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The Potential of Competition Authorities
A examination done by
Arthur D. Little

Bundswettbewerbsbehörde
GD Dr. Theodor Thanner

Benefits of an effective and credible competition authority are situated on 3 fronts:

To **consumers**, e.g. lower prices

To **producers**, e.g. productivity improvements
by **Deterrence**

Consumer benefit:

A well-functioning competition authority increases the consumer benefits in the economy

Lower prices: Reduced anti-competitive activities results in lower prices to consumers

Better quality and greater variety: Having to vie for a share of consumers' spending, sellers bring more variety to market at better quality levels

The benefits are quantifiable to some extent –e.g., impact of lower prices due to enforcement

Benefits to Producers

A well-functioning competition regime triggers higher productivity and innovation in the industries:

Promotes SME development with clear and uniform rules of the game for small and big players.

Forces producers to improve productivity as profits cannot be enhanced by controlling markets –only productivity increase will lead to higher profits.

Forces producers to innovate to enhance productivity and bring out better products & services *Benefits to producers difficult to quantify.*

Deterrence Effect

Presence of a credible competition authority deters anti-competitive behavior by market players, as actions of the authority set the precedence on what is acceptable competition behaviour.

Reduced incidence of cartel activities like price fixing, dividing markets etc.

Lesser incidence of abuse of market power by players enjoying a dominant position.

Mergers with the primary aim of **gaining and abusing market power** **will be less prevalent** *Benefits to the economy difficult to quantify*

Key Learnings –Governance

Most competition authorities enjoy **an independent status vis-à-vis the administration**. However, being part of the administrative fabric does not preclude strong performance on the condition that the country's competition regime is mature (e.g. US Anti-trust Division of Department of Justice and Finnish Competition Authority).

Competition authorities often have **no clear separation** between the executive leadership and the Chairman of the Board

The Board typically shows a balanced composition with members hailing from **a professional / private sector background and civil service**

Key Learnings –Governance

Top authorities are fully committed to the principles of **openness**, **accountability** and **integrity** as advocated through the implementation of a code of **Corporate Governance**.

Executive leaders of leading agencies are much respected in the **business community** and play a leading role in **advocating and creating awareness** of competition matters throughout the country and even the world.

The executive leadership and majority of Board members are **appointed because of their expertise** in the field of competition, not by virtue of prior civil service affiliation.

Key Learnings –Mission, Vision & Strategic path

While some Boards' range of operation is limited to a **purely controlling role**, others are very much involved **in making the mission & vision of the organization** a reality in various spheres of operation.

Leading competition agencies base their actions on a **strategic marching route** which, in turn, is rooted in **the mission and vision** of the organization. The **Competition Law** crafts the overall framework of a country's competition regime and, thus also, the space within which the competition authority operates

Key Learnings –Mission, Vision & Strategic path

Authorities develop according to a **life cycle**. Country specific variables (e.g. deficit of competition culture, presence of natural resources, lack of entrepreneurship in society, limited pool of domestic talent) affect the development path of any given authority.

Neither vision nor strategy are cut in stone (i.e. they are not permanent). A number of authorities have installed formal processes to **periodically update strategy** in line with new demands of stakeholders and altering surrounding conditions

Key Learnings –Performance management

Competition agencies regard performance management as necessary and integral elements of good public administration. In addition, there are growing demands from outside competition agencies to develop and apply measures to test the **efficiency** of operations as well as the **effectiveness** of competition policy.

In leading competition agencies, **performance review** is a routine ingredient of the organization's annual **strategic agenda and is incorporated in the formulation of budgets and operational plans**

Key Learnings –Performance management

Various evaluation methods are in use:

- **Assessment by own personnel** of completed cases (e.g. The Netherlands)
- **Use of academic experts**, outside consultants or peers from sister organizations abroad (e.g. Finnish Competition Authority)
- **Assessment by governmental bodies** outside the competition authority (e.g. UK Office of Fair Trading)

Key Performance Indicators (KPI's) are typically employed to monitor performance. The indicators are quantitative and qualitative in nature and are updated periodically

One of the **reported pitfalls** in performance management is **lack of consistent criteria** for measuring agencies' performance. **Passivity** on the part of the agency that relies on outsiders to conduct assessments should be avoided too

Key Learnings –Support systems

Sufficient resources are the bedrock of any successful competition authority as it enables the authority to attract and retain talent. In most cases, HR expenses take up 50% or more of the total budget.

Attracting key personnel is particularly vital in the start-up stage and can be ensured through secondments and assistance from sister organizations abroad. While relying on external consultants / academics is helpful to start-up agencies, the record shows that authorities **prefer to hire and train professional staff**, as this is vital to building **internal capabilities** and ultimately impacts the **effectiveness** of the organization.

Key Learnings –Support systems

The educational background of competition authorities' staff is dominated by **economists and lawyers**, who work on competition matters. A rule of thumb is that on average 25% of the staff is support staff.

The best in class authorities also score very high on staff retention, with an **attrition rate as low as 11%**, compared to an average of 16%.

Key Learnings –Support systems

While attracting and retaining talent is an issue that most competition authorities find difficult, the best in class organizations are characterized by balanced and competitive **compensation packages** and **professional development schemes**(e.g. salary, internal job rotation, training, extra-legal benefits, diversity programs, life-time tenure, work-life balance, tele-working, performance bonuses, international exchange programs, employee satisfaction monitoring).

Some agencies have introduced **Service Level Agreements** (SLA's) to monitor the workload and achievements of administrative staff. SLA's are reviewed every month and service improvement plans are enacted

Key Learnings –Support systems

A system of **knowledge management** (e.g. exit interviews, mentorships for new recruits, experience sharing sessions) is part & parcel of today's HR management.

There is a clear expectancy on the part of staff to function within a well structured organization and on the basis of **clear job descriptions**. At the same time, authorities **monitor the performance** of their collaborators through individual scorecards.

Key Learnings –Processes

The **core processes** (merger approval, abuse of dominance investigation, cartel investigation, advocacy & awareness, leniency programs) of leading competition authorities are **formalized**, i.e. written down and well documented through threshold specifications, priority setting, throughput times, targets, assigned responsibilities, etc.

Core processes are supported by a number of **support processes**, like document management, publication, data confidentiality management, IT data collection, budget planning, case management, etc. The support processes are **formalized** too.

Key Learnings –Processes

Transparency in processes is crucial. Processes are conducted with great openness towards the parties involved.

Some leading competition authorities have opted to create **Chinese walls** between core processes. For example, it is common practice to shield the investigation process from the fines department.

Some competition authorities have developed a **variety of education, compliance and enforcement instruments**. The competition authority is able to choose the **appropriate instrument** or combination of instruments to address the issues raised by any specific situation.

Key Learnings –Stakeholder management

Leading competition authorities entertain both formal and informal relationships with actors of the **national institutional environment** as well as on the **international competition scene**.

Good relationships are important, especially with sector regulators. Many competition authorities have chosen to install **memoranda of understandings** between them and sector regulators with an eye to voicing a consistent message to the business community. Some competition authorities consolidate competition and regulation functions, in order to create synergies (e.g. The Netherlands).

Key Learnings –Stakeholder management

Many competition authorities have been **tapping into the knowledge base of international organizations**(OECD, ICN, UNCTAD, etc.) and fellow agencies in order to progress. Some have gone as far as to operationalize **exchange programs** for staff with fellow authorities.

The competition agency faces **accountability** from two sides: **vertical and horizontal**. Vertically, it is accountable to its Board, Minister(s) and Parliament. Horizontally it is accountable to consumers, the business community, interest groups, fellow competition authorities and regulatory authorities.

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Thank you for your attention!