

SPEECH BY
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AT THE 6TH NATIONAL CIVIL SERVICE CONFERENCE: 'A KNOWLEDGE-BASED
ECONOMY: FORGING AHEAD FOR NATIONAL TRANSFORMATION'
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Terlebih dahulu, saya ingin mengucapkan terima kasih kepada Y.Bhg. Dato' Seri Aseh bin Haji Che mat, Presiden Persatuan Perkhidmatan Tadbiran dan Diplomatik (PPTD) kerana sudi menjemput saya memberi ucapnama pada pagi ini.

2. Saya juga ingin mengambil peluang ini untuk mengucapkan tahniah kepada pihak penganjur, terutamanya PPTD dan INTAN, atas inisiatif menganjur Persidangan Kebangsaan Ke-enam Perkhidmatan Awam.

3. Tema persidangan kali ini, "Ekonomi Berasas Pengetahuan: Mara Ke Hadapan Untuk Transformasi Nasional" adalah tepat memandangkan cabaran-cabaran yang akan dihadapi negara dengan pergolakan dan perubahan yang berlaku dikeliling kita.

4. The vast changes taking place around us present great challenges which, if we do not address and meet, will result in us being sidelined or left behind as a people and as an economy. These challenges, which come with globalisation, require us to take the bull by its horns and steer our country towards realising our objectives as outlined in vision 2020. Key to achieving this would be making the transition into a knowledge-based economy.

5. Although we began embarking on this policy more than a year ago, there continues to be much discussion and dissent on what a knowledge-based economy is all about and more so, on how to realise it. I hope that this conference will provide a platform for participants to discuss and exchange ideas on the issues and challenges as well as the appropriate strategies needed to develop Malaysia into a knowledge-based economy.

6. To our foreign participants, this conference provides you the opportunity to share with us some of your thoughts on this very important issue. At the end of this conference, I hope a keener picture will emerge and misconceptions can be cleared up.

7. While we have formulated our policies based on strategies we have defined, there still needs to be clarity of thought in various sectors of the Malaysian economy on what a knowledge-based economy is really about.

8. At the macro level, a knowledge-based economy is seen as an economy where knowledge and information are used strategically and become increasingly important in generating and sustaining a high level of socio- economic growth and development for the nation. It is an economy that thrives on the creative generation, on extensive dissemination and the productive use of knowledge to add value to products and services across the board.

9. Unlike a production-based economy, or p-economy, where traditional factors of production such as land, capital, and labour are the major determinants of national

growth and competitiveness, in a knowledge-based economy, knowledge becomes the predominant factor in determining productivity and consequently, the national growth rate and its level of competitiveness in the global market. Therefore, in a knowledge-based economy, generating and using knowledge will play a predominant role in creating wealth and enhancing the quality of life of our people.

10. The global landscape for industrial development is fast changing. The emergence of a new economic framework-in which knowledge is increasingly recognised as a vital source of economic growth, determinant of wealth and basis of comparative advantage - is rapidly taking shape.

11. The transition to a knowledge-based economy should force us to e-think our strategies for all sectors of the economy. We simply cannot wait and allow the impact of this phenomenon to swell upon us day after day. Clear examples all around us show that firms which are successful in the knowledge-based economy are those that are globally oriented, highly productive, and have invested heavily in innovation and skills. In the knowledge-based economy, the industries that will thrive are those that embrace innovation-either to develop new ideas, employ new processes, manufacture new products, deliver new services or develop more efficient supply chain management.

12. Nations and organisations that employ knowledge and new ways of doing things, successfully compete in the global market and excel in their line of business. In so doing they have also created wealth and prosperity for their citizens and other stakeholders. For example, Sweden and Finland. In spite of having a relatively small population, these countries have taken advantage of knowledge creation and dissemination to increase their productivity and to sustain their per capita income growth.

13. The most important lesson we can learn from these success stories is that if we want to stay competitive in the global market, we need to adapt ourselves from a traditional p-economy to a knowledge-driven economy by expanding the knowledge component in all sectors. We need to harness the power of knowledge to significantly enhance the value of all our products and services in all sectors of our economy.

14. While we must continue with our production-based industries, which provide employment for our people, our focus should be on producing high value-added products and services that provide quality employment. We can see that traditional products are becoming cheaper and more easily manufactured elsewhere in countries like China and India which have a huge and competitive labour force. In other words, we need to put more "k" into all sectors of the economy, be it agriculture, finance, services, trade, manufacturing, telecommunications, education, healthcare, transportation, security, or public services.

15. The transition to the knowledge-based economy is also dramatically increasing the demand for highly skilled workers due to both the rapid expansion of knowledge-intensive industries and the sharply increasing importance of creating and exploiting knowledge and information in all sectors of the economy.

16. As we can see from the experience of countries like Sweden and Finland, the challenge for developing Malaysia into a knowledge-based economy requires two very critical ingredients - technology and a knowledgeable workforce or human capital.

17. Malaysia's ability to develop, attract, and retain highly skilled people is of absolute and critical importance in maintaining and strengthening our competitiveness. In addition, as the market for skills becomes global, Malaysian companies must compete with companies in other nations for highly skilled personnel. This global competition is intensified by the fact that acute skill shortages exist almost everywhere, especially in areas such as software engineering, digital and wireless technologies. Factors like these are making it increasingly difficult for many of our firms to recruit and retain the highly skilled workers they need.

18. In view of the global competition for skilled labour and the increasing importance of skills in the knowledge-based economy, we have to address labour problems that impede a smooth transition, like short-term skill shortages and the need to secure a long-term supply of highly skilled workers. Malaysia's appeal as a good place to work and live is an asset in attracting and retaining knowledge workers.

19. All economic sectors and industries as including the public service also have to embark on an elaborate plan to successfully recruit, develop, and retain the best people, for their success in the knowledge-based economy hinges on the availability of a skilled workforce.

20. As most of you are aware, we embarked upon our journey towards a knowledge society and a knowledge-based economy when we launched the Multimedia Super Corridor (MSC) initiative in 1997. Apart from MSC, the government is also working on the k-based economy master plan, which is scheduled for completion this year. This k-economy blueprint should provide a set of policies to help guide the transition that we hope to make. It is my sincere hope that this conference will also come up with concrete ideas, particularly at the micro level, that can contribute to further strengthening the proposed master plan. With this plan it is hoped that Malaysia can unleash the intellectual capital and knowledge embodied in her people.

21. In the eighth Malaysia plan, developing the country into a knowledge-based economy is the most important thrust of all. It will permeate every sector and involve everyone. The knowledge content of all economic activities, be it in agriculture, manufacturing or government will have to be increased so as to strengthen the value-added component and generate employment.

22. All Malaysians will be given equal chances and opportunities to enhance their quality of life and be involved in the knowledge-based economy. Malaysia's overriding policy of growth with equity must and will continue. Focus will also be directed towards providing better opportunities in education especially in rural areas, and increasing accessibility to ICT. The task before us is therefore formidable.

23. This requires wide-ranging structural transformation to upgrade economic efficiency - including improving skills and management capabilities, increasing research and development (R&D) spending, and greater use of ICT in all economic sectors. Furthermore, although public investment will be increased to improve the education and training delivery system, the private sector is encouraged to assume a bigger role particularly in terms of R&D, as well as product innovation and enhancement. The role of the private sector will be crucial in our quest to develop our people and this nation into a knowledge-based economy.

24. In realising our goal to develop the country into a knowledge-based economy, another big question that we have to ask ourselves is what institutional or

organisational changes are needed to speed up the transition of our economy from production-based to knowledge-based?. Are the current structures adequate and sufficient to help accelerate this transformation?. Or are they in fact inhibiting this process?.

25. Institutional structures are powerful determinants of individual and group behaviours. Structures that were appropriate for the agricultural era were found to be inappropriate for the industrial era. And thus new structures were developed. Likewise, structures that were appropriate for the industrial era have become unsuitable for the informational or digital era. In an environment of stability and predictability, traditional bureaucratic structures were well suited. However, in this digital era, which is highly turbulent and unpredictable, we need structures that are more agile and flexible that could easily adapt to the rapidly changing environment.

26. Therefore, instead of rigid and bureaucratic institutional or organisational structures, we may have to look at the more agile and fluid structures like networks or self-directed teams, which foster better relationships that enhance creativity, innovativeness, and sharing of knowledge. Otherwise, organisational inflexibility and immobility may impede the national development efforts.

27. Not only do we need new institutional arrangements, we also need to manage this transition process effectively. We have to adopt a holistic and integrated approach in leading and managing this process of change. We cannot adopt the fragmented approach where 'the right hand does not know what the left hand is doing'. A fragmented and uncoordinated approach will result in the formulation of conflicting policies that will lead to confusion and frustration for all.

28. We have to make sure that our educational and organisational policies are aligned with and supportive of our k-based economic policies. If not, all our efforts will be futile and the huge amount of funds spent will be for naught.

29. What we need to do now is to focus on enhancing the ability and capability of our workforce to acquire, absorb and use knowledge in a collaborative manner. We have to build the intellectual capacity of our workforce by increasing investment in our most important asset, the human capital. We must begin by providing a conducive environment at home and in the schools that would nurture the natural sense of curiosity and creativity among our children.

30. At home, parents too often fail to take the time off their busy schedules to spend quality time with their children, yet they expect the schools to perform miracles. At schools, where the number of straight A's is the measure of success, the emphasis is on how to answer examination questions, rather than obtaining a well-balanced education. At work, the focus is on short-term profits rather than on developing the human asset for the long haul. Therefore, we have a real need to re-examine our approaches and take the appropriate corrective actions that could enhance the ability and capability of our citizenry to acquire, absorb and use knowledge more effectively. To this end, as parents, we must take the time off our busy schedules to spend more quality time with our children and set the right examples for them to follow. At schools, we should not just focus on excelling in academics alone but also on developing citizens who are socially responsible. At work, we should not just focus on short-term gains, but also on providing continuous training and development to our employees towards becoming highly effective knowledge workers.

31. Towards this end, the government will intensify efforts to expand the supply of highly skilled and knowledge manpower through the expansion of the education and training capacity with a greater emphasis towards increasing the supply of science and technology (S&T) manpower. The capacity of the S&T related educational and training programmes at the tertiary level will be further expanded to expedite the achievement of the 60:40 ratio of science to arts students. At the same time, the provision of scholarships for post-graduate and post-doctoral degrees will be further increased.

32. To the public sector participants in this conference, who form the majority of the participants here, I must say governing in the future is not going to be an easy task. We are going to face and are in fact facing various challenges as we take stock of what is happening around us today. We have to be sensitive to these changes and take appropriate action wherever possible to ensure that we as a government entity remain relevant. Allow me to mention some of the challenges that we may have to deal with, namely:

- A decline in trust in government as an institution;
- A better educated and knowledgeable citizenry;
- Increasingly diverse and fragmented interest groups;
- Greater authority being given to supra and sub national institutions;
- Changing lifestyle and patterns of employment;
- A call for the government to be more transparent; and
- A need to give priority to issues of national unity.

33. We cannot deny the fact that the civil service has played a critical role in reforming and modernising the delivery of public services to the people. at the same time, I must remind you that you cannot afford to rest on your laurels. We have read in the papers in recent times several complaints about the quality and standard of service that our government agencies have been providing to the public. Several of our stakeholders including the prime minister have raised these issues time and again at numerous forums. While it is commendable that the public sector is focusing a lot of its energy in preparing to meet the challenges of the knowledge-based economy, let us not forget that our primary duty is still to provide the basic services and amenities to the man in the street. If we fail to make these basic needs accessible and affordable to the people, then we have failed in our primary duty to serve the rakyat.

34. If we want to fulfill this role, and meet the people's expectations, we must recognize the fact that many of the comfortable operational mechanisms of yesteryear may no longer be adequate. Doing well what we are doing now is not the prescription for success in the knowledge-based economy. A new way of thinking, perceiving and working is required. With change as a norm in the present global service stage, the civil service too must be able to adapt to new customer demands and new ways of doing business. We must be capable of providing quality service to the people. We have two resources that we can use, that is, technology and people.

35. In addition to continuing to serve the interests of our people, our public sector must also develop itself into a k-civil service. Malaysia needs to have a more skilled, efficient and responsive civil service that can function effectively to catalyse, facilitate, and support a k-based economy.

36. Malaysia's public sector was among the early adopters of ICT in its administration and services. But ICT applications and potentials have yet to be fully exploited and utilised in the public service, perhaps due to financial, hardware, software and skills constraints. We should ask ourselves whether government agencies are applying the technological capabilities that they have in ways that would help them achieve their service needs. Apart from the computers and the internet, our most valuable resource is still our people. I dare say that enhancing knowledge in the civil service has not been given enough emphasis beyond the on-going training and development programmes that we have. We have I believe, a vast mental reservoir of managerial minds in the public sector. Our challenge will be to harness and channel this power for the benefit of our nation and our people.

37. People often debate on the question as to what extent is knowledge development the responsibility of the organisation and to what extent is it the role and responsibility of every individual?. In my opinion, in the final analysis, knowledge development is the responsibility of both. the organisation can only create the supportive climate and provide some resources to enable people to develop the competencies that they may need to remain competitive and add value in the knowledge-based economy. the rest, will be up to the individual.

38. At the same time, we should look at how we can implement and manage significant changes brought about by the k-economy; changes that I believe would touch the very core of government machinery, organisational systems and processes, but almost more importantly behaviors, values and culture. We need to focus on how the public sector can create and facilitate a change enabling culture to accommodate, manage, and sustain the changes brought about by the gradual development of the economy.

39. Let us also not forget that the new environment would require leaders with new and more versatile competencies to function effectively. This would mean that we need to nurture a core group of leaders with skills that go beyond technology and expertise and managerial ability. Perhaps these skills cannot be acquired from the classrooms. They must be acquired through real life experience.

40. In our quest for a knowledge-based economy, we must not forget that a substantial portion of our population live in the rural areas where access to ICT is very limited. In addition, there is also a large portion of the urban poor who cannot afford to purchase their own computers or do not have access to the information superhighway. Some areas of Sabah and Sarawak do not even have proper electricity supply.

41. Thus, our focus on developing a knowledge-based economy has the potential threat of increasing the digital divide and the knowledge gap among the rich and the poor as well as among the rural and the urban dwellers. Conscious efforts must be taken to bridge this growing digital divide or knowledge gap by promoting greater awareness and participation from the urban poor as well as those from the rural areas.

42. Besides providing them education and training in ICT, telecommunication infrastructure and services need to be expanded to ensure better access and connectivity as well as to enhance the opportunities for lifelong learning among the disadvantaged groups. This can be achieved through smart partnerships among the public and private sectors as well as local communities, whereby the government provides the policy direction and the infrastructure, the private sector provides the hardware and software and the local community provides the commitment to use the facilities provided responsibly, to enhance their knowledge in a continuous and sustained manner.

43. Whatever approaches we take or strategies we develop for Malaysia, we should not forget that racial harmony is the basic precondition for our future success. Issues concerning equity, fair opportunity, and the reduction of gap between the "haves" and "have-nots", should be of prime consideration. In other words, in our pursuit for a knowledge-based economy, we must always take into account the importance of improving the quality of life for all Malaysians without exception.

44. On this note, I wish you all every success and it is with great pleasure that I declare this conference open.