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New economic model needs best human capital

MALAYSIA, which has plans to move up the value chain for certain high-growth industries such as information and communication technology, advanced manufacturing, energy and pharmaceuticals, faces certain obstacles as it struggles to grow its pool of talent workers in a globalised world.

Senior company executives, human capital services and management experts concurred that the country has to build up its human resources quickly to be more competitive in the face of challenges posed by other developing countries and financial hubs, as seen in the growing number of qualified Malaysians moving there.

SMR Technologies Bhd managing director Dr R. Palan said the country needed to step up its game in building and retaining its pool of talent, especially skilled professionals in various industries, to remain relevant and competitive, as other countries like China, India, Vietnam and even Thailand were fast catching-up.

"We are moving fast in developing our human resources capabilities but other developing countries are moving faster, despite coming from a lower base," he said.

Palan expects competition for in-demand skills and talent to become a lot more intense in the coming years.

"I suspect this (intense competition) will occur in three or four years," he said, noting that Malaysian companies should brace for the stiff competition in attracting and maintaining quality staff.

He said the country was already experiencing brain drain as many Malaysians were now working abroad, attracted by higher remunerations and better working conditions.

Palan said SMRT recently learnt that at least 50 Malaysian engineers were working for countries in the Gulf.

"We suspect the biggest threat for Malaysia (in terms of talent loss) in the next decade will come from countries in the Gulf and possibly Vietnam," he said, adding that the search for talent was a worldwide phenomenon.

"The reason is because companies, especially multinationals, know their competitive edge lies in the workforce and in the hands of talented individuals with special skills. They know a company's best asset is its people."

On what was required to build a more competitive Malaysian workforce, Palan said the country needed to address many issues such as lifelong education, retraining of workforce and benchmarking itself against other countries in terms of standards and best practices.

He said in human capital development, an important area that was often neglected in many organisations (private or public) was the need to encourage employees to move from "B" grade workers to "A" grade workers.

"Essentially these workers have the foundation and capabilities (with training and education) to become better workers but are not given adequate support and hence become demoralised," Palan said, adding that talent could be home grown or acquired.

Moreover, he said, there was a need for organisations to embrace automation, technology and provide greater funding for research and the enhancement of human capital development.

Deloitte & Touche Consulting Group Sdn Bhd director (human capital services) Andrew Lee said the firm's research showed talent management becoming a major concern, as the talent pool often did not match the global ambitions of organisations.

"The relentless quest for productivity growth and increasing service ori-

Plan to move up value chain could be derailed by lack of or insufficient talent pool and other factors



Dr R. Palan

entation are driving demand for higher skills," said Lee, adding that while the shortage of talent differs across industries, a number of knowledge-intensive industries such as healthcare had been brought to the forefront.

He said the Government is acutely aware of the lack of practicing doctors, especially in the public hospitals.

"Measures have been taken to attract local talent stationed overseas to come back but how successful is anyone's guess," Lee said.

Malaysian Employees Federation Datuk Azman Shah Harun said the country's business competitiveness could only rise significantly if the public and private sectors work together "intimately" to resolve the many outstanding issues slowing down progress.

"Besides having a pro-business government, right manpower and talent, the authorities must also strive to improve its administration, delivery systems and infrastructure to promote greater efficiency in work flow," said Azman, adding that speed counts as competition for business was getting more intense every year.

Azman said for instance, efficient and smart companies know they need to operate virtually 24 hours or online if they want to get more business.

"If a company is unable to provide service on-demand, then customers will go to their competitors who can provide the service," he said.

Azman also said productivity and efficiency were issues directly linked to manpower competence and that any form of justifiable wage increment for employees should be merit-based on the issues mentioned.

He also said it was important for Malaysia to develop a more comprehensive one-stop human resources data centre that companies (local and foreign) and human resource experts could access to obtain information or gauge the manpower and professional expertise available in the country.

A Singaporean economist agrees with Palan and Azman that the development and enhancement of human capital was critical to improving business competitiveness.



To build a more competitive workforce, Malaysia needs to address issues such as lifelong education, retraining of workforce and benchmarking itself against other countries in terms of standards and best practices



»Malaysia needs to be known as a centre of excellence for specific qualities«

JEFFREY A. JOERRES

"It's one of the key elements necessary to move up the value chain to improve a nation's competitiveness," said the economist, adding that other factors included having a favourable tax structure to attract more foreign investor. The cost of doing business and political stability are some of the other considerations.

The economist said the Malaysian government's introduction of the key performance index (KPI) in the public delivery system also augured well to improve the country's competitiveness.

"The KPI is a measure of human



Andrew Lee

resources productivity and efficiency on performance over a specific period and is important, especially when the public demands for accountability and transparency," she noted.

The economist said the maximisation of assets such as machinery and equipment, including intellectual property, was made possible only if companies had the necessary human capital trained to use such assets.

She said that in developed countries, the pool of talent or human capital base was generally higher as a percentage to population, compared with developing countries.

On Malaysia's human capital, the economist said local workers, especially those with good professional qualifications or highly skilled tooling experts, were in demand globally because of their skills as well as their multilingual abilities.

Another foreign economist said Malaysia's business competitiveness, especially in the agriculture sector and to some extent manufacturing and service sectors, were underpinned by fairly cheap labour.

"But this strategy is unsustainable as Malaysia has a small population

relative to its neighbours and would not be competitive in the long-run.

"The country needs to move up the value chain faster via mechanisation and develop a stronger local workforce in the service sector to boost economic growth," he said, adding that the current strategy was only a stopgap measure.

Malaysia has a local workforce of about 10.5 million people out of a population of 26.6 million and employs around two million foreign workers.

Manpower Inc chairman and chief executive officer Jeffrey A. Joerres said to improve Malaysia's competitiveness, the country needed to have a "cluster" approach to economic development.

"Malaysia needs to be known as a centre of excellence for specific qualities or abilities that multinationals recognise," said Joerres, citing India for having an edge in information technology and China's low-cost manufacturing.

On the political scenario affecting Malaysia's business competitiveness, Joerres said it was important for the country to remain stable to maintain investors' confidence.

"Investors like to see stability in a country before investing," he said.

Joerres said there was now a lot more opportunities for people with in-demand skills to work in various parts of the world.

"It's common now for developed countries and economies experiencing high growth to offer attractive pay packages and perks," he said, adding that human capital flight for better wages was a major concern for many countries, including Malaysia.

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