

## **A FRAMEWORK FOR IMPLEMENTING THE COMPETITIVENESS RANKING SYSTEM FOR SOUTH AFRICA**

### **Draft Report**

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#### **1. Introduction**

Competitiveness is defined in the United States as the nation's "ability to increase the real income of all Americans by producing high-value products and services that meet the test of the world markets" (Council on Competitiveness, 2001). In Ireland competitiveness is defined as "the ability to win and keep business in domestic and foreign markets" (National Competitiveness Council, 2001). Competitiveness has become the primary focus of national policy and investment in the developed and developing worlds of the 21<sup>st</sup> century. Even countries that have and are performing well economically are engaged in a never-ending struggle to locate competitiveness at the centre of the national endeavour to create and institutionalise sustainable development. South Africa must, without delay, establish its own competitiveness ranking system.

The creation and the institutionalisation of a culture of competitiveness, though highly desirable, is a daunting challenge that calls for careful planning and implementation if the national effort is to result in sustained competitive advantage. I would like to focus on the conditions that must be in place to implement the competitiveness ranking system. In short, what are the implications of deciding to go ahead and attempting to get the most out of the competitiveness ranking system?

#### **2. Conditions for Implementing the Competitiveness Ranking System**

The implementation of the competitiveness ranking system has 2 primary components, namely, (1) the administrative conditions and (2) the inspirational conditions.

##### **2.1 Administrative conditions**

Although there are many administrative conditions that must be in place to maximise the implementation of a competitive ranking strategy, this section will only be devoted to 3. They are the organisational structure, resources (human and financial), and a competitiveness focus. A brief discussion of each condition follows:

##### **2.1.1 Organisational Structure**

The current national, organisational, and institutional structure is not suitable for the planned competitiveness ranking system. If the nation continues to operate under the current organisational structure and organisations and institutions continue with business as usual, we shall, at the end, get the same results. The decision to go ahead calls, therefore, for a fundamental rethinking of our administrative conditions at the national, provincial, regional, organisational, and institutional level. When the National Competitiveness Council was established in 1997, Ireland established an organisational structure that shortened the distance between the Taoiseach (Prime Minister) and the National Competitiveness Council. One of the key government officials responsible for the implementation of the competitiveness recommendation sits in the office of the Prime Ministers. This structural arrangement has been deliberately put in place to cut the bureaucratic quagmire that more often than not throttles the implementation of good practices. A close analysis of the members of the National Competitiveness Council reveals a deliberate attempt to bring stakeholders of diverse interest around one table. The council's membership includes, among others, 6 employers, 2 trade union representatives, a senior representative of the Department of Enterprise, Trade and Employment and five other economic ministries, a senior representative of the Taoiseach (the Prime Minister) and the chief executive of Forfás (Gaelic for development). This structural trend is very clear in the US Competitiveness Council. For example, an Industry Vice-Chairman, Labour Vice Chairman, University Vice-Chairman, and a Founder of Hewlett-Packard Company assist the chairman of the council. Similarly, the executive committee members consist of experts drawn from all walks of life. This is the reason why the establishment of a competitiveness ranking system for South Africa has to be structured in ways that take into account the interest of the labour, business, government, the community, and the academia. Thus, the structural arrangement that is put in place should be a means to an end rather than an end in itself. It should be designed to facilitate the

implementation and the execution of the recommendations of the competitiveness council and an enhancement of the intended results.

### **2.1.2 Resources**

The resources are the raw materials that the competitiveness council shall use to accomplish its mandate. Although human, financial, and material resources are indispensable for the implementation of a competitiveness strategy, this section will only address the first 2 types of resources.

#### **2.1.2.1 Human Resource**

The search for a competitiveness strategy for South Africa signals the dawn of a new paradigm, a paradigm that our nation can learn to do better, improve the quality of life of its people, and institutionalise sustainable development. South Africa can become a learning nation, and our organisations can become what Senge (1990) calls “learning organisations.” Learning Organizations are defined by Senge (1990) as “organisations where people continually expand their capacities to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together.” The people that we interviewed during our competitiveness trip revealed that individuals and organisational learning are the foundations of national and international competitiveness. They affirmed Spender’s (1996) contention that knowledge is the foundation of competitive advantage. The loss of the intellectual capital in Ireland was one of the factors that forced the Irish people to come together to work out a social contract that turned around the “brain drain” that preceded the formation of the National Competitiveness Council into the “brain gain” of today. Today, Ireland boasts of recruiting scientists to Forfas from the top 5 in the world. This is a powerful message for South Africa. If the competitiveness ranking system is to yield the results we “truly desire” we must make sure that it is staffed by people with a high calibre managerial and technical talent. They must come from various backgrounds, experiences, have the know-how in the area of competitiveness, and hold the right values and beliefs about the learning as a source of competitive advantage.

#### **2.1.2.2 Financial Resources**

We are where the Irish were in the mid-1980s when they started the National Competitiveness Council. In the mid-1980s “Ireland had entered an inflationary spiral based on rising wages and rising taxes. Unemployment reached close to 20%. Emigration of skilled young people reached tidal wave proportion.” (Hirsch, 2002). According to Andrew and Levy Associates, South Africa’s inflation rate in the 2000 was 5.3% (2001/2002 Survey). The Labour Force Survey reveals that South Africa’s unemployment rate, defined in the strictest term, stands at 26% and 37% if an expanded definition is used (2001/2002 Survey). In 2000, South Africa recorded

11,309 emigrants and 3,056 immigrants. The implementation of a national competitiveness strategy has, among others, helped the Irish people to turn the around situation. Through “national agreement...[the] Unions...[have] reduce[d] their wage demands...[and] the government reduced its personal income taxes to compensate for the real wage cut” (Hirsch, 2002) If South Africa is determined to save the nation, improve the quality of life of all South Africans through the implementation of a competitiveness ranking strategy, this nation shall invest in a competitiveness ranking strategy. The nation shall put competitiveness high on its agenda and shift resources from other quarters to the competitiveness budget because it is in this strategy where its salvation lies. The nation shall put in place conducive competitiveness ranking policies to promote rather than impede competitiveness.

### **2.1.3 Competitiveness Focus**

No single nation achieved competitiveness or improved the quality of life of its people, and institutionalised sustainable development by accident, hopes or wishes. The nations we visited (e.g., Ireland and the United States) are recognised “core economies” because they made an intellectual decision to set and pursue competitive objectives and activities. These countries were forced by circumstances beyond their control to focus on national and international competitiveness. In Ireland, the competitiveness focus was triggered by the economic crisis of the mid-1980s. In the United States the prime factor was the desire to maintain the economic leadership which was being threatened by Japan and Germany.

These forces, which are currently present in South Africa, triggered national debates that gave birth to the “national agreements” that, in turn, declared competitiveness a national focus. Competitiveness is a product of planned change and has become a very effective administrative tool. Certain forces within a nation produce a momentum that leads to the setting of competitiveness objective, activities, and the generation of competitiveness outcomes. Likewise, South Africa shall use this window of opportunity to generate create a competitiveness focus that is so urgently needed.

## **2.2 Inspirational Conditions**

A second set of conditions that must be in place to maximise the implementation of a competitiveness ranking strategy in South Africa are collectively called inspirational conditions. I shall focus on only 4 inspirational factors, which I believe are paramount to the successful implementation of our competitiveness ranking system. They are:

### **2.2.1 Commitment**

The return of the implementation of a competitiveness strategy is high when the nation is committed to it. The people we interviewed in Ireland and the United States showed a high level of commitment to the implementation of their competitiveness strategy and attributed its success to the government’s commitment to seeing to it that the recommendations made by their councils are implemented. For example, in Columbia, the government and the private sector discuss the nation’s performance as revealed by the Growth Competitiveness Index every 6 months. After the officials of the World Economic Forum have presented their findings and recommendations, the government commits itself to the implementation of some of the recommendations and binds itself to reporting its progress at the next meeting. The foreword of the National Competitiveness Council’s *Annual 2001 Competitiveness Report*, is authored by the Taoiseach (Prime Minister), in which he underscored that the Irish “Government is committed to...competitiveness” (National Competitiveness Council, 2001). The Chairman of the National Competitiveness Council says that he counts on the commitments of the “Social Partnership process to support and maintain a competitive economy” (National Competitiveness Council, 2001). Galvanising commitment to the implementation of the competitiveness strategy also means that various government departments, academic institutions, private and non-private organisations must align their goals and activities to the competitiveness strategy.

### **2.2.2 Competitiveness Culture**

If the competitiveness strategy is to bear any lasting fruits to be enjoyed by all South Africans, competitiveness has to become a way of life in South Africa. This is what Schein (1992) calls “culture” which is defined as “*A pattern of shared basic assumptions that the...[nation] learned as it solves its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.*” In Ireland and the United States competitiveness has become a way of life. There is a competitive culture that drives how people do business and how the nation invests its resources. Competitive nations have succeeded in creating a fit between the “organizational habits [and] mindsets,” (Schein, 1992) on the one hand and the competitiveness strategy on the other. In Ireland, for example, people associate competitiveness with “high salary take-home,” reduced unemployment, and low taxes. Competitiveness thrives under a competitiveness culture that is dominated by such a mindset. This is the type of culture that South Africa must create and nurture.

### **2.2.3 High Performance**

Implementing a competitiveness means that the nation shall, henceforth, shoot for the stars. It means aiming at, working for, and developing products and services that are characterised by high quality rather than mediocrity. One of the key requirements of this condition is the ability to measure achievement and excellence, accept our weaknesses and the courage to do something about them, and the ability to turn adversity into opportunities. The circumstances that triggered the competitiveness debates and resulted in the setting up of the competitiveness strategy led to a culture of high performance in Ireland and the United States. In the United States “producing high-value products and services that meet the test of the world markets” (Council on Competitiveness, 2001) is possible because the nation has institutionalised the principles of high quality performance. In Ireland “the ability to win and

keep business in domestic and foreign markets” (National Competitiveness Council, 2001) is an outcome of high quality performance. If South Africa wants to compete with the rest of the world and be counted as a core economy, the pursuit of high quality should be a way of life.

#### **2.2.4 Rewards**

The current reward system has year-in and year-out enabled South Africa to rank in the 30s and the 40s internationally. We cannot expect such a reward system to nurture and sustain a culture of competitiveness and sustained economic development. The institutionalisation of a culture of competitiveness will lead to the emergence of shared-assumptions about who and why individuals, and organisations are rewarded or not rewarded. In a culture of competitiveness, for example, the rewards are due to competent individuals and organisations as opposed to the organisations and individuals we like and love. The designer may feel punished if he or she is forced to hand the product over to a senior member of the company who should receive the laurels on his or her behalf. The implementation of the competitiveness ranking will require us to reflect very carefully not only about the incentive mechanisms necessary to motivate and sustain competitiveness momentum but also the assumptions underlying what we should do about those that are unable to attain excellence.

#### **2.2.5 Supportive Mechanisms**

The implementation of a competitiveness strategy has three dimensions. The first dimension refers to all the supportive policies that the leaders of the nation have to put in place to enable and nurture a competitiveness culture. For example, the United States has a Congressional Forum on Technology and Innovation chaired by Senators John D. Rockefeller and Bill First. The primary objective of this organ is to educate policy makers about the impact of technology on the society. The role of this organisation is to develop a climate conducive to competitiveness. The National Governors Association takes the responsibility for educating governors about the importance of regional competitiveness.

The second dimension of competitiveness has to do with Information and Communication Technology and how it can be used to generate hard and soft data for decisions that drives and accelerates the institutionalisation of a culture of competitiveness. For example, Forfas collects its data for its broad range of statistical indicators from authoritative sources such as EUROSTAT, Organisation for Economic Co-operation and Development (OECD), UNDP and the US. The US Competitiveness Report of 2001 was also compiled primarily out of data collected from a variety of local and international databases. Although South Africa may not have the necessary information and communication infrastructure it will be necessary to put it in place if the implementation of the competitiveness strategy is to be institutionalised.

Finally, control and reporting mechanisms are critical support systems for successful implementation of the competitiveness strategy. In Ireland, when the Taoiseach receives the competitiveness report he makes sure that something is done about it. The recommendations of the Council do not get lost in the bureaucratic quagmire.

#### **2.2.6 Leadership**

Finally, leadership plays a critical role in the implementation of the culture of competitiveness. The role of the Taoiseach (Ireland), Governors and Senators (US) is critical in the institutionalisation of a culture of competitiveness. Schein (1990) described the role of leadership in formation of a culture (of competitiveness) in this fashion:

*A dynamic analysis of organizational culture makes it clear that leadership is intertwined with culture formation, evolution, transformation, and destruction. Culture is created in the first instance by the actions of leaders. When culture becomes dysfunctional, leadership is needed to help the group unlearn some of its cultural assumptions and learn new assumptions. Such transformation sometimes require what amounts to conscious and deliberate destruction of cultural elements*

Schein’s (1992) words have profound implications for the contemplated competitiveness ranking strategy for South Africa. Although the Institute for Management Development (IMD)

and the Global Competitiveness Report are viewed with suspicion, the fact is, that South Africa has, year in and year out scored in the 30s and 40s in comparison to other nations. This is a testimony that the nation has, over time, institutionalised cultural assumptions that have long ceased to serve the country well, economically speaking. It is an opportune time for the nation to put in place and implement mechanisms that will accelerate a “conscious and deliberate destruction” of such unproductive cultural elements. Second, the nation needs, not a cosmetic change but a complete cultural “transformation” from a non-competitive culture to a competitiveness driven culture. And, finally, transformation leadership shall play a critical role in the acceleration of the unlearning of unproductive cultural elements and the learning and institutionalisation of productive ones. Thus, South Africa should pay special attention to the reality of growing the leadership it needs to nurture and institutionalise the culture of competitiveness and sustainable development.

### **3. Recommendations**

The design and implementation of a competitiveness ranking strategy for South African should take the following into account:

- Design a completely new organisational structure that is aligned to the competitiveness ranking strategy to facilitate the implementation and the execution of the recommendations of the competitiveness council.
- The competitiveness ranking council must be staffed with a high calibre managerial and technical talent capable of not only learning together but also of helping their organisations to learn to make a “transition from technological diffusion to technological innovation” mode (Schein, 1992).
- Financial investment in the competitiveness ranking may trigger a social partnership, which may also positively affect South Africa’s inflation and unemployment trends.
- The current economic crisis should be used to build a national consensus on a competitiveness ranking focus.
- A stakeholder commitment to the investment and execution of the competitiveness ranking strategy would increase South Africa’s competitive advantage position.
- The implementation of the competitiveness strategy shall be accompanied by continuous assessment to ensure that high performance standards are established and maintained.
- Revamp the current reward system, align it with the competitiveness vision, and use incentives that are capable of sustaining the competitiveness momentum.
- Put in place policies that support and nurture the emerging competitiveness ranking culture.
- Install the necessary ICT infrastructure to accelerate the acquisition, storage, and analysis of the data.
- Leadership is needed to help people unlearn the beliefs and values that do not support competitiveness and to help them learn those that support competitiveness.

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