Report: Wide Agreement On U.S. Competitiveness

Harvard Business School, SRBI and GfK

Message from Business and Academia: Post-Election Period is Defining Moment for U.S. Competitiveness

A new Harvard Business School (HBS) survey reveals serious concern about America's competitiveness trajectory, but wide agreement between liberals and conservatives on the policy imperatives that Congress and President Obama should advance following the election.

The survey, conducted in September 2012, polled 6,836 HBS alumni, many in top management positions, and 1,025 members of the general public. This is the second annual survey on U.S. competitiveness, following a similar poll in 2011.

The research is part of the HBS U.S. Competitiveness Project [1], a multi-year project started in 2010 to assess structural challenges to the U.S. economy and identify ways that leaders in business, labor, government, and academia can work together to address those challenges. The Project is co-chaired by Professors Michael Porter [2] and Jan Rivkin [3].

"All sides agree that the United States faces existential competitiveness challenges. All sides agree on the basic direction that federal policies need to take. Yet, until now, no progress has been made in Washington. This failure to act is severely damaging America's competitiveness," said Professor Michael Porter. "With the election behind us, the President and the new Congress must act now to restore the United States as a highly productive and efficient business location for firms and workers."

Survey Shows Continuing Pessimism about America's Competitiveness Trajectory

58 percent of alumni business leader respondents expect a decline in U.S. competitiveness over the next three years, with firms in the U.S. less able to compete in the global economy, less able to pay workers good wages and benefits, or both.

Pessimism about the trajectory of U.S. competitiveness eased somewhat from the 2011 survey, though opinions diverged along ideological lines: pessimism among strongly liberal business leaders who responded in both years declined from 72 percent in 2011 to 53 percent in 2012, while it fell only slightly among strongly conservative business leaders, from 71 percent in 2011 to 65 percent in 2012.

"It's important to note that the 2012 results show a reduction in pessimism, not optimism in an absolute sense," said Professor Jan Rivkin. "Even among the strongly liberal respondents in 2012, the majority (53 percent) expect U.S.

competitiveness to be worse in three years. They see the boat as sinking more slowly, but still sinking."

Wide Agreement on Problems

The survey showed wide agreement across ideological lines about America's strengths and weaknesses, as well as agreement between business leaders and the general public.

Respondents in both 2011 and 2012 were asked to assess the state and trajectory of 17 elements that drive national competitiveness. Key findings included:

- Business leaders and the general public identified America's political system, tax code, K-12 education system, macroeconomic policy, regulatory environment, and legal framework as weaknesses that were continuing to deteriorate relative to other economies.
- Business leaders saw entrepreneurship, quality of management, property rights protection, innovation, capital markets, and depth of regional industry clusters as American strengths that were improving. Members of the general public also saw these elements as strengths, but mostly on the decline.
- Between 2011 and 2012, business leaders remained stubbornly pessimistic about the complexity of the tax code, the K-12 education system, and the regulatory environment even as their views of most elements of the business environment brightened somewhat.

Paths Forward

The 2012 survey provides a consensus roadmap for lawmakers to restore competitiveness, with business leaders across the political spectrum showing robust support for seven policy directions:

- A compromise for a sustainable federal budget, corporate tax reform and easing of high-skill immigration got very strong support from both strongly liberal and strongly conservative business leaders. Approval percentages were in the high 80s or low 90s.
- Responsible extraction of newly-accessible energy supplies and more aggressive pursuit of a level playing field in the international trading system received strong and comparable support from business leaders at both ends of the political spectrum, with approval percentages in the high 70s.
- Greater infrastructure investment and selective streamlining of regulations got strong support from business leaders, but the strength of support differed somewhat between liberals and conservatives. Greater infrastructure investment received stronger support from liberal business leaders, while selective streamlining of regulations saw stronger approval from conservatives.
- Of these seven policy directions, all but high-skill immigration were supported by the majority of the general public.

More than 70 percent of the general public approved of corporate tax reform. “Our corporate tax code clearly needs to be modernized,” said Professor Mihir Desai. “Restructuring the corporate tax toward a broader base, a lower statutory rate, and a more competitive system of taxing foreign profits can benefit both American workers and shareholders.”

The survey also found wide support among business leaders and the general public for a federal budget compromise involving both revenue increases and spending cuts. “We need both if we want to get the budget on a sustainable path while preserving the investments in basic R&D, infrastructure, and education that underpin competitiveness,” said Professor Matt Weinzierl.

Business Taking Initiative on Competitiveness and Willing to Do More

The survey of business leaders revealed thousands of firms engaged in actions that improve the U.S. business environment, with more willing to consider such actions. Particularly widespread steps by business today were internal training programs, regional initiatives to boost competitiveness, and research collaboratives. When asked about future steps, respondents expressed interest especially in partnerships with community colleges and vocational schools as well as apprenticeships to help train a new generation of workers.

“American institutions have tended to operate in silos,” said Professor Rosabeth Moss Kanter. “But to build business ecosystems that can compete in today’s global economy, America needs strong linkages across businesses, educational institutions, nonprofits, and the public sector.”

Nitin Nohria, Dean of Harvard Business School, summed up his interpretation of the survey findings: “Historically, the United States has always risen to face the nation’s greatest challenges. Economically, we face such a challenge today. The message from business and labor to our political leaders is clear: we must make the word ‘compromise’ an honored word in American politics again. As we’ve found through our work on the U.S. Competitiveness Project, a diverse group of leaders stands ready to support Washington in this effort.”

The 2012 survey was conducted in collaboration with Abt SRBI and GfK.

About Harvard Business School

For more than a century, our faculty have drawn on their passion for teaching, their experience in working with organizations worldwide, and the insights gained from their research to educate generations of leaders who have shaped the practice of business in every industry and in every country around the world. For more information visit Harvard Business School’s website *[4].*

About Abt SRBI

Abt SRBI, a leading public policy and market research organization, is a subsidiary of Abt Associates, a mission-driven, global leader in research and program

implementation in the fields of health, social and environmental policy, and international development. Abt SRBI is headquartered in New York City, with offices in the Washington, D.C. area, Chicago, IL, Cambridge, MA, Fort Myers, FL, Durham, NC and other cities.

About GfK

GfK is one of the world's largest research companies. 11,500 GfK experts are working to discover new insights about the way people live, think and shop, in over 100 markets, every day. GfK is constantly innovating to use the latest technologies and the smartest methodologies to give its clients the clearest understanding of the most important people in the world: their customers. That knowledge empowers GfK's clients to make the right decisions, and position their businesses for the future.

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