



Competitive intelligence and competitiveness

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1 Introduction

The continuing energy crisis, emigration rate, skills shortages and infrastructural challenges facing South Africa has again raised the question of how this would have an impact on South Africa's global competitiveness as a country and on its business community. This column examines various competitiveness-related matters in 2008.

2 Competitiveness defined

It is perhaps opportune to formulate a working definition of competitiveness. The Competitiveness Institute offers a definition of competitiveness in different applications.

'For the company, competitiveness is the ability to provide products and services as or more effectively and efficiently than the relevant competitors e.g. success in international trade, high productivity, competitive cost of production and high quality of goods and share in regional or global markets (Blunck 2006)'.

Competitiveness also relates to industries (how businesses can sustain themselves against the businesses of other countries or economies) and to nations (how citizens achieve and maintain a high standard of living).

Porter (1998) defines the competitiveness of countries as:

'the productivity with which it produces goods and services. Sound macroeconomic policies and stable political and legal institutions are necessary but not sufficient conditions to ensure a prosperous economy. Competitiveness is rooted in a nation's microeconomic fundamentals i.e. the sophistication of company operations and strategies and the quality of the microeconomic business environment in which companies compete. An understanding of the microeconomic foundations of competitiveness is fundamental to national economic policy'.

Garelli (2006) defines competitiveness as the ability of a nation, company or individual to manage a set of disparate competencies to achieve prosperity.

3 South Africa in terms of global competitiveness

There are various institutions globally that have developed indices measuring the competitiveness of countries or economies. On analysing a number of competitiveness indices, it is clear that some emerging economies are rapidly catching up with traditional competitiveness leaders in terms of overall competitiveness. The United States of America (USA), Scandinavian countries and countries such as Singapore and several European Union (EU) members still rank highest. However, according to the World Economic Forum (WEF

2007), at least 40 economies are now increasing or maintaining their competitiveness. These economies include China, Russia, India and Brazil and point to a global shift in economic, trade and business power.

Another conclusion is that South Africa, like many other emerging economies, is not only failing to improve its competitiveness against other economies, but is also worsening its position year-on-year, thus widening the gap between the leading competitive countries and South Africa. This reality calls for urgent redressing (National Productivity Institute 2007).

AccountAbility (2007), a partner of the Unisa Centre for Corporate Citizenship, ranked South Africa 28th out of 108 countries in terms of 'responsible competitiveness'. According to AccountAbility, its Responsible Competitiveness Index (RCI) is similar to the WEF's Global Competitiveness Report (GCR) and measures aspects such as labour standards, corruption and actions taken to manage climate change. Although South Africa compares well to other emerging economies in a global context, in terms of the RCI, it lags behind developed economies led by the Scandinavian countries (Sweden, Denmark and Finland). The United Kingdom (UK), Ireland and Australia are also consistently among the top ten. South Africa generally ranks fairly high, indicating that responsible business practices are deemed important. When measured against other African countries, South Africa performed well with Botswana at 41, followed by Namibia at 47 and Lesotho at 71. Nigeria, Kenya and Tanzania ranked 81, 82 and 90 respectively.

According to the WEF's GCR (2007), South Africa's overall position on the 2007 ranking deteriorated from 35th out of 121 economies (2006) to 44th out of 131 economies. In terms of Africa, only Tunisia (29th) and Mauritius (60th) ranked in the top half of the countries surveyed. In terms of its competitiveness score, South Africa achieved 4,42 out of 7, down from 4,54 in 2006 (WEF 2007). Tunisia is Africa's most competitive country (WEF 2007). Globally, the countries leading in the ranking include the Scandinavian countries, the USA and Singapore. The rankings are calculated from both publicly available data and the Executive Opinion Survey, which is an annual survey conducted by the WEF together with its network of partner institutes in the countries covered by the report. For South Africa, this includes the National Productivity Institute.

The WEF, World Bank and African Development Bank (ADB) also publish the Africa Competitiveness Report (ACR), which is part of the GCR. In terms of the 2007 ACR, Tunisia leads the Africa ranking as the 29th most competitive country in the world. Besides the fact that there is a large gap between South Africa and Tunisia, it is important to note that, as recently as 2005, South Africa lagged only three places behind Tunisia. Then South Africa was ranked 40th out of 117 economies. Particular problematic areas for South Africa are primary health and primary education, infrastructure, higher education and training, labour market efficiency and technological readiness. When analysing the development areas, it becomes clear that South Africa needs to become a more knowledge intensive, innovative and learning economy.

Yet another index, the IMD World Competitiveness Yearbook (WCY), revealed in its 2007 edition that South Africa's rankings dropped from 38th position to 50th position out of 55 countries (IMD 2007). According to the IMD, the WCY analyses rank 'the ability of nations to create and maintain an environment which sustains the competitiveness of enterprises'. In the four main competitiveness factors, namely economic performance, government efficiency, business efficiency and infrastructure, South Africa fared as follows: In economic performance (that includes issues such as domestic economy, international trade, international investment, employment and prices), South Africa performed well in terms of cost of living, direct investment flows, real GDP growth and growing tourism, but the high unemployment rate and low GDP per capita caused the drop in South Africa's rankings.

In terms of the government's efficiency in measuring the extent to which government policies are conducive to competitiveness and how it looks at public finance, fiscal policy, the institutional and societal framework and business legislation, South Africa dropped from 25th position in 2006 to 35th position in 2007. Although effective personal income tax rates as a percentage of the GDP per capita is regarded as a strength, results indicated that improvements are required in terms of personal security and private property protection, exchange rate stability and labour regulations. Another factor hampering business activities and economic development is discrimination.

In the business efficiency segment, measuring factors such as the extent to which enterprises are performing in an innovative manner, productivity and efficiency, labour market, finance, management practices, and attitudes and values, South Africa's ranking remained unchanged at 32nd. Factors hindering improvement in this position include skilled labour, the brain drain and the availability of financial skills and competent senior managers. In the infrastructure area, South Africa's position also declined (from 52nd to 55th). Although electricity costs are still low, factors such as a lack of qualified engineers, Internet costs and the problematic energy supply lead to the declining ranking.

4 Comparative advantage of ranking leaders

In terms of the USA, it is the efficiency of its markets, the sophistication of its business community and, important from a knowledge viewpoint, and the capacity for technological innovation that exists within its universities and research centres that make the country a leader.

When examining Tunisia's winning areas, it becomes clear why it has an edge over South Africa in the global and African rankings. It has low corruption levels, its property rights are secure and it has a strong security environment. This instils confidence among the business and international investor communities. Its educational institutions are also of a high quality. According to the WEF, the quality of Tunisia's private institutions and corporate ethics are comparable to those of the EU countries (WEF 2008). Furthermore, its labour market is considered competitive, leading to the creation of a business environment conducive to a profitable and productive business sector. Aspects that make labour competitive include flexibility, efficiency and high and relevant skills levels. Also, the ease of recruiting and dismissing employees and a pool of relevant skills create a competitive labour environment. Whereas Tunisia ranks between 32nd and 29th on all these aspects, South Africa ranks only 126th out of 128 in terms of labour flexibility. This is exacerbated by the shortage of critical skills. In fairness, it must be stated that Tunisia has an edge as a North African country in terms of market efficiency.

GCR top 10 African countries (global ranking brackets) (WEF 2007):

1. Tunisia (29)
2. South Africa (46)
3. Mauritius (58)
4. Egypt (65)
5. Morocco (72)
6. Libya (73)
7. Algeria (76)
8. Botswana (83)
9. Namibia (88)
10. Kenya (97)

In his commentary on the release of the 2007 WCY, Professor Stéphane Garelli, Director of

IMD's World Competitiveness Center (2006), said that overall performance is necessary if countries wish to maintain their standing in world competitiveness. He added that there is a shift toward knowledge and services-orientated business and industrialized nations will find it hard to tolerate such a power shift to new countries such as China, Russia and India. Garelli (2006) states that competitiveness has taken the world by storm and says that, concurrent with traditional policies, countries must redress education and security to sustain economic development. He goes further by saying that competitiveness also relates to companies and individuals. Companies must also be competitive in image and brand while individuals must 'reinvent themselves to survive' (2006).

5 Actions to enhance competitiveness

The fact that South Africa stakeholders are recognizing the challenges the country faces when examining competitiveness factors should be regarded as positive.

A number of industrial support measures have been introduced since 1994 to enhance the competitiveness of South Africa's industrial base. These include investment incentives, manufacturing programmes and export support programmes. The government has provided incentives for value-added manufacturing projects, support for industrial innovation, improved access to finance and an enabling environment for small, medium and micro enterprise (SMME) development (Department of Trade and Industry 2007). South Africa has also instituted a competition commission based on best international practice and corporate governance has improved as well.

South Africa is also among the top 30 countries in the world for ease of doing business according to a 2005 World Bank report. The finding suggests that South Africa is making progress in creating an environment conducive to investment, which the government has identified as one of the key areas to achieving its economic growth target. The World Bank survey ranked 155 countries according to the number of procedures, time and costs involved in starting a business, including dealing with licences, labour practices, registering property, getting credit, protection for investors and closing a business. South Africa ranked 28th, ahead of Russia (79th), China (91st) and Brazil (119th). In an African context, South Africa has the highest ease-of-business ranking (World Bank 2007). The ease of doing business has registered a recent success with the Ford Motor Company of Southern Africa (FMCSA) announcing in March 2008 that it will invest more than R1,5-billion in the local production of a new generation car.

South African authorities have realized that improving competitiveness against China and India in terms of EU trade is important. EU Africa trade remains problematic and the EU and African countries did not sign economic partnership agreements (EPAs) with Africa before the preferential trade terms expired at the end of 2007. Access to market and knowledge of markets remain a challenge for South African exporters.

The Department of Science and Technology (DST) has recognized that economic growth and sustainable development is of particular importance to developing countries, where there is a need to find technological innovations to address some of the competitiveness problems. The capacity for science and technology in South Africa has not yet been fully translated into commercially viable business opportunities. As is evident from the high USA ranking, it is necessary to have a well-established and conducive technological base to promote competitiveness. The South African government recognizes that in a competitive international environment an innovative and technological base from which innovations are developed is key to growth and competitiveness.

Other areas in which South Africa ranked well and which can be used to further enhance

competitiveness are property rights, corporate ethics, financial market efficiency, business sophistication and innovation. Key will be for innovations to translate into international business opportunities.

6 Development areas

1. Connectivity and computer literacy. The results of an SME survey in 2007, backed by the Standard Bank and Fujitsu Siemens Computers, indicate that only 42% of SMEs in South Africa regard themselves as highly competitive. The lack of use of resources such as computers and the lack of affordable, high-speed connectivity were mentioned as factors inhibiting competitiveness. Furthermore, SMEs seldom make use of services such as strategic consulting and the Internet. There is a statistically significant correlation between resources used and competitiveness (Goldstuck 2008).
2. The inflexible and complicated labour environment which affects South Africa's attractiveness as an investment focus and which hampers the competitiveness of businesses.
3. Besides the labour challenges and skills shortages, the general security problem continues to hinder the ease of doing business in South Africa. The business cost of crime and violence and the unreliability of police services to protect citizens from crime (92nd are highlighted as particular concerns (WEF 2007).
4. The sustainability of infrastructure is perceived to be weak. This has been exacerbated by the recent energy and water crises in South Africa and is hampering the aim to achieving a 4,5% per annum economic growth rate.
5. A lack of skills is arguably among the biggest stumbling blocks in South Africa's competitiveness drive. The most declines come from the brain drain but this is exacerbated by problems with the availability of qualified engineers and a lack of appropriate scientific education.
6. Development of the right skills and redressing the skills shortages in especially science, engineering and technology. The capacity for science and technology in South Africa has not yet fully translated into business opportunities (Mjwara 2008).
7. Quality of education and training. South Africa's higher education and training ranking dropped to 57th place overall from 47th place in 2006 (WEF 2007).
8. In terms of infrastructure, South Africa dropped from 35th to 50th position. The 2007 WEF report expressed concern about the electricity supply and low penetration rate of telephone lines.
9. Creating a competitive and innovative culture. A country's competitiveness depends on its capability to create innovations that are based on science and technology, and on its industry's ability to turn them into products and services for the international market. Although South Africa scores fairly well in terms of innovation (Gibson 2007), South Africa fails to capitalize on this and turn patents and innovation into viable and sustainable business opportunities (Mjwara 2008). Furthermore, there is a lack of knowledge about markets.

7 Conclusion

Underlying general competitiveness is the role of intelligence and knowledge and how it is applied in competitive strategies. Knowing what knowledge is required to enhance competitiveness, including knowledge about markets, competitors and customers and having the ability to gather, analyse and use knowledge or intelligence to gain a competitive advantage, will determine the leaders and followers in the competitiveness race.

Globally, companies are embracing competitive intelligence (CI) as necessary to contribute to business success. With defined processes and methods, intelligence can enhance companies' competitiveness and strategic development and assist in developing knowledge

about industries and markets. CI focuses on turning external information into the intelligence required for tactical or strategic decisions relating to the competitive environment (Fleisher and Bensoussan 2003). The businesses with effective processes for collecting intelligence on their external environment, integrating it with internal information and then using both external and internal knowledge to take advantage of opportunities while guarding against threats, will be those that survive in the long term (Weiss 2003).

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