

Microeconomics of Competitiveness in Armenia

Catalyst of Multi-Faceted Competitiveness Process

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MOC: Course at Yerevan State University (YSU), Armenia

MOC: Beyond the Course

MOC: Course at YSU

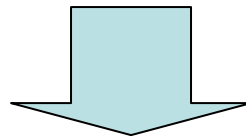
Key Highlights: Local Content / Case Studies

- Students tend to embrace concepts deeply if they connect them to “closer” reality, “their” experience
- Local case studies test the relevancy of concepts and international experience for the local context
- We have developed several Armenia-related case studies
- We taught two of the cases in 2005:
 - **Armenia: Diaspora-Assisted Growth** (as a supplemental case with *Estonia in Transition* and *Chile: The Latin American Tiger?*)
 - **The Story of the Emerging IT Cluster in Armenia** (as a supplementary case with *Building a Cluster: Electronics and Information Technology in Costa Rica*)
- Guest speakers were invited to present their viewpoints on the relevant topics:
 - A member of the National Assembly of Armenia
 - The General Manager of Lycos-Europe, the head of the Union of IT Enterprises of Armenia (the largest IT industry association in Armenia)
 - The Director of Enterprise Incubator Foundation, a World Bank supported industry development initiative

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Armenia: Diaspora-Assisted Growth

- The case presents the story of the revival of a small transition economy after the near collapse during its early years of transition, and the crucial role of the ethnic Diaspora and recent emigrants. For a landlocked country lacking substantial natural resources, the Diaspora became a key component of the national economic strategy.
- The case will help students to understand the interplay of different macro and micro-level factors in developing countries, and how the Diaspora and ethnic migrants can influence and transform the elements of national diamond, increase the competitiveness of local businesses and impact the devise of national economic strategies.



Armenia represents a “natural laboratory” for testing vital aspects of the role of the ethnic Diasporas in national economic development.

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Armenia: Diaspora-Assisted Growth

Specific Features of the Case:

Unique perspective through which it addresses the country competitiveness issues (the Diaspora factor)

Covers competitiveness issues on country level, macroeconomic factors

But Also

Many learning points for many countries in the context of globalization and increasing migration (people, capital and knowledge)

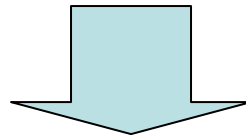
Provides evidence of importance of micro-level context, policies and events

The case can be taught in the sessions addressing Diamond or National Economic Strategy in the Developing Countries

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The Story of the Emerging IT Cluster in Armenia

- The case is an illustration of spontaneous emergence of a vibrant IT cluster in Armenia within a short period of transition. It shows how an industry almost totally ruined after the collapse of the Soviet Union managed to become an internationally competitive industry and one of the key drivers of economic growth in Armenia.
- In parallel to sector developments, the case study features the story of a group of IT professionals, who managed to grow, through a series of acquisitions, from an informal small team to a competence center for Lycos Europe, a leading company in the international Internet market.



It depicts not only industry-wide factors, but also provides insights on specific company strategies, including individual behavior.

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The Story of the Emerging IT Cluster in Armenia

Armenian vs. Costa Rican experience: Key Differences in Cluster Formation and Additional Learning Points

Armenia (3 mln. population)

- Totally private sector-led process, spontaneously **emerging** cluster
- Government declared the sector a priority after the industry proved its “viability”
- Small groups of IT professionals drove the process; Lycos’ decision to locate its biggest development office in Armenia
- Important role played by emigrants and key Diaspora IT professionals through networks and informal processes

Cost-Rica (3.5 mln. population)

- Government had an essential role in **building** the cluster
- Clear industry vision from the government
- Leading international IT companies were targeted; Intel’s decision to construct a new ATP plant in Costa Rica
- Important role played by President Figueres, CINDE.

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Other Highlights: Motivating

- The best student team projects received the right to be placed on the Course Materials web site. This proved to be a very encouraging and motivating experience.
- **Suggestion:** Hold an international competition for the best team projects among all affiliate universities. Offer a symbolic award or recognition. Place the winning project on a generally accessible area of the web site. This may include video recordings of the presentations made by the winning teams. Initial selection can be made by local instructors. An international selection committee can include Prof. Porter, the ISC associates, selected representatives of the faculty, etc.

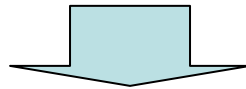
Other Highlights: Networking

- In November 2005 we established an MOC alumni network group in Armenia. We held the first meeting with 15 founding members, representing MOC's 2004 and 2005 most active students. A mailing list, periodic (once per month on average) meetings, competitiveness debates, forums with other alumni groups (e.g.. alumni of the participants of negotiations and leadership training at Harvard (Momentum program and British Alumni Association, etc.) were seen as major activities.
- **Suggestion:** Establish a global network (Global MOC Network including different local MOC groups). Harvard can become a hub for this Network. Its brand and organizational capacities can make the Global Network an efficient medium. If not complemented by on-site events and joint projects, the virtual communication will be ineffective. Most MOC alumni are busy people and will participate if distinct benefits are identified and offered.

MOC: Beyond the Course

Key Developments: Establishment of the Economy and Values Research Center

MOC course became a springboard for various initiatives in the competitiveness area.



- It triggered the establishment of the **Economy and Values Research Center (EVRC)**, a think-and-action tank with the vision of a virtue-driven, competitive Armenia.
- The Center's activities are focused on promoting competitiveness agenda, educating and advising leaders in competitiveness, strategy and ethics, as well as exploring value and cultural foundations of development.
- Through a special agreement with Yerevan State University, EVRC administers the MOC course project.
- EVRC develops case studies, performs research, conducts surveys and trainings, holds discussions, etc.
- The Center unites a network of highly qualified researchers and consultants. I am the chairman, CEO and the Senior Associate of the Center.
- In a short period of time the Center established itself as one of the leading think-tanks in Armenia, involved in major competitiveness projects.

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Key Developments: Armenia Entered into the Global Competitiveness Report 2005-2006

- EVRC became a partner institute of the World Economic Forum's Competitiveness Program in 2004
- Armenia was included in the Global Competitiveness Report 2005-2006 released by the World Economic Forum. EVRC conducted the Executive Opinion Survey among business executives of Armenia.
- The results of the reports (rankings and assessments) were widely discussed in Armenia
- MOC was crucial in this process as a starting point. Professor Porter's name and Christian Ketels recommendation helped to start the negotiation process with the World Economic Forum.

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Key Developments: In the Center of Competitiveness Processes In Armenia

