

# CONNECTIONS

Linking People and Ideas

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## Creating a Strategic Paradigm for a Nation

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Nations, like companies, have to compete with one another in order to flourish. The neo – liberal model of capitalism which reigns supreme in global economics continues to promise that only the fittest, most innovative and competitive will reap the rewards of doing business in the global economy. Neither country nor company is immune from this. Since most of the world's economy and trade is controlled by the members of the G8 group of nations, and within that group, by the United States, developing economies have the unenviable task of trying to break through the barrier of an almost cartel - like dominance of the world's economic pie.

This raises two significant questions. Firstly, where does this leave South Africa in its quest to promote itself into a more advantageous position on the global stage? Secondly, relative to all the other developing economies that are trying to do the same, and to the developed nations already well entrenched in the global system, how should South Africa position itself? The answer to these issues may well lie in correct strategic thinking.

But after eleven years of democratic governance, South Africa is still struggling to gain clear vision, direction and coherent thinking, an issue which is further complicated by the array of social and politico – economic problems which continue to plague our society. Sadly, these undermine the country's potential to move from being just another developing economy to a more serious player on the world stage.

Although the internationally renowned American economist Paul Krugman has pointed out that a nation is not a company, there are nonetheless lessons to be learned from the corporate sector which can be applied to a nation's strategic thinking. To assist in this regard, I have turned to *The Art of War*, that famous treatise written two and a half thousand years ago by Sun Tzu. In my recent book, *The Making of South Africa Inc.*, I identified eight teachings by Sun Tzu which form the backbone of any strategy, and which are a precursor to the creative thinking required for such and endeavour.<sup>1</sup> From the perspective of a nation state, these eight teachings can be regarded as an investment that a government ought to make in order to ensure that its country stands a good chance of becoming more competitive. Let's examine each in turn.

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Firstly is the teaching of **Moral Influence**. Sun Tzu teaches that the Moral Law 'Causes the people to be in complete accord with their ruler, so that they will follow him, regardless of their lives, undismayed by any danger.'<sup>2</sup> A country's political leaders need to have the support of as many of the nation's citizens as possible. Ultimately, the economic success or failure of a country will be determined by the motivation, productivity and determination of the populace to want their country to succeed within the global environment. That in turn will naturally depend upon the extent to which people support their government. For that to happen, political leaders need to be beyond reproach says Sun Tzu. This is a matter that our government, like so many others needs to carefully assess.

The second teaching is that of developing economic **Generalship**. *The Art of War* points to the need for a government to work more closely with industry in order to enhance the possibility for both parties to become successful in the global environment. Companies can spearhead a nation's business and economic drive into the global economy. In order to create a win – win situation, both parties need to combine their resources, skills and experience in order to create economic growth.

Thirdly, Sun Tzu advocates the correct **climate** that will defeat one's competitors. Bearing in mind that South Africa is a developing economy, the government of the country needs to have a deep understanding of the workings of global competition as well as adopting a global viewpoint in all of its political, economic and social dealings. To attain this, our government needs to develop a deeper understanding of the issues surrounding the competition for foreign direct investment and human capital as these are the two most significant global issues which impact on the social and economic welfare of the country.

Sun Tzu's fourth teaching is that of creating or choosing the proper **terrain** from which to compete. Put simply, South Africa cannot realise its true potential if it does not have the proper societal base from which to compete internationally. Developing economies, more so than their more developed counterparts need to pay greater attention to the kind of society they have within their national boundaries, and if necessary must re – engineer the society to create the kind of environment where competitiveness is allowed to flourish. South Africa is a complex heterogeneous society with socio – economic problems resulting in a range of anti social behaviour. This does not constitute the proper competitive terrain.

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The fifth principle of **Training** is yet another of Sun Tzu's teachings, and considers the importance of developing the right calibre of human capital. However, government has to possess the proper attitude regarding the incubation, development and protection of the country's actual and future human capital. The increased competition for human capital throughout the world is putting greater pressure on developing economies to reach out and market themselves to their own internal as well as external capital. The increasing mobility of the world's human capital means that more than ever before people can move about the world to countries that will look after them and where they and their families will feel safe. This in turn means that developing economies need to give their own people extremely good reasons not to pack up and leave it shores for greener pastures. It also means that the conditions have to be right for persuading foreigners to come to the country instead of alternative locations. This puts countries like South Africa with an extant skills shortage into a more vulnerable position as countries like those of the G8 look to source human capital to develop their own economies and to keep them competitive. The recent call by Deputy President Phumzile Mlambo – Ngcuka for South Africa to hire foreigners, retired people and jobless graduates, whilst laudable, comes too late to compete with the sophisticated infrastructures

developed by competitor nations that lure highly qualified and skilled South Africans. As every student of basic macroeconomics knows, it is both the quality and the quantity of a country's human capital which is a key constituent element, is helping to fuel sustainable economic growth. After eleven years in power, one would have expected the South African Government to have developed an awareness that they, and they alone are responsible for creating the conditions to make the incubation, development and protection of human capital a key aspect of sound governance, and hence economic growth.

The teaching pertaining to what Sun Tzu refers to as **doctrine or law** suggests that there has to exist a high degree of internal harmony within both the nation and the companies of the country. Contemporary competitive thinking in the knowledge society focuses more and more on people, their knowledge and skills. For example, two companies competing with one another is really about two groups of people trying to outmanoeuvre one another using the knowledge and skills they possess. The same holds true for a nation. If South Africa is competing say with Mexico for Foreign Direct Investment, it is really a question of the human capital of South Africa trying to outmanoeuvre the human capital of Mexico in order to achieve the objective concerned.

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For this to happen there has to be as high a level of harmonious living as possible within the country. A people united in this way are much more effective than a people divided through any one of a number of discriminatory elements including fear.

The penultimate teaching is that of **developing and paying attention to the strengths of the nation and its people**. This is vital from the viewpoint of creating ongoing competitive advantages, which will influence domestic human capital to either stay and/or return to the country, as well as attracting foreign human capital to come and settle in the country.

The last of the eight teachings is that of **discipline**. Because globalisation impacts on the ability of nations and companies to compete, the extent to which discipline has been inculcated into a nation will affect both the motivation and willingness of the citizens of that country to stay and participate in the competitive process.

In each of the above teachings, the government of the country has a moral responsibility to create the conditions and the environment whereby each of these teachings can become an integral part of the manner in which the country functions. *The Art of War* as a guideline for strategic thinking has stood the test of time.

Perhaps it is now time for it to play a more active role in helping South Africa achieve its global aims. For that to happen, the South African government must be prepared to see the value in this treatise which has been of benefit to individuals, companies and countries down the ages.

1. The interested reader can find a more profound application of Sun Tzu's work pertaining to the development of a strategic paradigm for South Africa in my book *The Making of South Africa Inc. Unlocking South Africa's Global Potential*, Cape Town: Zebra Press 2005.
2. See James Clavell (ed.), *The Art of War* by Sun Tzu, p 15.

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