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## Transitions to the new economy

Six pointers that can go a long way to ensuring Malaysia achieve its target of being a high value-added and innovation-driven economy

Tableau Economique - By Steven C.M. Wong



I ONCE met a man who could literally talk you into buying the Petronas Twin Towers. Eloquent, apparently knowledgeable and well-connected, he convinced many that he was the real McCoy.

Like the infamous Frank Abagnale in the biographic film *Catch Me If You Can*, he even managed to con a few hard-nosed bankers and industry leaders.

He insinuated himself into all kinds of business transactions and companies for fees and commissions and had the outward trappings of success – plush offices, fast cars and expense accounts.

There was one problem though: Like Frank Abagnale, he knew how to pretend but he did not know how to really create value.

What knowledge he had was superficial and learned by hearing rather than doing. He was not able to build even a modest business, let alone a thriving one. Over time, of course, he was found out and forced to move on. But then he always managed to find another victim to latch on to.

I am not suggesting that we are in any way insincere about our move to the new economy. But we need to take long and hard looks at the way we nurture, manage and reward those with genuine, as opposed to phony, knowledge and skills.

This has been endlessly talked about, usually under the well-worn – and, I have argued, unhelpful – rubric of “human capital”. Like so many issues, however, problems and solutions are discussed only in the broadest terms.

Now it is possible to solve any problem in the abstract. The devil is, and always will be, in the details.

The world's most advanced countries and companies today have mastered the details. They compete aggressively not just for consumers but also for national and international talent.

Governments have devised all kinds of strategies to attract the world's best and brightest brains and companies have structured huge compensation packages to encourage and reward performance.

When so much economic growth and company profits are in the hands and heads of people of knowledge, skill and ability, it makes perfect sense to bend over backwards for those who can make extraordinary things happen.

This is what it means to be a knowledge society. This is what a high value-added and innovation-driven economy is about.

And these are not just Western countries. They include countries, including our neighbours, that may not be very rich but which are very hungry for success and rising fast. So what must Malaysia do to stand any chance of being at the leading edge?

Rather than repeat the many problems we face, it may be more helpful to enumerate the changes, and ultimately choices, that have to be made. So often the difference between countries that make it to upper-income status and those that do not, is not in knowing what to do but the willingness to make the sacrifices for these changes.

- First, verbal skills are not to be confused with sound technical skills. Many have the gift of the gab and know all the management buzzwords but do not really know how to create value. It is absolutely essential to distinguish value adders and those who are not.

Fraudsters have cost and will continue to cost Malaysia a lot of money until we learn to pick out creators from the charlatans. As the old saying goes, "fool me once, shame on you, fool me twice, shame on me".

- Second, executive power and responsibility should be given to those who are the most all-round capable. There has been a long debate as to whether generalists or technocrats should be in the economic driver's seat.

In the world ahead, we cannot simply put the longest-serving or loyal in charge and expect them to perform, let alone outperform. The new economy is not only highly interconnected but surgically specialised and precise.

- Third, performance and outcomes must count. Even if one is extraordinarily capable, it does not necessarily mean that he or she will do a good job.

In this country, we consider meritocracy a bad word. We prefer to sweep failures, big and small, under the carpet. What this does is perversely reward fiascos and penalise successes. Performance must be objectively and tangibly assessed.

- Fourth, results are extremely important but there must also be room for risk-taking and failure. Few commercial ventures come with guaranteed payoffs.

If Malaysia is going to participate in the new economy, we must be prepared to finance ventures that have high upside potential but also downside possibilities. Venture capital funds that only want to make safe bets are less than useless and should be closed.

- Fifth, decisions need to be made and implemented in a timely, informed and considered manner. Decision-making power, however, is always coveted and never easily taken away.

Time and again, we hear foreign and domestic companies complain about bureaucratic red tape and delays, not just in government but also many private companies.

- Sixth, performance must be well rewarded. Whether we like it or not, individuals and groups of individuals hold the key to the future. Getting them to make sacrifices and take risks requires considerable incentives.

More than monetary and psychic income, there has to be equity and the promise of wealth for those who manage to excel in their achievements.

These six pointers are not the only ones but I believe they can go a long way to ensuring that Malaysia will make the grade.

They can make the difference between being a participant in the New Economy or a mere pretender.

- *Steven Wong is assistant director-general of the Institute of Strategic and International Studies Malaysia.*