give them a lead at home as well as overseas.*

Is improving energy efficiency a high priority in your product development and operations?

Innovation: *Innovation has always been an important driver of economic success. The importance of innovation has even grown in recent years as more and more of the value generated in the economy is captured by those who create, possess, and apply new knowledge, not by those who merely reach high efficiency in the use of well established technologies and operation practices. A recent report from the President's Council of Advisors on Science and Technology concludes that "the big winners in the increasingly fierce global scramble for supremacy will not be those who simply make commodities faster and cheaper than the competition. They will be those who develop talent, techniques and tools so advanced that there is no competition."*

Is your company focused on innovation? Are you actively managing your innovation process?

In future newsletters we will further explore the competitiveness report and what it means to your business. But until then you can call [Innovative Thermal Solutions](http://www.innovativethermal.com) at (517) 424-7107 to discuss improving the competitiveness of your products.