

The knowledge economy: What it is and why it should matter to SA small businesses

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The concept of the 'Internet of Things' (IoT) has been around for over twenty years and has come to represent the interconnectedness of everyday objects and devices that can store and transmit data. Now, well into what many regard as the fourth industrial revolution (4IR), the IoT and the way we use information is shaping a new global economy - one in which knowledge and intellectual capital are the most valuable commodities. For small businesses (particularly in Africa), the 'knowledge economy' represents a new horizon for optimised innovation, operational efficiency and global competitiveness.

This is according to Gugu Mjadu, executive general manager: marketing at specialist, small- to medium-sized enterprise (SME) financier firm, Business Partners Limited. For Mjadu, the transition to the knowledge economy is an exciting prospect for small businesses who can find creative ways to leverage the power of information.

"We need to come to a greater appreciation of the fact that data is now the most in-demand currency. On a broader scale, this means that there is readily available information on the internet that can be accessed by small businesses to help them learn about their own ventures, their target audience and the overall marketplace, which could be the key to boosted productivity and ultimately, greater profitability," she says.



Gugu Mjadu, Business Partners Limited

Enhanced efficiency in a more competitive marketplace

One of the simplest ways to describe the knowledge economy is to review how consumers across the world are using smartwatches and other forms of wearable technology. As a groundbreaking innovation, wearable technology has given consumers access to real-time data on health, vital bodily functions, dietary habits and sleeping patterns. Smartwatches were in fact one of the earliest examples of the IoT in action.

Today, the data collected from billions of smartwatch wearers around the world is being used to inform key medical developments. A team of researchers from the US National Institutes of Health are now using wearable sensors to predict clinical test results and aid in the early detection of several underlying health issues.

As Mjadu explains: "Data and how we process it has become a disruptive force in a range of industries, none the least of which is the small business sector, where participating in the knowledge economy can give these businesses the boost needed to overtake competitors and improve their business models."

In the knowledge-based economy, information can be used to inform business decisions and maximise key metrics such as output volume, lead generation, sales conversion and talent retention. Knowledge-based businesses are on the rise in a number of industries, such as agriculture.

Using yield measurement and management tools, farmers can now map the yield of an entire field of produce and maximise the yield of each square metre. Smart agriculture systems provide farmers with this information by linking farming equipment to satellite-based networks that can record the coordinates of farming land and apply algorithmic formulae to produce forecasts on yields and harvesting. With this information, small-scale farmers can dramatically increase their operations and scale their businesses to start competing with their larger counterparts.

"In a very real and tangible sense, information has and will continue to democratise industries that have been dominated by

monopolies and big business. And what's incredibly useful about information is that its practical value increases over time. The information we learn today can give us the insight we need to pivot or iterate a business according to future trends," says Mjadu.



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Research takes the spotlight

The emergence of the knowledge economy also has implications for small businesses in terms of their ability to invest in research and development (R&D). Research is a key driver of the knowledge economy – this represents a golden opportunity for small businesses to position themselves as R&D partners to larger firms and champions of industry.

This is particularly relevant in South Africa where, as per this year's Budget Speech, the R&D tax incentive allows for companies undertaking scientific and technological R&D to deduct 150% of its spending when calculating taxable income. The incentive is set to play a vital role in boosting innovation in the business sector by improving the country's overall capacity for developing new products and processes. For small businesses along the R&D value chain, investing in information gathering and sharing has never presented more promising potential.

Access to a greater, global audience

Known as the 'weightless' or 'borderless' economy, the knowledge economy also holds opportunities for South African small businesses to expand their reach beyond national boundaries. By 'trading in information,' and using digitally enabled platforms, they can reach wider, more global audiences and compete alongside innovators across the African continent and the world.

As Mjadu concludes: "We have seen great examples of small businesses operating in the online education field or building businesses around the monetisation of educational content such as global unicorn Go1 with some of its roots in South Africa. Not only is this vital for small teams, but it is also an important driver behind the rise of independent content creators as 'solopreneurs'.

"These developments bode well for the industry at large. And although the local socioeconomic front presents many unique challenges, if we can focus on the establishment of digital infrastructure and prioritise aspects such as training and development, we'll be halfway to making the knowledge economy really work for local businesses."

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