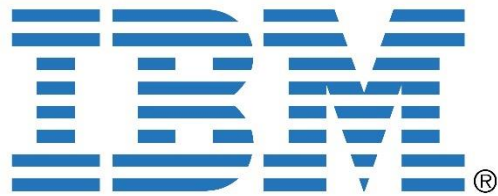


# Competitiveness

A Solution for Greece

George Serafeim  
Harvard Business School





# Agenda

- I. Productivity
- II. Innovation
- III. The Opportunity

# The Puzzle of PPDs in SSEs\*

“average difference in logged total factor productivity (TFP) between an industry’s 90<sup>th</sup> and 10<sup>th</sup> percentile plants is 0.651 ... [meaning that] the plant at the 90<sup>th</sup> percentile of the productivity distribution makes almost *twice* as much output *with the same measured inputs* as the 10<sup>th</sup> percentile plant.”

Syverson (2004)

\*(Persistent Performance Differences in Seemingly Similar Enterprises)

# High Performance Work Practices

## ***High Powered Incentives***

Incentive Pay

Employment Security

Merit-based Promotions

Reduced Status Distinctions

Performance Review

## ***Skills Development***

Skills Training

Selective Recruiting

Flexible Job Assignment

## ***Dense Communication -***

## ***Local Problem Solving***

Teamwork

Communication

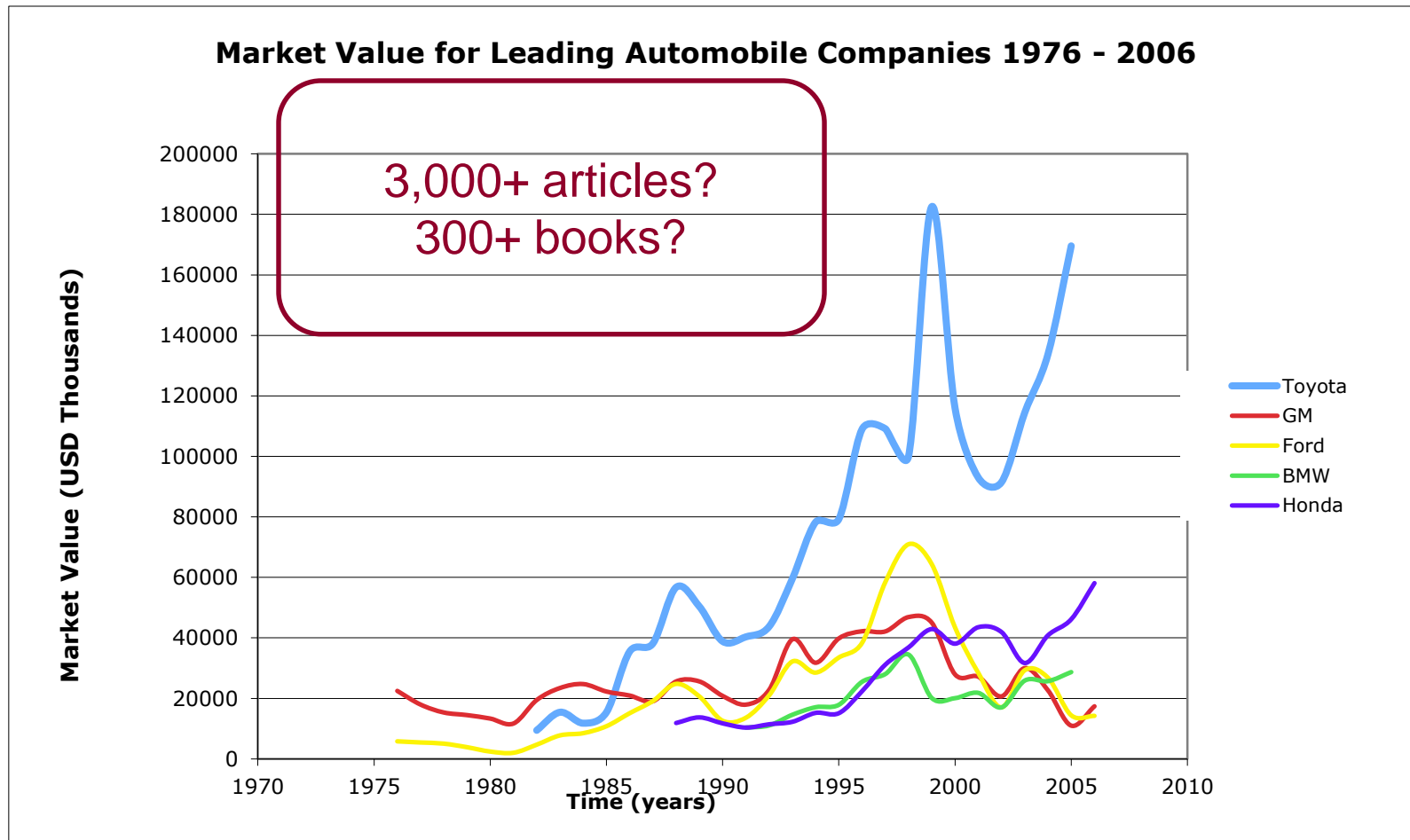
Information Sharing

TQM/Process Control

	Macduffie	Pfeffer	Huselid	Black & Lynch
	x	x	x	x
		x		x
			x	
	x	x		
			x	
	x	x	x	x
	x	x	x	x
	x			
	x	x	x	x
				x
		x	x	
	x			x

Source: Gibbons & Henderson, 2013

# A Puzzle: Why Not Imitate?



# GM: A Case

- 1950s/ 1960s A time of dominance: GM largest company in the Fortune 500  
The US automobile industry is a collusive oligopoly with competition focused on design features
- 1970s The Japanese enter the US market: US automobile companies ignore and/or deride the threat
- 1980s First attempts to respond: Saturn & NUMI founded. A focus on “hard” systems – automation, “JIT”. GM spends more on IT and robots than Toyota’s entire market value
- 1990s Aggressive attempts to roll out new ways of working met with skepticism and numerous set backs

Helper & Henderson, 2014

# A Puzzle: Why Not Imitate?

Important organizational competencies rest on actions that cannot be specified ex ante in quantitatively based, legally enforceable contracts

- If one could specify appropriate actions sufficiently well to put them into a formal contract then they could be instantaneously imitated
- Moreover in many cases we don't know what the appropriate actions are, and rely on employees to “learn” and respond as appropriate



# Another Puzzle: Why Do It?

But if actions cannot be mandated by legally enforceable contracts, why do people perform them?

- A role for relational contracts
  - *Contracts relying on subjective measures enforced by the shadow of the future*
- Building trust is critical

# Nordstrom's Relational Contract

## **Welcome to Nordstrom**

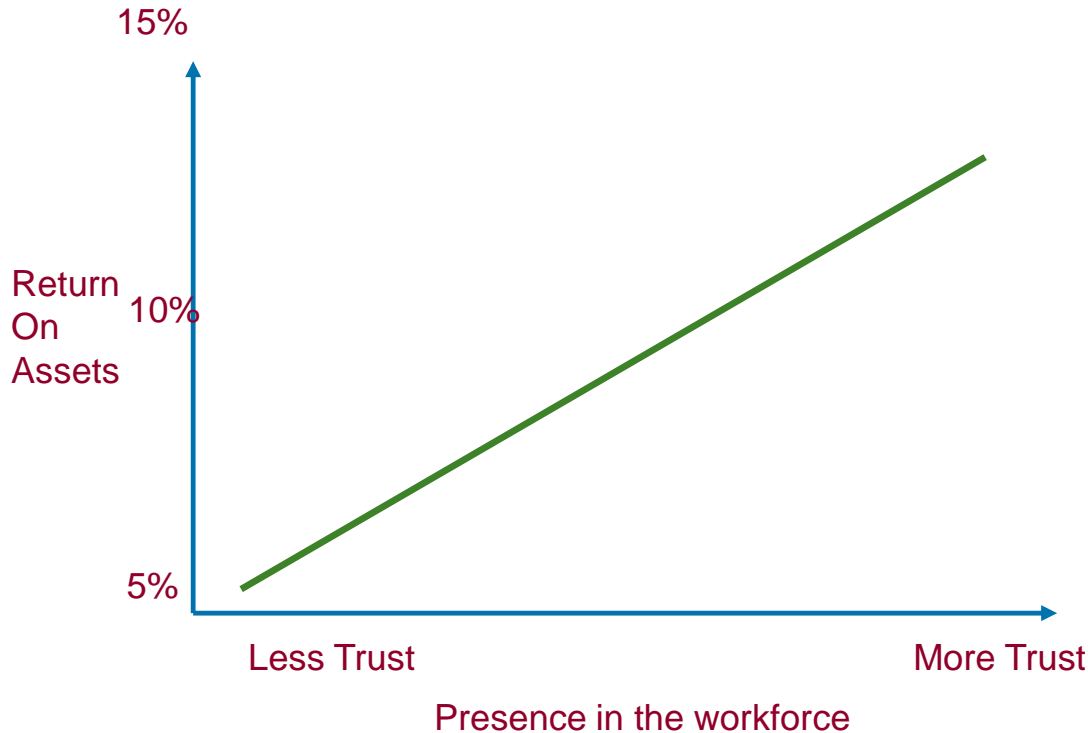
We're glad to have you with our Company. Our number one goal is to provide outstanding customer service. Set both your personal and professional goals high. We have great confidence in your ability to achieve them.

**Nordstrom Rules: Rule #1: Use good judgment in all situations. There will be no additional rules.**

Please feel free to ask your department manager, store manager, or division general manager any question at any time.

# High Trust Organizations

Using data from a sample of ~0.5 million employees



Gartenberg, Claudine Madras and Prat, Andrea and Serafeim, George, Corporate Purpose and Financial Performance (June 30, 2016). Columbia, HBS and NYU Working Paper. Available at SSRN: <https://ssrn.com/abstract=2840005>

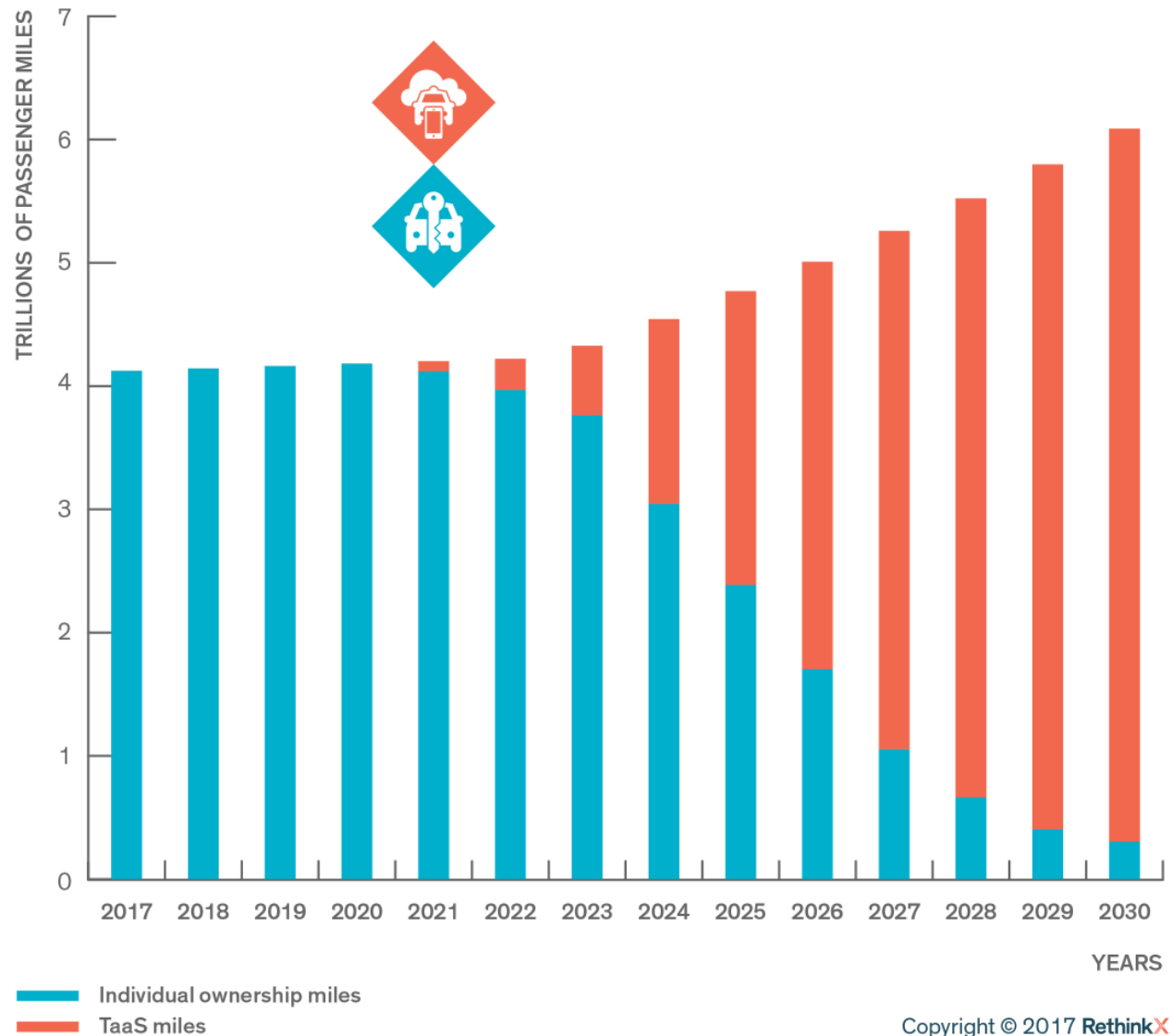
# Change

# The Future of Mobility



# Mobility as an Example

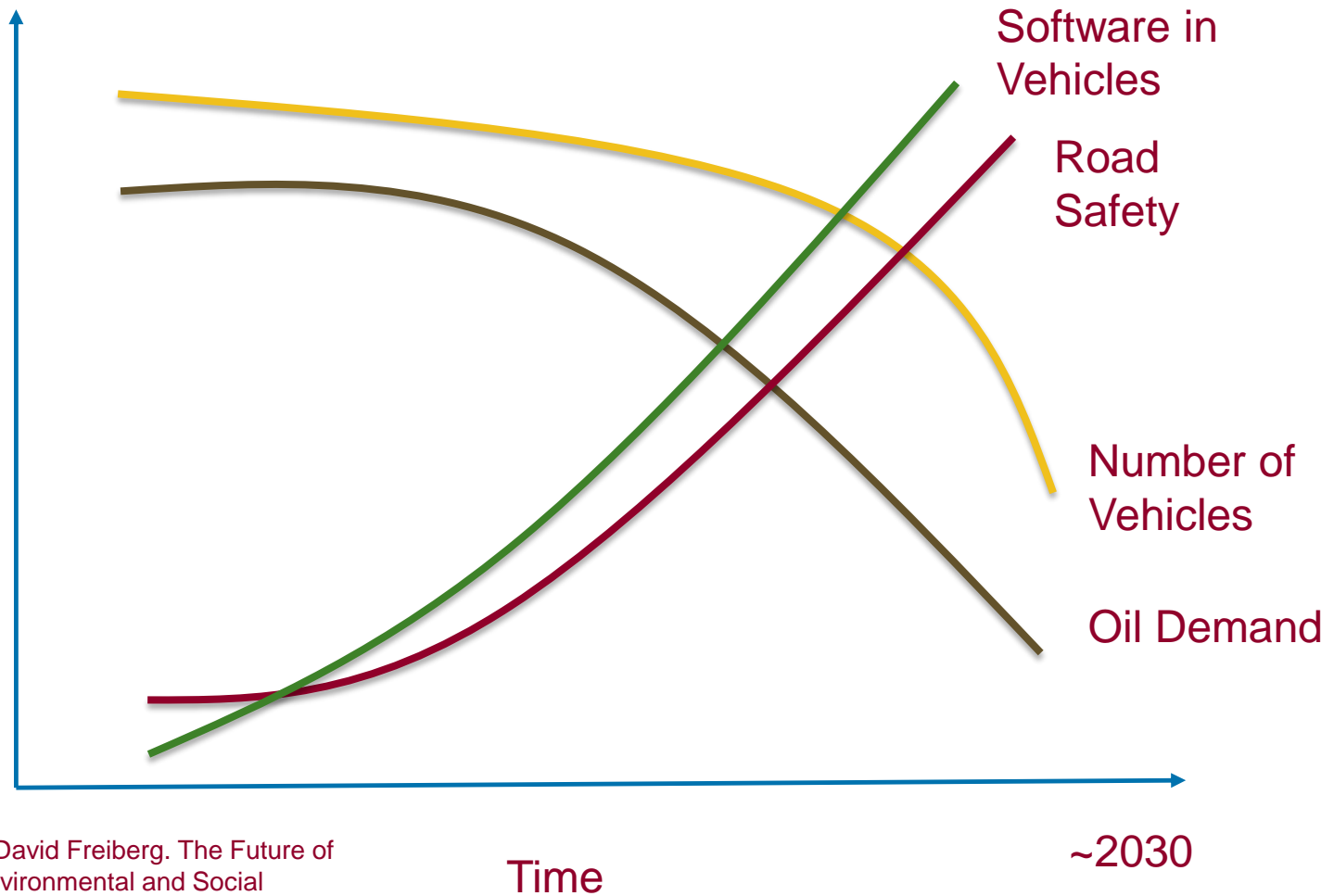
## » Speed of TaaS adoption



Source: RethinkX.  
Rethinking Transportation  
2020-2030. 2017

Copyright © 2017 RethinkX

# Change



George Serafeim and David Freiberg. The Future of Mobility: Economic, Environmental and Social Implications. Harvard Business School Technical Note.

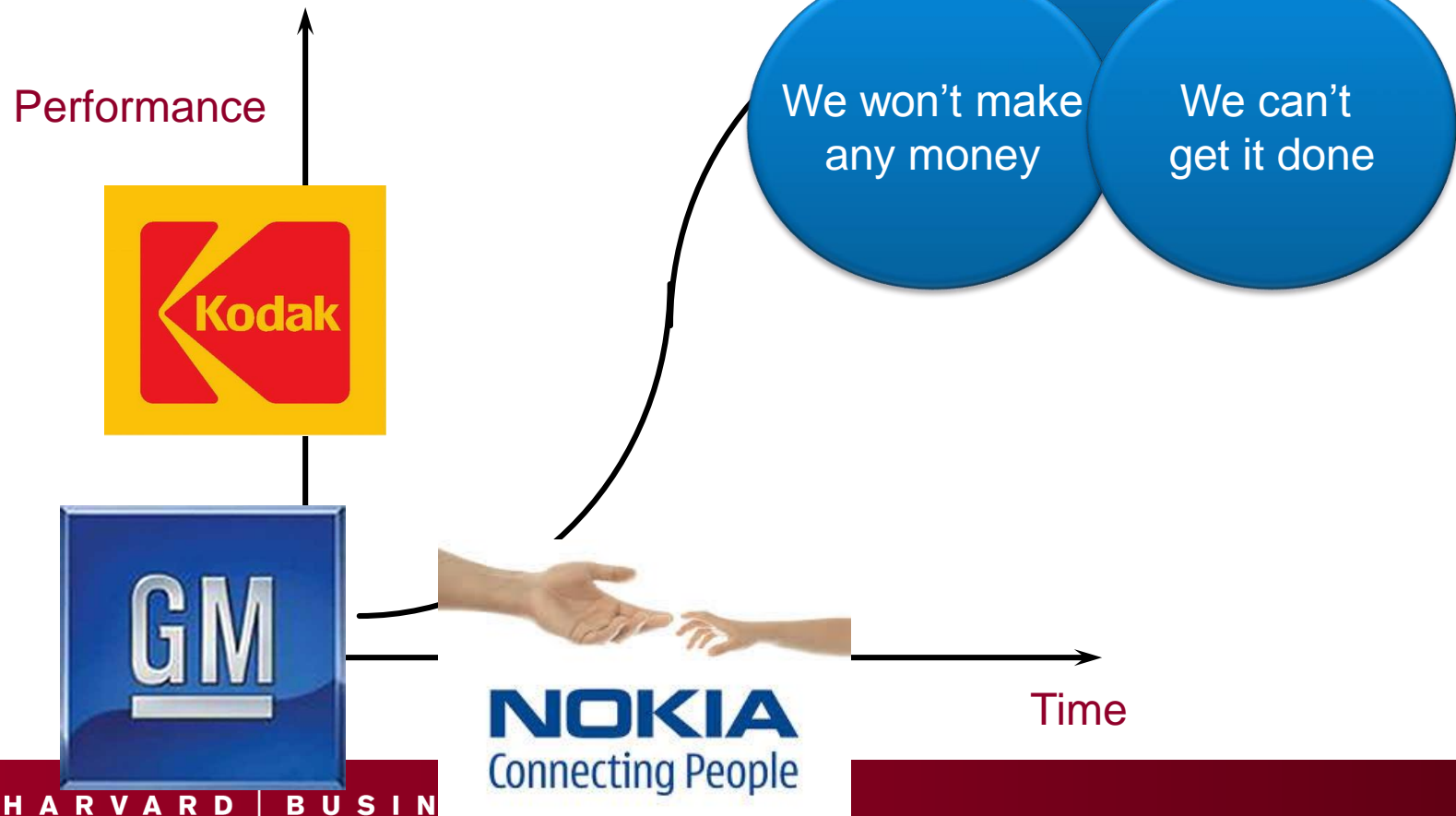
# Trust May Help Here Too

Performance



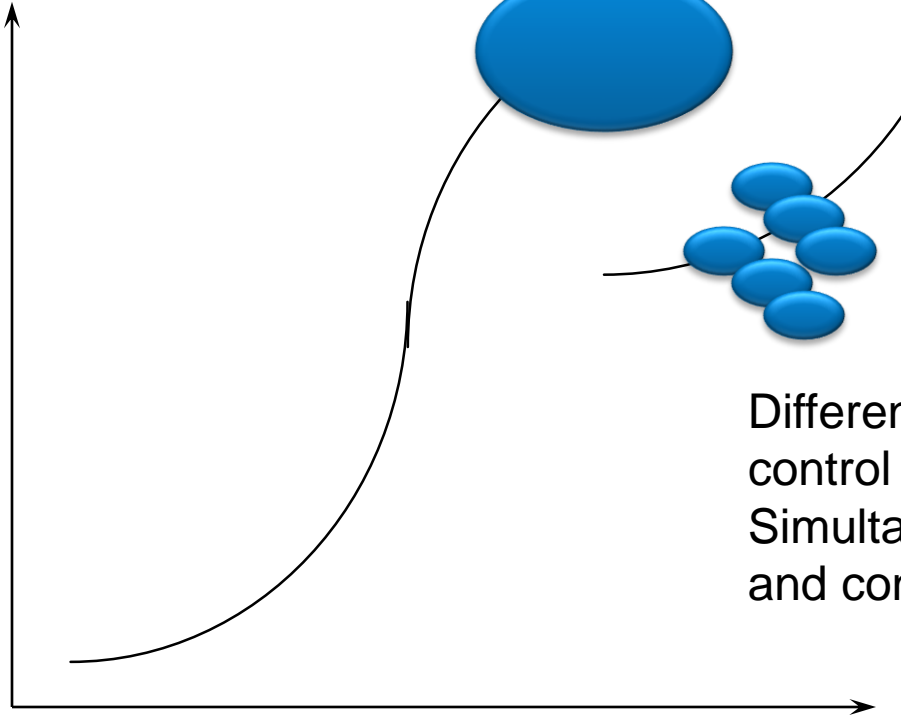


# Transformational Change is Always Hard



# Manage *Ambidextrously*

Performance



Different expectations,  
control systems, incentives.  
Simultaneously separate  
and connected

Time

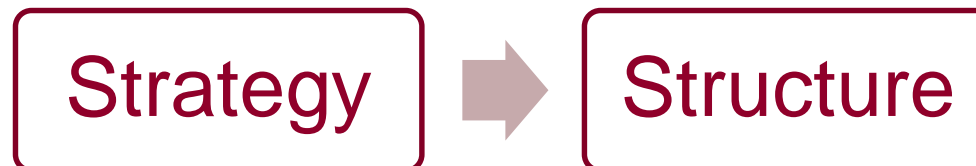
# Successful firms:

## Get the strategy “right”:

- Experiment: build a common vision of the challenge and a portfolio of efforts to support the future
- Allocate resources and time to new ventures, and manage the problem of “worse before better”

## Build an organization to support it:

- Embrace tension between “entrepreneurial energy” and “coordination”
- Build deep cultural/emotional/values based commitments to recreating the firm and the need to innovate
- Senior teams are actively engaged, every step of the way

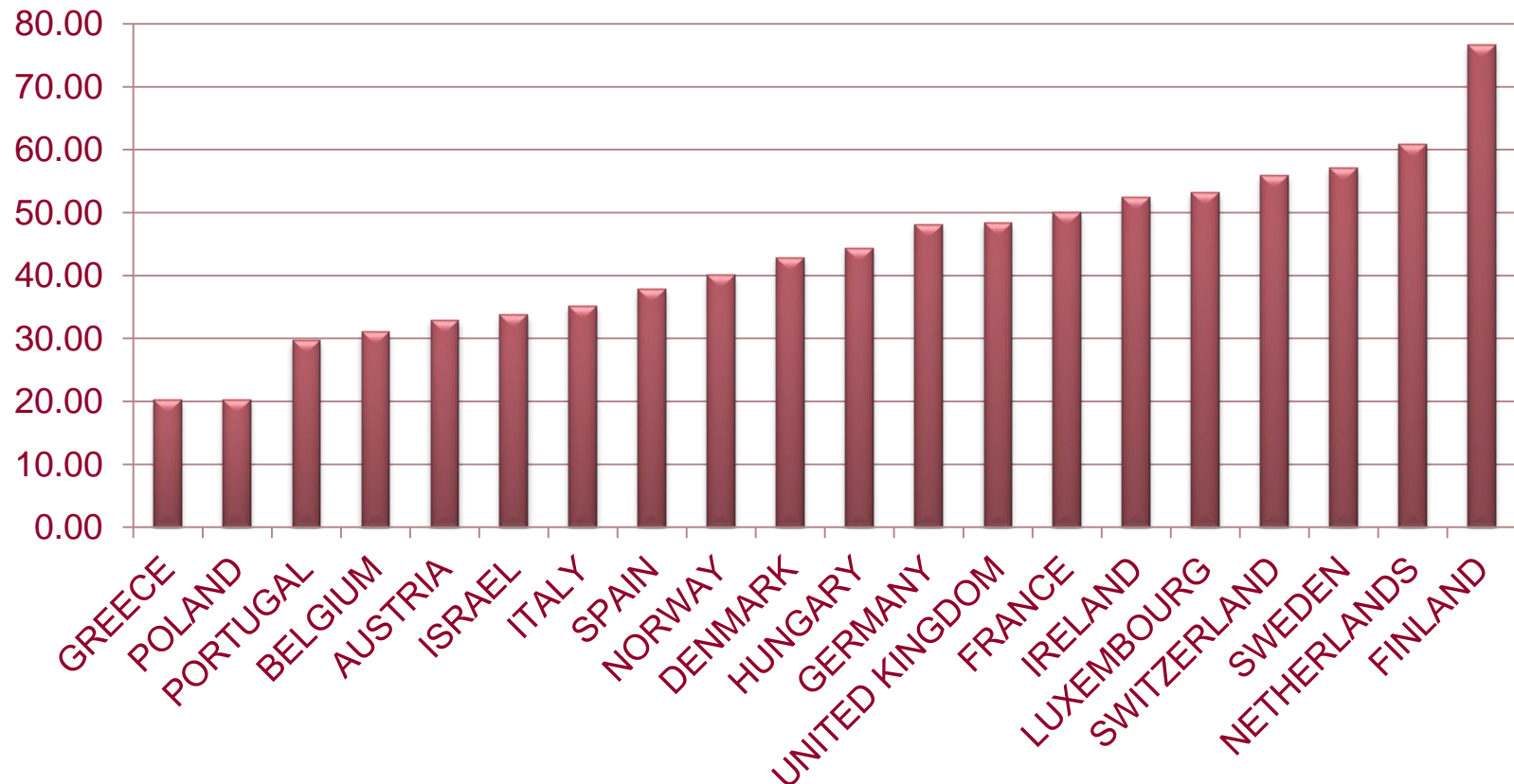


# The Opportunity

# Competitiveness

Greek economy not globally competitive before the crisis

**% of Sales Outside Home Country**



Source: WorldScope, author calculations, weight adjusted based on the sales of each company in 2007.

# The Opportunity: Change the Game



Compete

Operating Margin  
4%

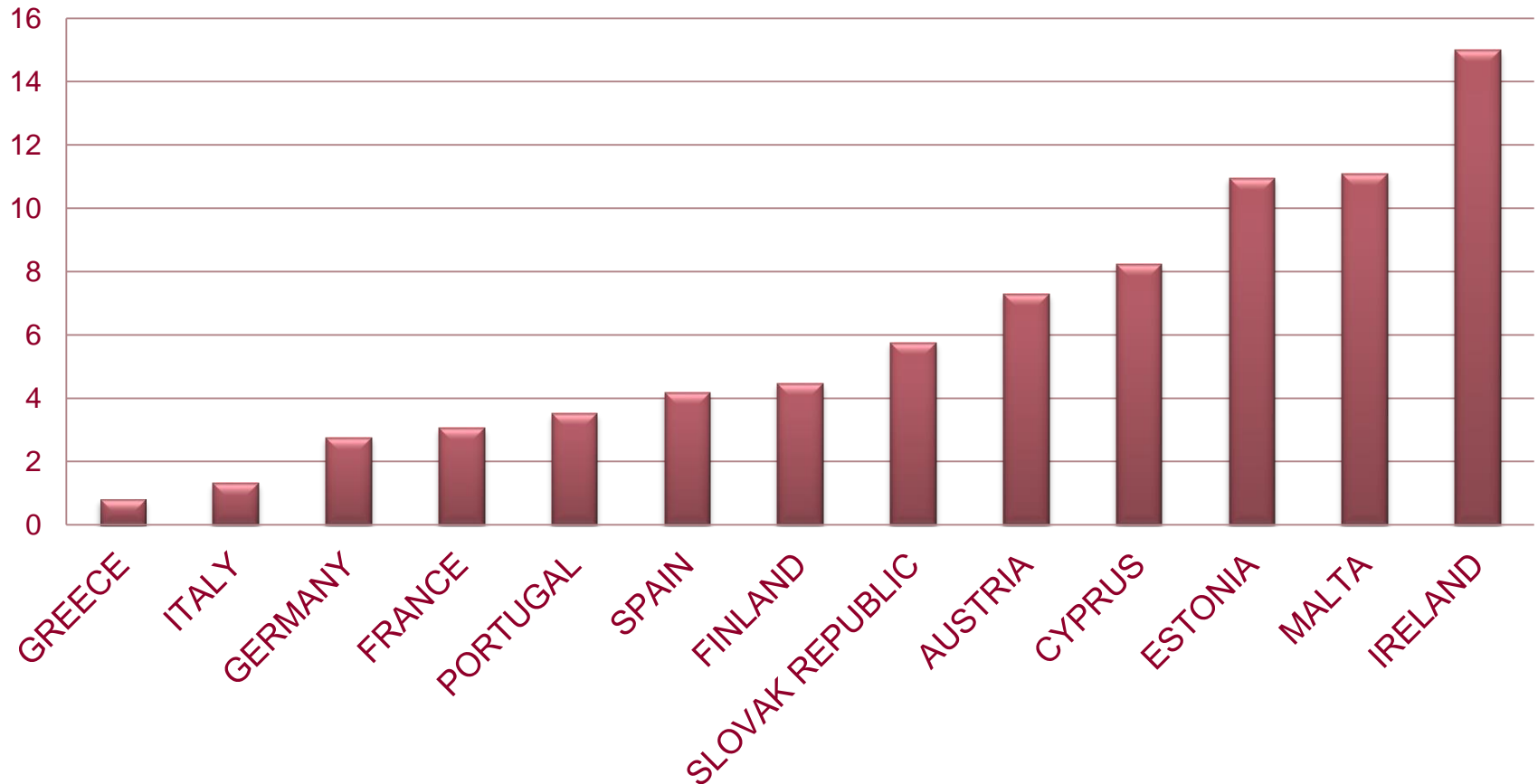
Operating Margin  
28%

Low  
Price/Costs

Differentiation

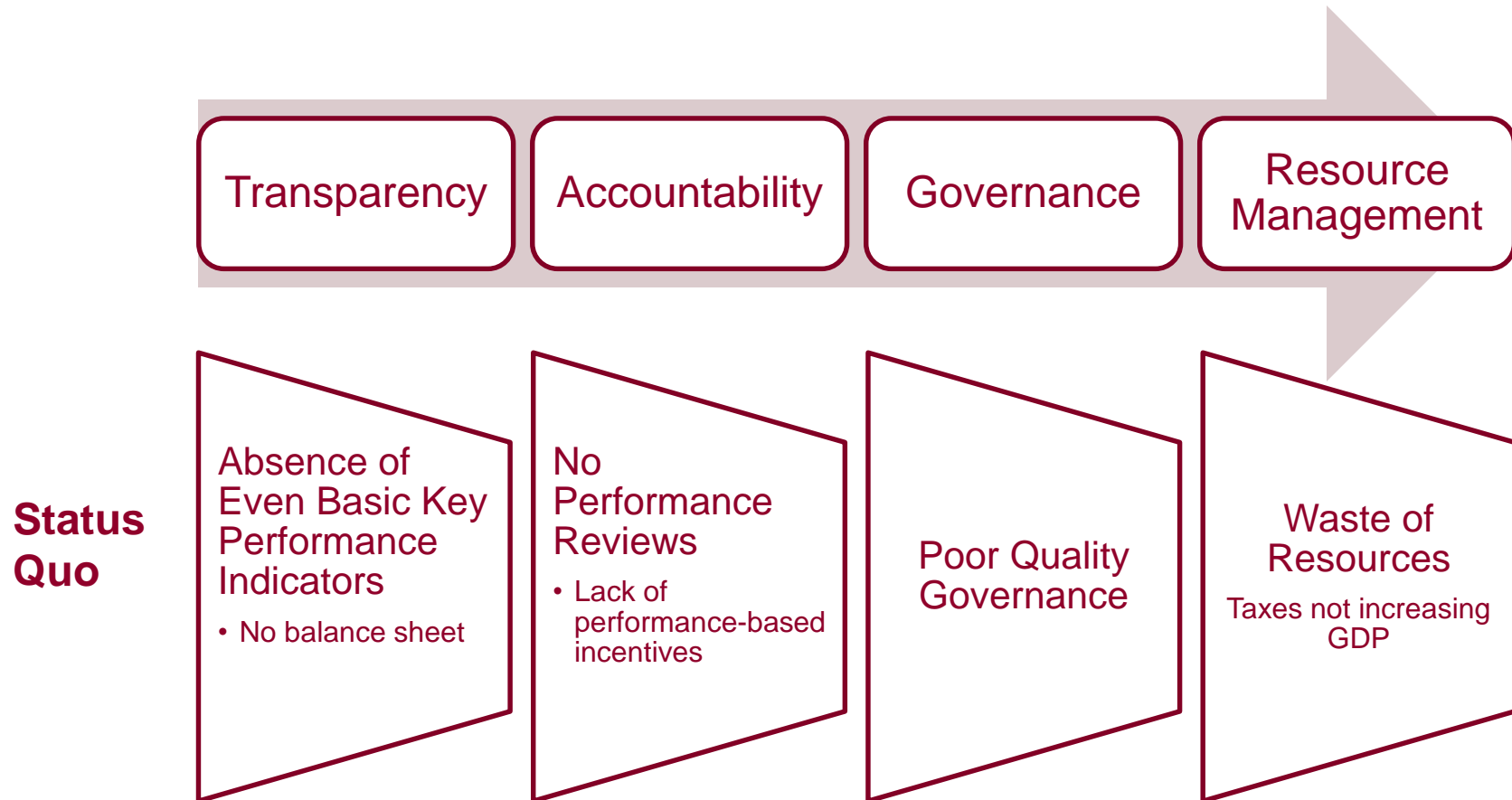
# Attractive for Foreign Investors?

Foreign Direct Investment as % of GDP, average between 2000 and 2007



Source: "Foreign direct investment, net inflows (% of GDP) | Data | Table," The World Bank, accessed September 2015, <http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS/countries?display=default>.

# The Opportunity for the Public Sector





# Thank You