



Competitive intelligence in the knowledge economy: what is in it for South African manufacturing enterprises?

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Abstract

In an unstable environment, enterprises are gradually realizing that there should be major changes in how they deploy their strategic resources to compete in the knowledge economy. In this paper, the role of competitive intelligence in South African manufacturing enterprises is examined. The difference between the industrial and the knowledge economy and the competitive intelligence function in an enterprise is explained. The manufacturing industry is the biggest industry in South Africa and in a previous study by the researcher it was founded that only 44% of manufacturing enterprises in South Africa collected information on competitors. It was therefore decided to do a follow-up study and to determine the importance of competitive intelligence in the strategic management process of these enterprises, to find out where and how the enterprises obtain information on competitors and the use of competitive intelligence systems in these enterprises.

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1. Introduction

The realization that knowledge and information are fundamental to economic growth, whether at national or company level is beginning to permeate economic and management thinking. The concepts of a knowledge economy and information capitalism underlie virtually all new information-driven economies and businesses.

In today's society, knowledge is the primary resource for individuals and for the economy. Land, labor, capital and entrepreneurship—the economist's traditional factors of production—have not disappeared, but the first three have declined in importance. They can be easily obtained, provided there is specialized knowledge and entrepreneurial skill in an enterprise (Drucker, 1992, p. 95).

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According to a survey by the Delphi Group, 58% of the useful knowledge of an enterprise is recorded information (documents and databases) and 42% resides in employee brains (Hickens, 2000, p. 100). Integrating knowledge management and competitive intelligence encourages the use of these resources, improves their quality and allows an enterprise to respond more rapidly to changing business conditions.

This article attempts to determine the role of competitive intelligence in South African manufacturing enterprises. The central question that will be addressed is: 'How successful or how effective are the competitive intelligence capabilities in manufacturing enterprises?' The aim is to explain the intelligence function and to make enterprises in developing countries aware of the value of intelligence to compete in the knowledge economy.

2. Characteristics of the knowledge economy

Interest in a new economic world order based upon intellectual capital has grown exponentially in both industrialized nations and developing countries around the world. The need for fast, reliable information exchange came as a response to rapidly changing markets, products and services. This trend is mainly based on shifts in increasing international competition, shrinking geographic separation and deregulation with more open competition. The injection of new international competitors with different cost structures, and different manufacturing and production processes, have changed the fundamental characteristics of products and reduced manufacturing life cycles.

The knowledge economy is a very different paradigm from previous agricultural, industrial, or service economies. It is one that rests on the value of human potential and how it might be systematically leveraged for the benefit of mankind. The challenge is to determine the integral linkage between human potential and economic performance (Amidon, 1999).

Knowledge workers often need to make quick, intelligent decisions based on the most salient, relevant information available. This is because the prevailing business environment is one in which a swift response may be the only competitive advantage which ensures the survival of the enterprise. Internal and external competitive pressures require new, time-constrained responses and, as a result, more empowered knowledge workers.

Skyrme and Amidon (1997, p. 4) list four key factors, which have given rise to the concept 'knowledge economy':

- Realization of the changing role of knowledge in society and business;
- Cost avoidance by reducing duplication of knowledge processes;
- Knowledge leverage as a competitive enabler; and
- Increasing appreciation of the value of intangibles, which is often reflected as intellectual capital in the share price of listed companies.

In the knowledge economy, the growing economic value of knowledge capital is recognized. This is reflected in the share price and price–earnings ratio of enterprises. According to Moore in Ostro (1997, p. 59), the chairman of Coopers & Lybrand, the intellectual assets of a company are often worth three or four times the company's tangible book value. That value is converted into

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