E-readiness rankings 2008: Maintaining Momentum
Moderator: Jim O’Keeffe
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Jim O’Keeffe: Hello, my name is Jim O’Keeffe and I work in media relations for IBM in Ireland. As you may know, IBM's business research institute, the Institute for Business Value, creates fact driven thought leadership aimed at senior executives and decisionmakers.

Part of that institute, IBM's Global Center for Economic Development, is based here in Dublin. Each year, IBM's Institute for Business Value, partners with the Economist Intelligence Unit, and assesses e-readiness around the world.

This year's publication, entitled Maintaining Momentum is the ninth year of the rankings. In today's podcast, we'll be discussing the findings from this year's study and what they mean for policy makers, and those who are interested in improving their country's e-readiness.

Joining me today is Ronan Lyons. Ronan is a Managing Consultant in the IBM Global Center for Economic Development, and works in the area of economic development, and the role for information technology in driving growth.

As part of the team here in Dublin, he's working on delivering the findings of the e-readiness ranking to different countries. Ronan, thanks, for joining us today.

Ronan Lyons: Thanks, Jim. I'm delighted to be here.

Jim O'Keeffe: So, Ronan, what exactly is e-readiness? Is it just IT infrastructure or is it something broader?

Ronan Lyons: Well, Jim, as you mentioned, at the Institute for Business Value, we've been producing the e-readiness rankings, along with the Economist Intelligence Unit, since 2000. Naturally, over that period the precise model has evolved, as technological progress has advanced. But, the overall principle has stayed the same.

A country's e-readiness is essentially a measure of how amenable it is to technology based opportunities and to the digital economy. So, it's a lot broader than just IT infrastructure. A country's connectivity and technology infrastructure is just one of six main pillars that we see at work, in driving e-readiness.

The second is the general business environment. How attractive is a country's business environment going to be, over the coming three to five years? Two other key environmental factors are the social and cultural environment - so, how Web literate is the
population? How entrepreneurial, or how innovative are they? - and the legal environment. Do the laws in a particular country help or hinder the development of online trade?

The final two pillars are the government's policy and vision - is there a comprehensive e-government strategy, or broader digital development strategy, for example? - and the actual adoption, by business and consumers of online tools in their everyday life.

This broad concept of e-readiness allows a full understanding of how prepared a country is to take advantage of the huge opportunities offered by the digital economy. The rankings also allow governments to gauge the success of their technology initiatives, against those in other countries, and provide companies that wish to invest in online operations, with an overview of the world's most promising locations.

Jim O'Keeffe: Ah, interesting. So, who's tops, then when it comes then to e-readiness?

Ronan Lyons: Well, this year, the U.S. tops the world's e-readiness rankings again, for the first time, since 2002, replacing Denmark, which had enjoyed four years at number one spot. In fact, some of Western Europe's e-readiness leaders have stagnated somewhat this year. As recently as 2006, four of the top five are from Western Europe. In 2008, just two of the top five were, Sweden, which holds its ranking in third, and Denmark, which has fallen from first to fifth. Switzerland also fell four places to ninth, while Finland has dropped outside the top 10.

On the other hand, some developed economies in Asia Pacific continued their upward trend. Last year, between 2006 and 2007, Singapore jumped from thirteenth to sixth. While Hong Kong moved from tenth to fourth. This year Singapore held its place at sixth, while Hong Kong moves up two further places to second.

Australia, meanwhile, jumped up five places, from ninth to fourth. Overall, globally readiness has increased again, for the fourth year in a row, from 6.2 in 2007, to 6.4 this year, based on a 10 point scale. Naturally, this hides some regional variances and performances, as we've just seen. Among developing countries, for example, Asia Pacific recorded the biggest average jump, while progress was slowest in Latin America, and in the Middle East, Africa region.

Jim O'Keeffe: Speaking about developing countries, what's the state of the digital divide between developed economies, and the newly emerging economies? Is that getting narrower?

Ronan Lyons: It is narrowing, Jim, but eh slowly. The gap between what are traditionally termed developing countries, and their developed counterparts is about 3 points, on that 10 point scale. That's to say the average score for developing countries is about 5.2, while for developed countries, it's 8.2.

Within that though, there are, of course, some regional differences. Eastern Europe, and the so-called CIS states, of the former Soviet Union ranked best, while the average for Latin America is also above a score of five. The Middle East Africa region, and the developing countries of Asia Pacific have average scores of just below five, although, both region have had very swift progress since 2005, when their average scores were then actually below four.
In 2008, developing countries in Asia Pacific recorded the best progress, with scores increasing by about 0.3 on average. While all regions recorded progress in connectivity and technology infrastructure, a key part of the developing countries in Asia Pacific, a key part of their improvement was a better score in consumer and business adoption. Interestingly, in both Latin America, and in the Middle East African region, consumer and business adoption scores fell.

At the Institute for Business Value, we did some further analysis on e-readiness last year – looking at the whole period, from 2000 on. We identified three key groupings within e-readiness – established leaders – rapid adopters – and late entrants. While the groups have remained relatively stable over time, there have been some notable improvements, in individual countries’ performance.

You heard earlier about Hong Kong and Singapore improving strongly, but, there are good case studies from developing economies too. For example, Peru's ranking has improved 11 places, since the start of the decade, while Thailand has gained 12 places. Romania's progress has been strongest, though, rising 17 places since 2001.

Jim O'Keeffe: With some countries making this kind of progress Ronan, what can policy makers do about e-readiness, so they can start climbing up the rankings too?

Ronan Lyons: While e-readiness is a broad concept, as we discussed earlier, there's lots that policy makers can do. Our analysis has identified five guiding principles for advancing e-readiness in their countries.

The first is let the market build it. Competitive telecoms and Internet service markets are more efficient than governments in, for example, building networks, finding affordable price points for consumers, and exploring new offerings. Policy makers should allow market forces to determine the course of the digital economy, and avoid the urge to steer the industry into technology-specific directions.

That's the first principle that the market builders – an important counterpoint to that is though the second principle – step in when needed. Governments must, at the same time, ensure that all the investment in ICT and the digital economy finds its way to society's digital have-nots. For example, rural and poor communities tend to be left behind, if service providers follow purely market-driven course. So, there is a role for the government there.

The third key principle is lead by example. In countries with a low e-readiness ranking in particular, governments should strive to be an early adopter of digital practices that other organizations and individuals can emulate. By for example, putting in place online procurement systems, or portals for filing taxes, they can create demand for, and awareness of technology and digitally enabled services, far greater than just the direct impact of their ICT spending.

The fourth best practice message is – don't do it all. Governments must champion digital development – fund their own ICT infrastructure – regulate lightly – encourage others to adopt. It's all a complex juggling act. They also have to be as unobtrusive as possible, if digital business is to thrive.
Through a model like e-readiness, countries can find out their relative strengths and weaknesses, and prioritize their actions on that basis. For example, Italy ranks inside the top 10 for legal environment, but, outside the top 20 for other headings. Similarly, the UAE's business environment is a relative strength, compared to some other pillars, where it ranks outside the top 50.

Lastly, keep at it. With e-readiness rising around the globe, your race against yourself and ensuring that your e-readiness score improves year-on-year is every bit as important, as your race against your peers, and looking at how your ranking has changed.

As this year's rankings show, it's very easy to fall back on more strategic objectives, and thus lose some ground gained. Some countries suffered this year, as the e-readiness model was kept in line with best practice broadband penetration figures, for example.

The world of e-readiness is a place, with ever shifting targets, where policy and practices must be reviewed and refreshed frequently, in order to meet the hopes and needs of the communities that governments are there to serve.

**Jim O'Keeffe:** Ronan, thanks for sharing the findings, from this year. That was Ronan Lyons, Managing Consultant, with the IBM Global Center for Economic Development. Thanks, for your time.

**Ronan Lyons:** Thanks, Jim, my pleasure.

**Jim O'Keeffe:** To find out more about e-readiness and how your government can make action, go to ibm.com/iibv and click on the government's tab to access the full paper, the IBV's 2007 work identifying the three e-readiness groups, and some case studies of how countries have taken the initiative on e-readiness. Thank you.