



The imperatives for enhancing global competitiveness

Globalization and trade liberalization coupled with rapid advances in information and communications technology have resulted in an unprecedented intensification of market competition worldwide. The governments of many Asian countries have made competitiveness a high priority in their strategic planning and policy formulation for development plans. As Prime Minister Dato' Seri Abdullah Ahmad Badawi of Malaysia stated, "If ever there is an issue that we must be single-minded about, it must be about improving and continuously improving our national competitiveness; all our strategies, plans, programs, and policies must be directed toward raising our productivity." Prime Minister Badawi currently chairs the Cabinet Committee on Competitiveness, which is focusing on developing Malaysia's competitive advantage to complement its traditional comparative advantage.

What is the meaning of "global competitiveness"? The International Institute for Management Development defines competitiveness as "a field of economic knowledge which analyzes the facts and policies that shaped the ability of a nation to create and maintain an environment that sustains more value creation for its enterprises and more prosperity for its people." The World Economic Forum definition is: "the ability of a country to achieve sustained high rates of growth in gross domestic product (GDP) per capita." Therefore only nations with high levels of productivity will become domestically and globally competitive and have the capacity to exploit existing market opportunities to sustain and expand employment and real income growth in the long term. The imperatives for global competitiveness involve addressing the following issues: macroeconomic policies; government practices and regulations; the cost of doing business; education and skills upgrading; R&D and innovation; sustainable environmental management; conformity with international standards; and total factor productivity (TFP).

Since businesses operate within the regulatory framework of the government, it assumes a very important role in enhancing competitiveness. Governments must be more business friendly by reengineering systems and procedures to be more responsive and reducing bureaucratic red tape that hinders business efficiency. Creating a more integrated, coordinated, and stronger network between government agencies, the private sector, and academia will contribute to the enhancement of business. Efforts should also focus on increasing the accountability and integrity of public service.



Improving the physical infrastructure will lead to the smoother movement of people, products, and services, facilitating faster delivery of goods and services. Developing a communications infrastructure with broadband transmission provides an effective platform for e-commerce and real-time business transactions.

The business environment should contribute to overall competitiveness by improving coordination among public-sector agencies, providing support and incentives for R&D activities, human resources development and education, encouraging and promoting innovation and creativity, facilitating the development of industrial clusters, and enhancing the productivity and competitiveness of SMEs.

High TFP, which is a measure of the synergy and efficiency of both capital and human resources utilization, enhances national competitiveness and is an important source of economic growth. The determinants of TFP growth are the quality of the workforce, intensity of demand, capital structure, economic restructuring, and technical progress. Improved efficiency results from a better-quality workforce in terms of education, skills, and expertise; application of efficient management techniques; improvements in organizational management; process specialization; the introduction of new technology and innovation; and a shift toward higher value-added processes and industries.

Productivity campaigns enhance public awareness and understanding of productivity and provide mechanisms to disseminate productivity tools and techniques. The national productivity organizations (NPOs) should be the lead agencies in promoting productivity. The productivity movement in a country will only be as effective as its NPO. Therefore, strong

support for NPOs is necessary so that they can play a more effective role in promoting productivity at the national as well as sectoral and firm levels.

The APO, with its mission of accelerating the socio-economic growth of the Asia-Pacific region, provides assistance and support in capability and capacity building of NPOs through its Development of NPOs Program. APO support includes strengthening institutional networking to facilitate the sharing of knowledge, benchmarks, and best practices among member countries. For example, the publication *APO Asia-Pacific Productivity Data and Analysis*, now biennial, provides useful data and information for benchmarking.

There must be policies and strategies for the development of a sustainable integrated system to protect the environment and reduce waste. The APO has been promoting Green Productivity (GP) among its member countries since 1994, with the dual objectives of productivity improvement and environmental protection. Numerous GP demonstration projects have been established in member countries to showcase the effectiveness of the concept in enhancing business competitiveness. Based on reports on demonstration projects in the manufacturing, agriculture, and service sectors, improvements uniformly occurred in product quality and waste management.

There is a need to intensify R&D activities that contribute to increasing competitiveness and enhancing productivity. The emphasis should be on creativity, innovation, and indigenous technological development. To ensure that R&D has the desired impact, measures must be taken to support the commercialization of results. These measures may be in the form of incentives, funding, and a framework for the protection of intellectual property rights. Most countries do not invest sufficiently in R&D activities. Finland, the USA, Japan, the Republic of China, and the Republic of Korea all spend more than 2% of their GDP on R&D. These are benchmark countries for others to emulate in planning for R&D activities.

Research has shown that the productivity of SMEs is usually very much lower, sometimes by as much as one-half, than the productivity of the industry they operate in as a whole. However, in terms of number of companies and employment, they account for more than 75% of the total in most countries. SMEs are an important source of economic growth and are a vital part of the business supply chain providing parts and services to larger companies. Therefore, it makes strategic sense to develop the capabilities and


capacities of SMEs to become more productive suppliers and exporters of products and services. Emphasis should be given to productivity and quality improvement and providing incentives to encourage SMEs to invest in human resources development through skills upgrading, training, and process and product improvement.

Human resources are no longer considered to be an expense but to be an asset in the form of human capital. Matsushita Electric uses the slogan: “We make people before we make products.” Human resources development is an investment that must be planned carefully from the school stage. In the preemployment stage, focus should be on improving the quality of the educational system to enhance thinking, creativity, and communication skills and inculcate good moral and positive work values. The educational system must be relevant to the needs and demands of industry to respond to a rapidly changing economic situation. In the future, the stress will be on employability and not on employment, meaning that flexibility and adaptability will be required.

In many Asian countries, the percentages of people with tertiary, technical, and university educations are still low compared with those in more advanced nations. A critical mass of educated workers should be created to support a knowledge-based economy, leading to high-value products and services. There should be opportunities for continuous learning and access to knowledge and advanced skills.

In attempts to enhance R&D activities, efforts should focus on developing technological, scientific, and research capabilities. For workers in employment, training and skills upgrading must be carried out on a continuous basis so that they can learn, unlearn, and relearn in line with changing needs. Commitment to training is

reflected by investment in training budgets. On average, Malaysian firms spend about 1% of their payrolls on training and human resources development. Excellent companies, e.g., winners of the Malaysian Prime Minister’s Quality Award, devote between 4% to 5% of their payrolls to human resources development and an average of 40–50 training hours per employee per year.

Conformance with internationally recognized standards, conformity assessment, and accreditation practices will improve product and service quality. Products certified to meet internationally recognized standards will more readily find access to and acceptance in the global market. There is a need to harmonize standards regionally as well as internationally to facilitate international trade, while differences will create technical barriers to trade. The move toward “one test, one certificate, recognized worldwide” will reduce costs and delays in meeting technical requirements. Standards will also address safety, health, and environmental issues, leading to a better quality of life. 

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