



HR THINK TANK SPOTLIGHT

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The **HR Think Tank** works to improve South Africa's talent competitiveness through targeted research and interventions in key areas. It aims to ultimately shift the country's trajectory by pursuing the conditions for people to reach their potential in the world of work. Members help to shape and influence policy and the broader challenges facing HR and labour.

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Riding the waves but not making any progress: South Africa's Talent Competitiveness 2013-19

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Professor Paul Evans from INSEAD, who assisted in launching the HR Think Tank two years ago, contributed this commentary for Spotlight 11 on how South Africa is doing in terms of talent competitiveness. See [Spotlight 4](#) (February 2018) for an overview of the Global Talent Competitiveness Index (GTCI), Paul being its founding academic director. The original aim of the HR Think Tank is to get the country into the top 50 league within a decade, as measured by the GTCI.

Introduction

One of the major observations in the recent 2019 report of the Global Talent Competitiveness Index (GTCI), presented at Davos on 21 January, is that the gap on talent competitiveness between prosperous countries and middle-lower income countries is widening. Launched in 2013, the GTCI now allows analysis of trends over time. Over these years, the top ten countries in the world (Switzerland, Singapore, the US and all the Nordic countries) have maintained their rankings with limited change. In absolute terms, they have strengthened their talent capabilities substantially as they tackle the massive challenges of transition to a digital society where AI and robotics are transforming work, careers and life. Meanwhile many emerging countries have slipped in the ranking and in absolute figures – notably Brazil which fell from rank #51 to #62 over these six years. Also South Africa, falling

from 63 to 71 out of 125 countries this last year, and declining sixteen places from 55 over six years¹.

The gap between rich and poor countries in the world is getting bigger, and the GTCI ranking illustrates this clearly.

The gap between rich and poor countries in the world is getting bigger, and the Table below shows the GTCI ranking for selected countries over this period to illustrate this.

Table 1: GTCI rankings of selected countries (for 2013 and 2019)

	GTCI 2013 Rank (103 countries)	GTCI 2019 Rank (125 countries)	Talent capability change over the 6 years *
Switzerland	1	1	
Singapore	2	2	
USA	11	3	
Norway	12	4	
Denmark	7	5	
Finland	8	6	
Sweden	3	7	
Netherlands	4	8	
...			
Malaysia	33	27	
China	58	45	
...			
Botswana	64	62	
South Africa	55	71	
Brazil	59	72	
Kenya	95	85	

Botswana remains Africa’s strongest country on talent competitiveness, ranked 62 and more or less stable in positioning over the six years.

Source: GTCI Reports – Lanvin & Evans (2013); Lanvin & Monteiro (2019), www.insead.edu/global-indices

* The arrow in this right column shows schematically the change in the talent competitive capabilities of each country over the six years, as measured by the absolute scores on the GTCI.

The rankings are relative to other countries. So to take the example of Botswana, it has improved its ranking relative to other middle-income countries even though its talent competitiveness has gone slightly down – because other countries like South Africa have deteriorated even more than Botswana, or because new countries have entered the Index over this period with lower scores.

Is South Africa really declining in terms of its talent strength?

With political events and uncertainties, there have been some yo-yo changes over this six year period. Part of the ranking decline reflects Index changes—an increase in the number of countries covered by the Index that particularly effects those in the middle and lower part, as well as improvements in the indicators of talent competitiveness.

¹ Botswana remains Africa’s strongest country on talent competitiveness, ranked 62 and more or less stable in positioning over the six years. Kenya, Uganda and notably Rwanda have strengthened on talent competitiveness over the period (though data for these countries was not available for the earlier years). There are no reliable measures for Nigeria and some other African countries.

Let's try to decode the changes over time for South Africa. To do so, we looked closely at the changes in absolute figures that measure capability more than the rankings, paying particular attention to measures that have been used for the entire six years.

The GTCI has six pillars: Enabling talent, and then attracting, developing and retaining it, where talent is broken into two types—Vocational/technical skills and Global knowledge/adaptive skills. The big decline in South Africa's talent competitiveness comes from weakening in enabling—the government and business context has been deteriorating. And what is suffering in particular is the development of high end global knowledge/adaptive skills associated with innovation, entrepreneurship and leadership.

South Africa's regulatory environment is disabling rather than enabling talent

The Enabling pillar has weakened significantly over these six year in absolute terms as well as in its ranking relative to other countries. Enabling means three enabling landscapes: regulatory, market and business, and two of these have declined. The regulatory landscape has been getting worse over these six years, with greater political instability and more awareness of corruption. In particular, there is the massive handicap of exceedingly poor business-government relations that has been highlighted by the HR Think Tank—now near the bottom of the world pack at #105). The one bright spot is that government effectiveness in absolute terms has improved, but not as much as in other countries (so its ranking has declined).

Nor has the business/labour landscape improved, quite the contrary. There is a rigid labour market, the worst labour-employee relations in the entire world (#125 out of 125 countries), and declining professionalism in management. Despite this, the market landscape has held up, slightly strengthening its absolute position and maintaining its ranking relative to other countries, focused on clear clusters such as FinTech and minerals, with a healthy degree of competition, and a reasonable ICT structure.

While South Africa has slightly strengthened its absolute position on high end Global Knowledge/Adaptive skills that are associated with leadership, innovation and entrepreneurship, the prosperous countries of the world such as Singapore, the Nordics and the USA have been moving much faster ahead into the new world of innovation, flexible teams, AI and what is called the Fourth Industrial revolution. As we said earlier, that's one of the big observations behind the GTCI this year. South Africa has only held its head above water rather than moving ahead, and as a result its ranking has declined over the six years from #43 to #64.² The one bright spot here is that the key indicator of entrepreneurship—new product entrepreneurial activity—remains strong at #21. (See the section below on GTCI's entrepreneurship theme this year.)

Little change in the country's ability to attract, grow and retain talent

South Africa's ability to use the talent levers of attraction, development and retention has not changed much over the six years. It hasn't improved, but it hasn't got worse.

Overall, the country's ability to attract talent remains the same as it was in 2013. In terms of "brain gain", its attractiveness to foreigners has declined in absolute and relative terms from #38 to #63, but its score on social mobility (the ability to move into the talent pool regardless of racial, social or family background) has improved in absolute terms—but not in relative terms. Other countries are making far more improvement in combatting such inequalities, and South Africa's ranking on social mobility moves down from #60 to #85.

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² Analysis here is handicapped by significant improvements in the GTCI measures of Global Knowledge Skills over these six years.

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It's a similar picture on growing talent—through education, experience and lifelong learning. South Africa has slightly improved its capabilities over the six years but not as much as other countries. So its ranking in developing talent declines slightly from #42 to #45. It remains a polarized country, where one of the world's most expensive and poorly performing basic educational systems (as measured by the OECD PISA test scores) co-exists side by side with world-class universities. It remains a country with reasonable empowerment, where people learn well through experience. Similarly with its ability to retain talent—there is a small improvement in absolute terms but its low ranking remains unchanged at #102 out of 125 countries.

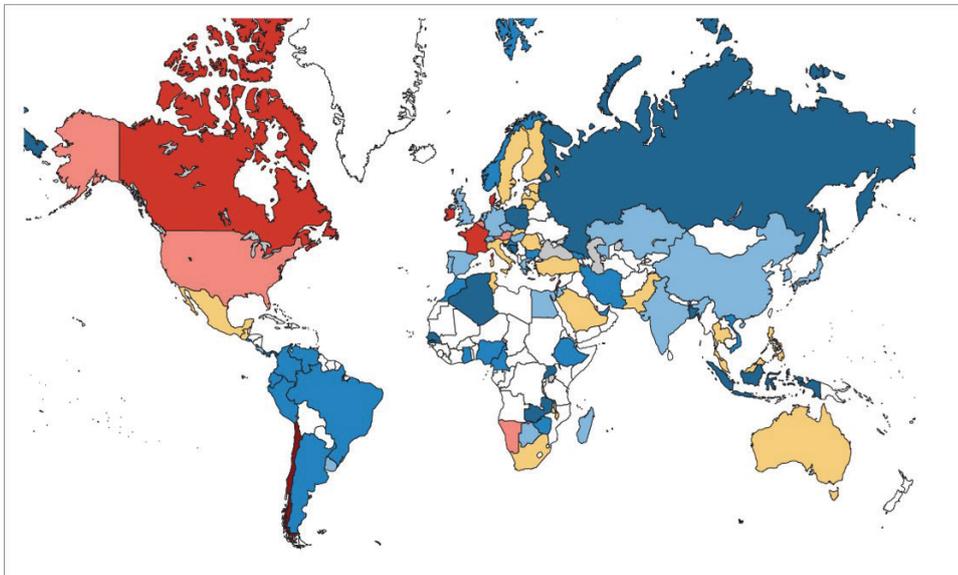
There is a lot of buzz in South Africa about the need to revive and renew the vocational educational system (see the [HR Think Tank White Paper: The Jobs Summit - An analysis and critique with counter proposals](#), December 2018). Vocational education is one of key strengths of the world's talent leaders such as Switzerland and Singapore. Vocational skills does not just mean indispensable electricians and welders that are in short supply in a country with 27% unemployment according to the official statistic—bear in mind that innovation requires good technicians because otherwise entrepreneurs cannot scale up. The decades of discussions and reforms have done no more than hold South Africa's head above water when it comes to technical and vocational skills that are indispensable to a thriving economy (the HR Think Tank submitted to President Ramaphosa in March 2018 its analysis of the need to revive vocational education). There has been a slight improvement in absolute and relative terms, with the country now ranking at #68, and one can hope that momentum for change will gather—also in the interest of finding useful jobs for the millions of young unemployed.

Entrepreneurship as an eco-system

GTCI takes each year a theme for focused study—last year it was diversity (highlighting that innovation comes from collaboration between people with diverse competences and profiles rather than from Einsteins); and before that it looked at the way in which technology (the Fourth Industrial Revolution) is changing the world of work and employment, based on the experience of countries that are leading the way such as Denmark and Singapore. This year's focus was on Entrepreneurial Talent. With the widening gap between rich and poor countries, entrepreneurship is a question of survival in less privileged environments. Taking a key indicator of entrepreneurship, new product entrepreneurial activity, Luxembourg, Chile, France, Canada and the Lebanon are the countries that are leading the way. In Africa, Namibia stands out as the exemplar (#9 in the world), with South Africa close behind at #21 as we noted earlier. Malawi (#33) is also solidly on the map (see the diagram on New Product Entrepreneurial Activity).

Individual entrepreneurs are important, but successful entrepreneurship that has an impact on society is a result of an eco-system.

The GTCI 2019 Report highlights two key messages. Sure, individual entrepreneurs are important, but successful entrepreneurship that has an impact on society is a result of an eco-system. Taking Apple as one of the world's three most valuable entrepreneurial firms, the economist Mariana Mazzucato at University College London points out that Apple did not build the iPhone, it was the American taxpayer that did through support of multiple agencies and firms that created its underlying technologies (touch screen display, micro-hard drive, GPS, and so forth). Steve Jobs and Apple just put these technologies together in an original design with brilliant marketing, though one should not underestimate that well-publicized achievement. Similarly, the entrepreneurial rise of Taiwan as a nation, associated with the rise of the Chinese manufacturing industry, is a story of Silicon Valley Taiwanese entrepreneurs being attracted back to Taiwan by the availability of highly skilled and low cost vocationally trained people (as has been well documented and summarized in GTCI 2014). The current GTCI 2019 Report (available on the web—reference below) looks at the lessons of two companies—at an innovative network model for driving growth in the Chinese white goods corporation Haier that grew out of a state-owned enterprise, and the highly successful French car sharing platform BlaBlaCar.



Source: GTCI 2019

GTCI found this to be the single most reliable indicator of entrepreneurial activity. Based on this, the most entrepreneurial countries in world are Luxembourg, Chile, France, Lebanon, Canada and Ireland. Namibia, 9th in the world, is the most entrepreneurial country in Africa, followed by South Africa (#21) and Malawi (#33). There is no reliable data for Kenya. However, GTCI 2019 reports other different measures of entrepreneurship.

Note: Entrepreneurial activity ranges from 0 (dark blue) to 100 (dark red); countries with no available data are shown in white.

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Figure 1: New product entrepreneurial activity

We need to take a broad ecosystem view of entrepreneurship. “That frontier vibe is very much alive and kicking in South Africa”, notes Professor Lewis from UCT in this week’s Financial Times Special Report on Innovation in South Africa, but it is held back by the massive brain drain, by the low standards in maths and basic education which mean that too few black South Africans are at the cutting edge of science and technology. While South Africa ranks a credible 58 on the Global Innovation Index (INSEAD’s sister index), Professor Lewis notes that innovation measured in patents and products remains relatively flat.

The second entrepreneurial challenge highlighted in the GTCI 2019 is that we need to inculcate attitudes of openness in our employees, the students in our schools—and our children—if they are to survive and thrive in our fast changing world. As Frederic Mazzella, the founder and Chairman of BlaBlaCar says in the GTCI Report, it’s all about mindset. “Standing still is not an option in this changing world. In fact, evolving our skills and giving people the right tools to succeed is the surest way to success. I believe that all employees—regardless of age, team, or location—should see themselves in this context. They should see themselves as being in ‘beta’—always seeking out ways to improve, to learn, and to grow. This mindset will help them move forward, to try new things and to learn from missteps.”

This is perhaps the bigger and deeper challenge for a country where vast majority of schools do not develop vital basic skills in math, literacy and science (let alone necessary new skills in collaborative problem solving), breeding an attitude of entitlement rather than initiative. The mindset is all about entrepreneurship with a small “e” rather than capitalized—it applies to everyone in our fast-changing world. If we only could combine the frontier spirit that fortunately is still alive in South Africa with more students who come out of school with an open mindset of taking initiative...?

Conclusion

Can South Africa firms get more of this entrepreneurial mindset into their employees? That's perhaps another challenge that the HR Think Tank can chew over. Can we thereby help ourselves not just to ride the waves but make the progress that we know this country is capable of?

For the GTCI 2019 report, videos and info, see:

www.insead.edu/global-indices

<https://knowledge.insead.edu/career/the-worlds-most-talent-competitive-countries-2019-10811>