



# **Innovation and competitiveness in South Africa: the case for competitive intelligence as an instrument to make better use of information**

A strong case can be made for competitive intelligence (CI) as a tool to enhance the competitiveness and, by extension, the innovation capability of South African companies, organizations and institutions, and South Africa as a whole. CI is a business discipline that is used by companies and countries alike as a means to improve competitiveness by making better use of information (managing and applying information to create actionable knowledge). It could form an integral part of efforts to enhance the competitive behaviour of South African companies and society as a whole.

In terms of competitiveness, South Africa does not seem to be able to improve on its global competitiveness rankings. In the latest Global Competitiveness Report 2004–2005, released by the World Economic Forum, South Africa was placed 41 st out of 102 economies on the Global Competitiveness Index (GCI) developed by Jeffrey Sachs of Colombia University and John Mc Arthur of The Earth Institute. The GCI measures a country's national competitiveness in terms of macroeconomic environment, the equality of public institution, that is institutional capacity and technological progress.

Finland was first, for the second consecutive year, and the US in second position, followed by Sweden, Taiwan, Denmark and Norway, consecutively. In the African rankings of the WEF, South Africa was third after Botswana and Tunisia respectively.

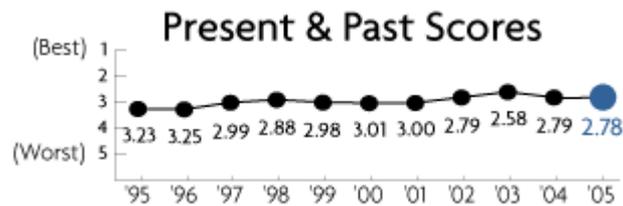
The World Bank, the IMF and other global organizations argue that economic liberalization is required to support innovation and competitiveness and will be conducive to economic growth and foreign direct investment (FDI). According to the US based Cato institute, some African states (Mauritius, Botswana and South Africa) have similar levels of business freedom than developed economies like Germany, Japan, Norway, South Korea and Sweden.

It is interesting to note that the 2003/04 Global Competitiveness Report, shows that African businesses are, in effect, more competitive than their national governments. The other index used by the WEF (besides the GCI) is the Business Competitiveness Index (BCI) developed by Michael Porter of Harvard University. The BCI is developed on the basis that a country's productivity depends equally on micro factors such as basic infrastructure (telecoms, transportation, power and water supply), a developed banking system, skilled manpower, vocational training, more effective governmental support for the private sector, a better information/technological base and fair competition.

Most African countries score higher marks for quality of business environments and corporate governance than for their records on macro economic management and the capability of state institutions. South Africa is ranked 27 th in the BCI, but only 42 nd in the GCI. Another competitiveness index, the Heritage Foundation's 2005 Index of Economic

Freedom (which measures 161 countries against a list of 50 independent variables) placed South Africa 56 th. Although that in itself is not a good ranking, South African does not seem to be able to improve its position although its ranking has slightly improved since 1995 (see [Figure 1](#)).

**Figure 1** South Africa 's score: 2005 Index of Economic Freedom (Heritage Foundation)



Knowledge, and its application, is acknowledged to be among the key sources and drivers of growth and development in the global economy. The increasing importance of knowledge has created both a challenge and an opportunity for developing countries. To create and sustain an effective knowledge economy and to enhance its global competitiveness, South Africa has to put appropriate strategies/measures in place to stimulate, encourage and grow knowledge practices.

The need to enhance companies and countries' competitiveness has grown rapidly. CI is a business discipline that is used by companies and countries alike as a means to improve competitiveness by making better use of information (managing and applying information). It is therefore no coincidence that CI is growing worldwide, also in South Africa (according to the findings of a 2002 South African research project).

The ability to manage and make business sense of the overload of information has become a prerequisite for staying competitive. Companies and governments use CI to transform information into actionable intelligence to provide the foundation on which market strategies and tactics are built, assessed and modified and to instil a culture of competitiveness that in turn enhances innovation.

Competitiveness is a wide term but basically means success (of countries and companies) in markets that translates into general increases in welfare. The WEF broadly defines competitiveness as 'the ability of a country to achieve sustained high rates of growth in GDP per capital'. The International Institute for Management Development (IMD) defines it as the ability of a country to create added value and thus increase national wealth by managing assets and processes, attractiveness and aggressiveness, globality and proximity, and by integrating these relationships into an economic and social model. National competitiveness refers to a country's ability to create, produce, distribute and/or service products in international trade while earning rising returns on its resources.

A sense of competitiveness also includes the knowledge to improve perspectives and understanding of the competitive business environment. Companies should have a firm and accurate grasp of what is involved. Having CI on the business market will help us to be alert to every angle, and then we can perform adequately to meet objectives and goals. It would also provide insight into new opportunities. It is important to study and review all the aspects of a business environment, including knowledge of the competitors, their strong and weak points, new plans and products and to measure how these items have an effect on their success or failures. CI should be used to assist in the developments of innovative and new approaches to business, thereby enhancing competitiveness and achieving a competitive edge.

Recognizing that human capital is a key component of value in a competitive knowledge-based company will go a long way in achieving competitiveness and innovation. South Africa could learn lessons from other developing and developed countries (governments and business) by studying how they leverage CI to become effective knowledge economy players while growing their own economies and creating jobs. In Canada, CI activities have steadily increased over the past 10 years in the form of research output, course delivery, and company practice and government involvement. In India's silicon state, Bangalore, a top computing services company with humble beginnings provides jobs to women from nearby rural villages, whose earnings in unskilled jobs at the company are transforming their economic and social position. Their motto is to partner with the best in the world, learn from them, and become the best in the world themselves. Italy's Sicily was for years a symbol of the depressed and desperate condition of Italy's deep south. Now it is becoming a high-tech capital and is fast becoming the most competitive place in Europe for high-tech investments. Ireland is a country that has transformed itself in a few decades from an agricultural economy to another European hot spot for financial services and high-tech industry. Innovation is not necessarily glamorous, but these areas all hold lessons on how to create competitive advantage in the knowledge economy.

To achieve and sustain an effective knowledge-based economy, South Africa must put in place appropriate measures to become more competitive. South Africa should continue to improve its competitive advantages, especially with regard to an educated and skilled population that will create, share and use knowledge. The Internet and e-commerce are creating new opportunities, providing an export platform for South Africa's knowledge-based industries in areas such as engineering, education and financial services. Along with the rapid globalization and liberalization of economic markets, comes a new, additional set of pressures. Entry into the knowledge economy requires high-level CI in areas such as standards, regulations, consumer preferences, competitor strategies and business styles.

CI is thus a crucial and integral part of the emerging knowledge economy. By analysing and interpreting the macro environment, CI enables companies to anticipate market developments rather than merely react to them. It is thus an important tool for creating competitive advantage and enhancing competitiveness and is decisive in determining whether an entity (company, country, organisation and region) will be a market leader or follower (Society of Competitive Intelligence Professionals). It has been said, 'most surprises in business are negative'. CI attempts to manage the marketplace consequences of enterprise decision making (and limit surprises) to successfully transfer competitive advantage to the entity.

The fact that the world is becoming increasingly competitive for South African companies is undisputed (also given the fluctuating exchange rate, the country's geographical proximity and the unique challenges facing South African managers who have to deal with various regulations and legislative matters). How South African managers will meet these challenges is not clear and few seem to develop plans to improve their ability to keep track of competitors and competitiveness. There appears to be a degree of complacency and self-deception that is inhibiting managers from instigating effective planning to improve CI; few conduct CI in a formal systematic manner. On the positive side, research has shown that managers do recognize a need to better integrate CI in their business processes and strategic planning. CI as a means to keep track of changes in the competitive landscape will grow as more companies of different sizes and from various sectors across the board expand on their CI capabilities.

The use of CI in South Africa is growing rapidly, but should achieve higher levels of application. However, how this can be done requires research and such research is still limited. Also, CI practices have grown so rapidly that formal education and training in CI has

lagged. This is a cause for concern as CI is a human driven activity that requires highly skilled people to execute it, including CI managers, top business analysts and a company wide competitive culture to support wide participation and utilization. Some of the critical research issues on CI include the following:

- Increase the awareness and development of CI as a strategic business tool to improve South African companies' competitiveness.
- Investigate the barriers to effective CI, including informal *ad hoc* CI, insufficient analyses, ineffective information communications, as well as a lack of proper structures for CI and the absence of a dedicated CI unit.
- Investigate the key roles and skills required when conducting CI.
- Investigate the role government could fulfil in expanding and supporting CI in South Africa as a means to enhance national competitiveness.
- Investigate how lessons learnt from CI experiences elsewhere in the world and in Africa in particular could help determine the value of the study in the use of CI for the knowledge economy in South Africa.

Note: The parts in this editorial referring to research into the CI practices in South Africa refer to the research conducted by a research team comprising prof. Wilma Viviers, prof. Andrea Saayman (both of the North-West University) and Marié-Luce Muller of IBIS.

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