

Are We Climbing The Right Ladder?

by AZIM PAWANCIK



In the recent World Economic Forum's (WEF) annual Global Competitiveness Index Report (2012-2013), Malaysia's ranking slipped again, this time down 4 notches, to No.25. This sent shock waves to various stakeholders, from government agencies, to political parties, businesses, NGOs and even to the general public. Each party pointing to the drop as an indication that Malaysia is losing out.

There are two questions to ponder. Firstly, is Malaysia losing its competitiveness globally, or are the other countries catching up? Secondly, in this quest to be a developed nation, does the overall ranking really matter in the short term?

The WEF report revealed that our overall scores between 2009 till 2012 have remained almost similar throughout the 4 years (see table 1). However, our global ranking had changed. This is not to say that we should not bother about improving our position.

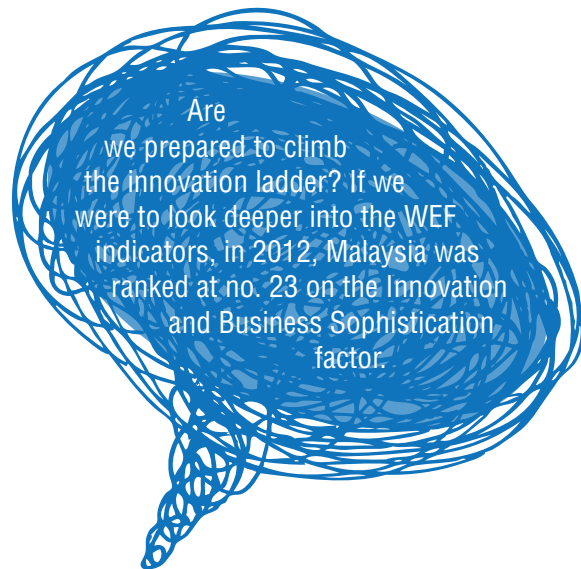


Year	Overall Score (Out of 7)	Global Ranking
2009	4.9	24
2010	4.9	28
2011	5.1	21
2012	5.1	25

Table 1: Overall Score for Malaysia and Global Ranking by year.
Source: WEF Report.

However, obsessing about the ranking alone should not be our focus. Our country has improved in terms of stage of development, going from being in the efficiency driven economy to one which is deemed in transition from an efficiency to an innovation driven economy. Our GDP per capita has also steadily been rising for the past few years.

What really matters then? Malaysia needs to focus our efforts on aspects that will simultaneously raise our GDP per capital, achieve the objective to be an innovation driven economy and improve our standing in global competitiveness. There is no point in being among the top 21 or even top 10 most competitive nations in the world if we remain as a developing nation in terms of our income.



Our scores had remained static from 2011, (score 4.7) however our rankings slipped by one point.

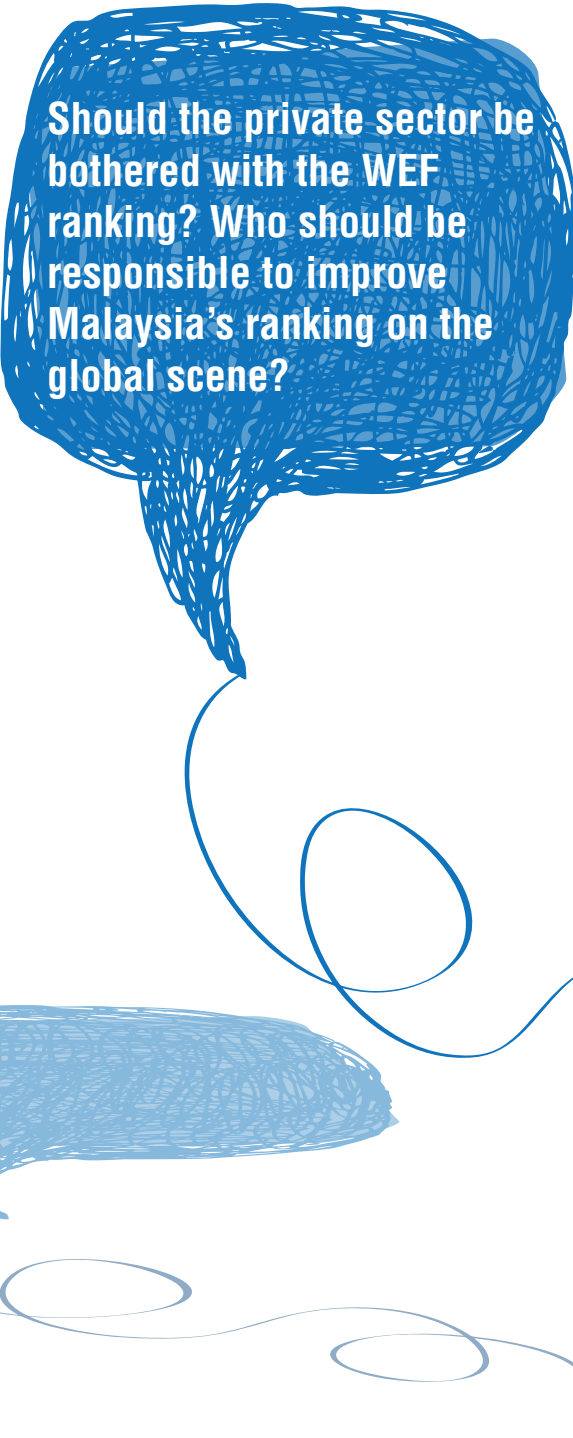
To be an innovative nation these two pillars are important to work on. In the most recent WEF Report (2012-2013) we had improved our ranking on the following indicators (within the Innovation and Business Sophistication Pillars):

- Capacity for innovation (from 19 to 17)
- University Industry Collaboration (from 21 to 18)
- Production process sophistication (from 27 to 25)
- Nature of competitive advantage (from 29 to 28)

However, we had dropped in position in the following indicators:

- Company spending on R&D (from 13 to 16)
- Extent of marketing (from 29 to 30)
- Local supplier quality (from 24 to 26)





Should the private sector be bothered with the WEF ranking? Who should be responsible to improve Malaysia's ranking on the global scene?

Should the private sector be bothered with the WEF ranking?

To end all this banter, who should be responsible to improve Malaysia's ranking on the global scene? There are many indicators that are clearly the government's role, such as improving institutions, infrastructure, healthcare and education.

When scrutinized, the indices above are those which are directly influenced by activities of the corporate sector in Malaysia. Apart from the above, there is another pillar where Malaysia is struggling – technological readiness pillar. Malaysia plunged from number 44 to number 51 even though our scores remained unchanged. This substantiates the fact that other countries are zooming past us in their efforts to improve. Within this pillar, pertinent to the corporate sector are the Availability of Latest Technologies and Firm-Level Technology Adoption. For both these indicators, Malaysia's scores were unchanged and our position remained almost static globally.

There are many ways to which the corporate sector can contribute:

- Make innovation part of your company's strategic agenda and discuss it at the board level. The risk of not innovating should be questioned.
- Companies should be bold enough to find new sources of competitiveness instead of relying on dated business models.
- Practice other forms of innovation; service innovation, process innovation and business model innovation. Innovation is not about R&D or technology alone.
- Invest in innovation and not R&D alone. Allocate talent and resources to understand market needs and future trends. Provide risk capital to prototype and launch new solutions.
- Be an active player in building the Malaysia innovation eco-system. Collaborate with start-ups, suppliers and universities. Companies should explore mining talents and Intellectual Property which are already in Malaysia instead of creating something from scratch. Shape the type of R&D that is being conducted in local universities.
- Explore new ways of innovating. Explore open innovation by co-creating solutions with customers or suppliers. This can help increase the capability of local suppliers and help them grow outside the country.
- Be willing to manage disruption of change or innovation. Innovation requires new roles and capabilities. Develop new performance indicators and be willing to retrain your people or re-deploy them into areas of higher value.



Azim Pawanchik is the Principal Consultant for Alpha Catalyst Consulting Sdn Bhd, a boutique Innovation Consulting company. He specializes in innovation strategy, both at a company and country level. He also co-authored the book 'Leading InnovAsian: Embedding Innovation Culture in Malaysian Organizations' and has written articles that look at innovation from the board, company and country perspective.