



## Current state of competitive intelligence in South Africa



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### ABSTRACT

The economic success of a country depends on its capacity to apply activities which create a competitive advantage. The business environment is highly complex in South Africa and the purpose of this article is to examine the current situation with regard to competitive intelligence (CI) activities in South Africa. Since CI is a relatively new activity in South Africa, this study is mainly exploratory in nature. A questionnaire survey methodology was used where questionnaires were administered to CI experts in organisations in South Africa. The majority of respondents has postgraduate degrees and was in either top management or senior/middle management level of their organisations. Only 55% of the respondents are of the opinion that they cope above average with changes in the business environment and 60% of the respondents strongly agreed that the most important CI activity in their organisation is to use CI to remain cognisant with government legislative trends. It is recommended that organisations should enhance a CI culture by creating CI awareness among employees and provide CI training sessions for new employees.

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### 1. Introduction

The economic success of a country depends on its capacity to apply activities which create a competitive advantage, its ability to create an environment of transformation and progress, and its capacity to innovate (Canongia, 2006: 58). Competitive intelligence (CI) has long been recognised as a strategic management tool that could enhance competitiveness.

The purpose of this article is to examine the current situation with regard to CI activities in South Africa. The business environment is highly complex in South Africa because of factors such as the country's unique history, diversity, geography, political and institutional landscape. Companies tend to be less dynamic and more resistant to change, compared to companies in industrialised countries. Within a short period of time after the democratic elections in South Africa in April 1994, the international market opened up. South Africa as a net exporter of strategic minerals and the 'gateway' to Africa has an internal environment ideally suited to the use of CI by companies to gain the competitive edge in a developing domestic economy and a challenging external environment. CI is therefore enjoying increased prominence in South Africa. The limited information found on CI activities in South Africa and the fact that the last comprehensive review of CI activities in South

Africa was conducted in 2001 led the authors to undertake this project.

The last survey to determine the implementation of CI in South African companies was conducted in 2001 by Viviers, Saayman, Calof and Muller and since then no other data covering all the industries has been produced in this regard. There has been little quantitative empirical research on CI in South Africa and the published quantitative research has been largely descriptive in nature, describing the distribution of CI skills, resources and capabilities across organisations. In the past eleven years CI has been a contemporary issue in South Africa and the business sector has realised the importance of CI. Since 2001 many South African companies have made efforts to collect, analyse, disseminate and utilise information on the external environment. The number of companies with CI units had risen noticeably. South African companies and the government now face the pressures associated with globalisation and they need to compete on a global level. Many companies in South Africa therefore established a CI function since 2004 which they use for strategic and operational decision-making. The purpose of this article is to establish whether a formalised CI function is becoming an indispensable tool for decision-making in South African companies since this was not the situation in 2001 when Viviers and Muller conducted their research. Vivers, Saayman, Calof, and Muller (2002: 53–67) also found that few universities in South Africa offered CI training. CI training is now offered by at undergraduate and postgraduate level by the University of Johannesburg and the University of Pretoria and more CI professionals are entering the market. Because of this, CI practices have become more sophisticated since 2001.

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## 2. Competitiveness in the global economy

Competitiveness is a multifaceted concept and according to Schuller and Libom (2009: 935) competitiveness refers to the competitive environment that a country's companies face. According to Waheeduzzaman (2002: 13) the ultimate goal of competitiveness is to improve the standard of living or real income of the citizens of a country. Since companies actually compete in the global economy, many authors are of the opinion that when studying competitiveness, the focus should be on companies since they are the main engines of a country's competitiveness (Garelli, 2003: 704). For a country to achieve higher international competitiveness, companies should produce products at lower costs and higher quality (Arslan & Tathdil, 2012: 34). As globalisation increases, it has serious implications for developing countries since the growing interdependencies between national economies accelerate the process of economic integration in the knowledge economy (Postelnicu & Ban, 2010: 54). Porter (1990: 25–40) developed the diamond model of competitiveness that helps people to understand the competitive position of a country in the global economy. He identifies four classes of country attributes (which he calls the national diamond) that provide the underlying conditions or platform for the determination of the national competitive advantage of a nation. These are factor conditions, demand conditions, related and support industries, and company strategy, structure and rivalry. He also proposes two other factors, namely government policy and chance (exogenous shocks), that support and complement the system of national competitiveness but do not create lasting competitive advantages. Porter's (1990) diamond framework thus provides the link between company and country-specific sources of competitive advantage that companies leverage to gain international competitive advantage.

With the globalisation of markets, the need to enhance companies' and countries' competitiveness has grown rapidly. If government supports and encourage the application of CI, then it would have a more positive impact on the economy of a country and the quality of the lives of citizens. For these reasons, it has become a matter of survival for many South African companies to extensively globalise their business activities.

## 3. Competitive intelligence

CI is the component of business intelligence aimed at gaining strategic advantage (Porter, 1980: 15). It includes competitor intelligence as well as intelligence collected on customer, suppliers, technologies, environments, or potential business relationships (Gilad, 1989: 30). As companies compete in the global economy, the need for CI in a global context becomes essential for further success. Companies in developing countries (like South Africa) who are familiar with CI practices in their local regional markets may find the requirement to extend CI practices globally very difficult to accomplish in a structured way (James, 2000: 44). The basis for CI is knowing the difference between information and intelligence. Executives usually have to read through several reports and proposals before making decisions, and it is often found that they are overwhelmed with information and lack intelligence that will enable them to make more efficient decisions. Therefore, it can be said that the companies that are able to turn information into intelligence will succeed (Sewdass, 2012: 24). CI is the process of developing actionable foresight regarding competitive dynamics and non-market factors that can be used to enhance competitive advantage. CI is concerned with the techniques used to select and filter information from a variety of sources, to interpret and analyse it, to communicate it to the right people and to use it effectively. Competitive dynamics refers to the evolution of a

company's industry and the moves and countermoves of competitors, suppliers, customers, alliance partners and potential competitors. Non-market factors such as government regulation, tariffs and the culture of a country impact competitive dynamics but are not suppliers of products or services to the industry (Prescott, 1999: 42–43). However, non-market factors can provide early warning of threats and opportunities that affect the strategies of companies (Fleisher, 1999: 25). CI uses legally and ethically public sources to assess the strengths and weaknesses of its competitors.

According to Calof and Skinner (1999: 1) a country will underperform without an appropriate CI infrastructure and they quote Prescott and Gibbons by stating that "the key question is not whether governments should play a role in a company's CI efforts but what should be the purposes and methods used by government." Countries such as France, Sweden, Japan and Canada have recognised the value of government and industry working jointly in the development of an intelligence culture (Calof & Skinner, 1999: 3).

The new paradigm in development economics is based on self-analysis, self-reliance and self-renewal, which would seem to necessitate a development-orientated intelligence policy in a country. Currently most developing countries are weakly integrated with the global economy. For companies to compete globally they are facing many challenges since consumers use the Internet to compare products and prices and they need to stay ahead of their competitors. If this situation is to change, major infrastructural investment in information systems and services, as well as technical training, is required. Utilising CI will enable companies in developing countries to gain a greater market share and to compete successfully against international competitors (Pellissier & Kruger, 2011).

Ifan, Dou, Manullang, and Dou (2004: 995) state that "after a period of recession and inflation, most developing countries have to face the necessity of improving their capacities to innovate and increase the competitiveness of their industries." Furthermore, in developing countries, the creation of new products from their natural resources is important as it has the ability to contribute to the country's foreign direct investment (FDI) (Dou, Dou & Manullang, 2005). In order to achieve this, the implementation of CI will be the answer.

## 4. South African situation with regard to competitiveness

South Africa faces new socio-economic challenges and research capacity needs to be developed in the context of the global economy. Before 1994 South Africa was isolated from the rest of the world as a result of the apartheid regime and this inhibited competitiveness (Viviers & Muller, 2004: 54). The use of CI before 1994 has mostly negative connotations since South African intelligence activities were mostly pursued by state institutions. Because of isolation information about scientific and technological innovations developed in South Africa was disseminated through academic and technological journals, conferences and trade shows. Public intelligence in South Africa has influenced CI in South Africa in several important ways. Many of the first generation CI professionals in South Africa came from the National Intelligence Service and government organisations and the majority of CI consultants in South Africa were before 1994 employed by the National Intelligence Service. After 1994 the economy became more open and, along with export markets, domestic markets became increasingly larger and more competitive with increased globalisation of markets. Since the domestic market was relatively small, the government pushed to increase exports for further economic development. Many industries were deregulated and privatised and there was a large construction boom due to the 2010 Soccer World Cup. To

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