

# ROOM FOR GROWTH

In a 2019 Forbes article, Peter Bender-Samuel observed that software may have been eating the world, but services today are now consuming software like prey. While it's true that services have become key to business operations, large-scale digitisation has resulted in companies substituting labour, physical assets and legacy IT systems for capital spending on software.

The breakneck growth in innovative technologies like machine learning (enabled by big data, artificial intelligence and algorithms) is only adding to the strategic importance of the right software investments, but many organisations are still only a few steps into their digital transformation journeys. This often means that they are not set up to operate in a world of services defined by software.

The rapid pace of digitisation indicates that these companies are trying to catch up fast, but in the process, many businesses are losing sight of the key issue: technology is merely the enabler for innovation. In South Africa, in particular, we seem to be stuck in an endless cycle of trying to keep up with the digital Joneses, rather than looking for ways to use local resources and experience to create innovative solutions to better meet customer demands.

FOLLOWING FIRTH  
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## WHERE IS THE INNOVATION?

Former Harvard Business Review editor Nick Carr has pointed out that what makes a resource truly strategic—what gives it the capacity to be the basis for a sustained competitive advantage—is not ubiquity but scarcity. In other words, you only gain an edge over rivals by having or doing something that they can't have or do.

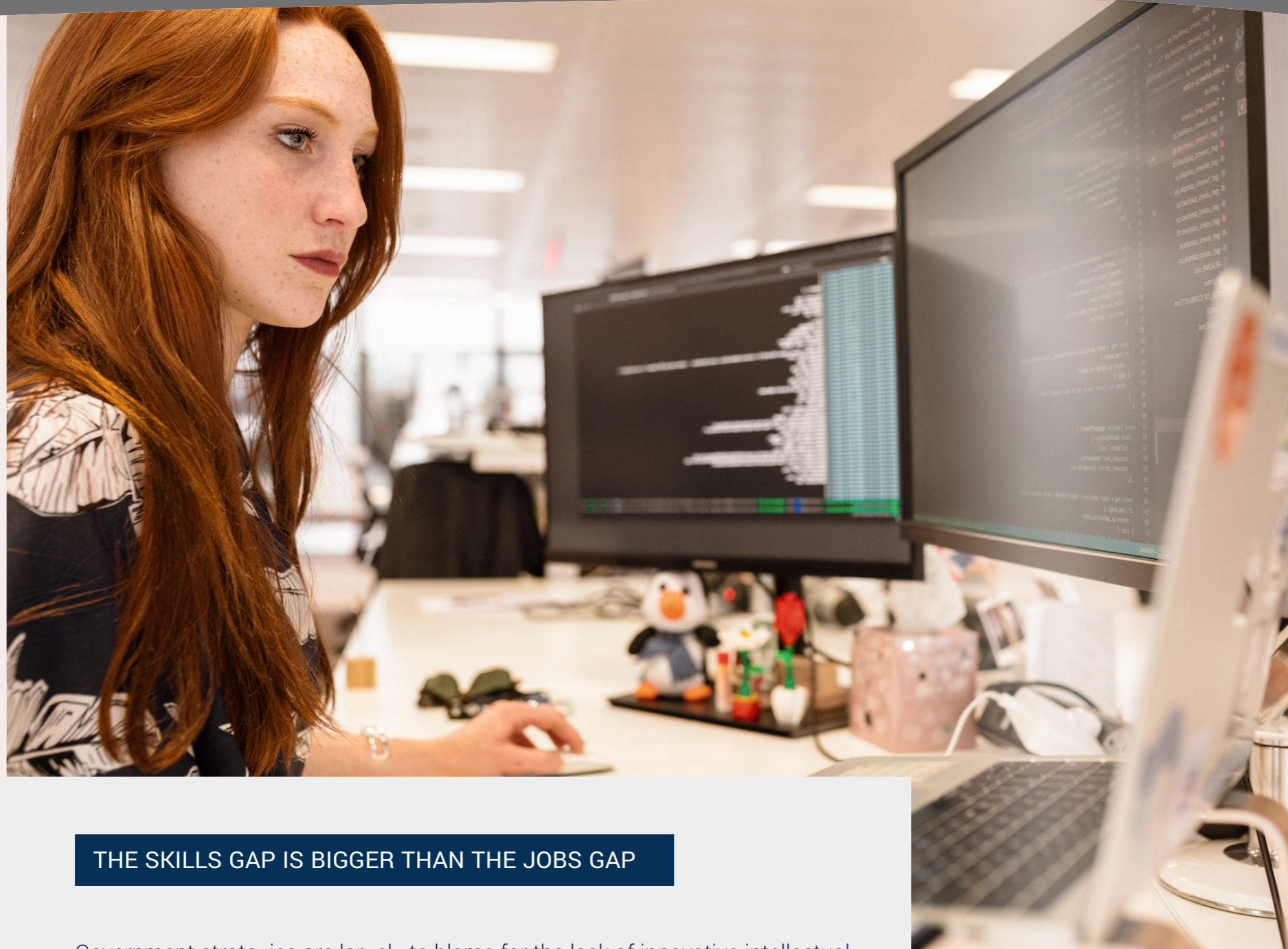
“By now, the core functions of IT—data storage, data processing, and data transport—have become available and affordable to all. Their very power and presence have begun to transform them from potentially strategic resources into commodity factors of production. They are becoming costs of doing business that must be paid by all but provide distinction to none,” he wrote in his book *IT Doesn't Matter*. He adds that the opportunities for gaining IT-based advantages

are already dwindling and that best practices are now quickly built into software or otherwise replicated.

This state of affairs is not just limited to customer-facing companies, or even those operating in heavy industry. Local software developers, too, can be stuck in a cycle of production rather than innovation.

Where other businesses are faced with the challenges of keeping pace with emerging technologies, software development houses are constantly battling a shortage of skills, and as a result, IP creation. This is the primary reason they tend to stick with the tried-and-true, rather than driving customers towards innovation through their solutions.





### THE SKILLS GAP IS BIGGER THAN THE JOBS GAP

Government strategies are largely to blame for the lack of innovative intellectual property coming out of South African software development houses. While there are many initiatives aiming to help alleviate the appalling unemployment numbers in the country, the South African digital sector is currently seeing a skills gap that's bigger than the jobs gap.

Unfortunately, there are very few government-sponsored incentives and schemes to assist companies in developing the skills they need, and other legislative requirements make it even harder for organisations to create their own training programmes. Without a constantly growing and improving skills base, South African companies cannot hope to compete effectively with their international counterparts, much less develop the kind of IP that the country needs.

All is not lost, however. Some local software development companies like MIP are investing heavily in the skills ecosystem that is needed to take the industry forward. Since 1998, the share of spending on software that goes to pre-packaged software has been declining. Today, over 70% of organisations' software budgets goes to code developed in-house or under custom contracts. With this kind of increased demand, the industry has an opportunity to take a leadership stance, leaving a lot of room for the growth of innovative South African intellectual property.



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