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The Role of Skills Development in Competitiveness in Asia

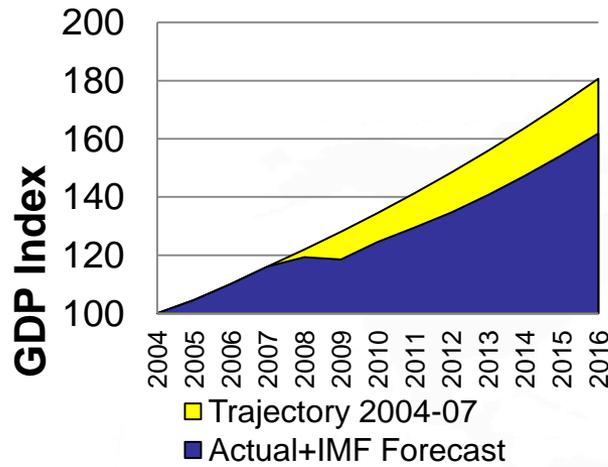
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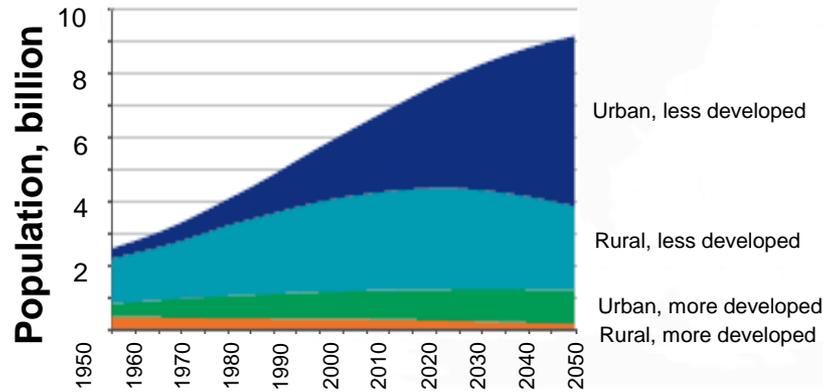
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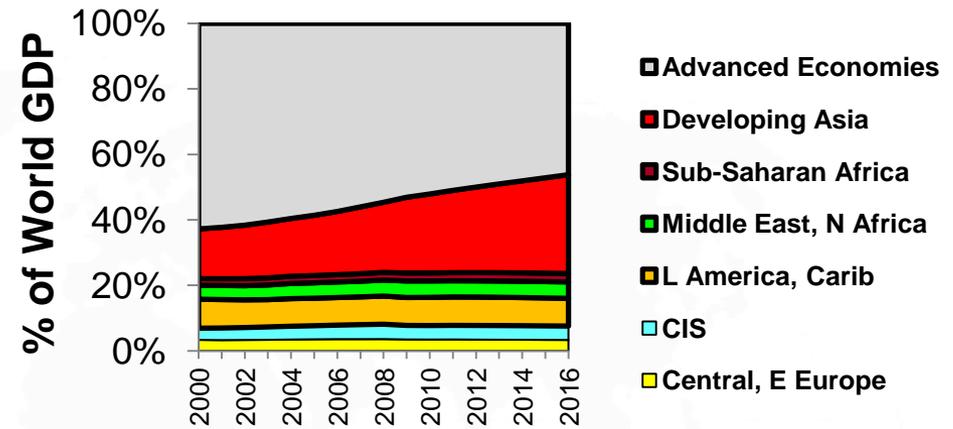
Forces of Change



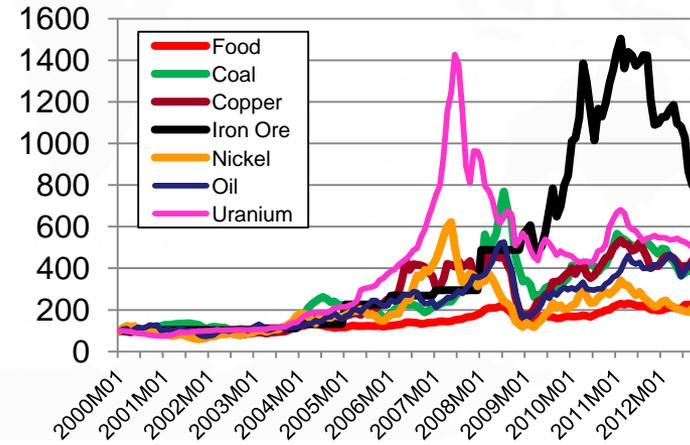
Source: IMF, ESA



Source: UN



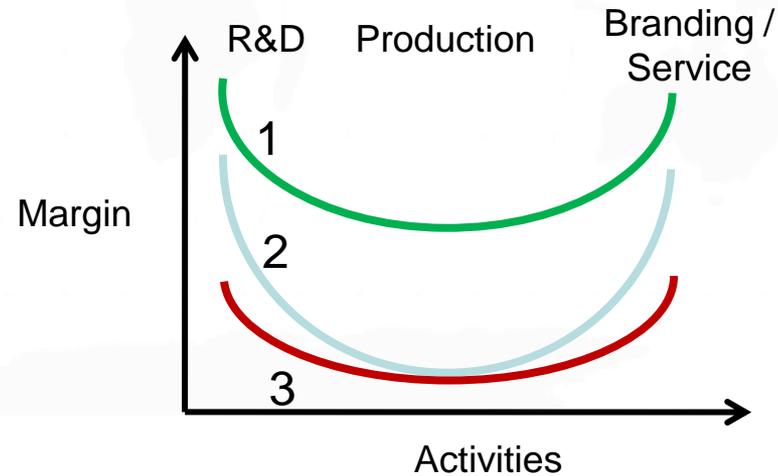
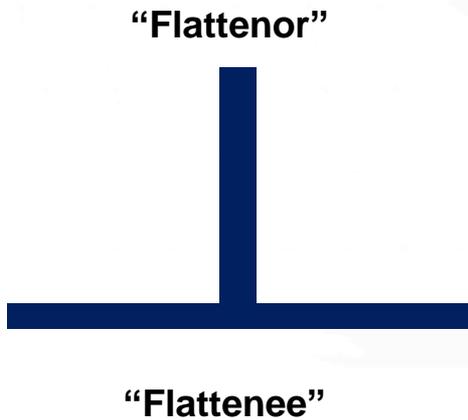
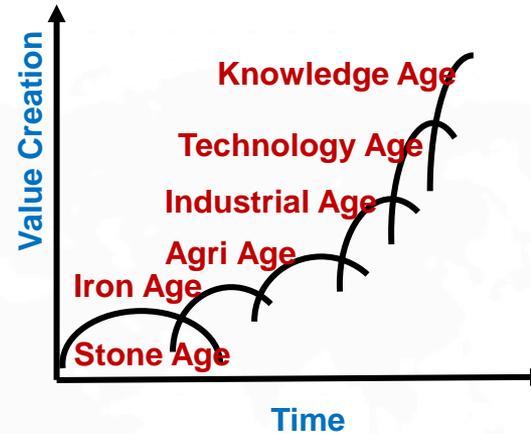
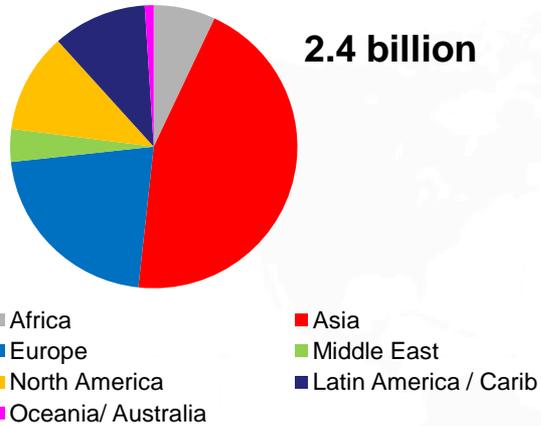
Source: IMF



Source: IMF

Forces of Change

Internet Usage, 2012



The Competitiveness / Skills Imperative

- **Competitiveness means the ability of a nation or region to carry out the economic or business activities necessary to provide its population with a desirable standard of living, often in the face of national or international competition.**
- **Tough global markets, resource constraints, sustainability issues, and increasing competition are making competitiveness more important than ever before.**
- **Recent events show us that competitiveness must be earned, not borrowed, and can only partially be inherited.**
- **A “people-centric” approach to competitiveness is crucial if nations and regions are to achieve inclusive growth.**
- **Such an approach requires a focus on skills, appropriate skills, and the right skills portfolio to foster competitiveness and economic development.**

Potential Units of Analysis and Action for Competitiveness and Skills Development

	Activity	Industry	Cluster	Economy
District within a city	Traditional	Traditional	New focal points	Traditional
City	Traditional	Traditional	New focal points	Traditional
City and suburbs	Traditional	Traditional	New focal points	Traditional
City-region / region without a city	Traditional	Traditional	New focal points	Traditional
Nation	Traditional	Traditional	New focal points	Traditional
Supra-national region	Traditional	Traditional	New focal points	Traditional
World	Traditional	Traditional	New focal points	Traditional



“Traditional”

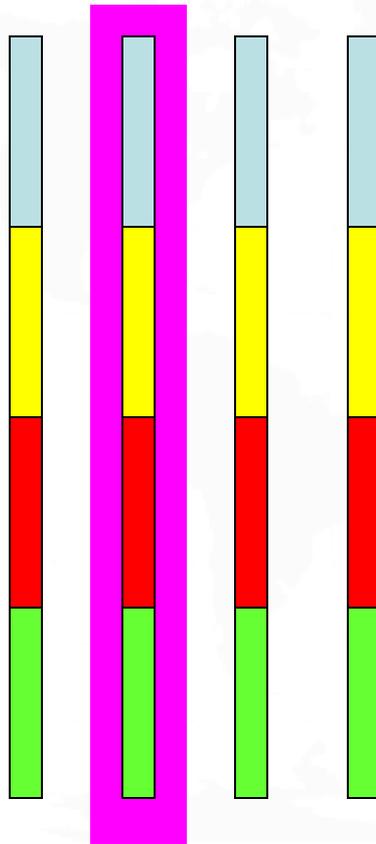


New focal points

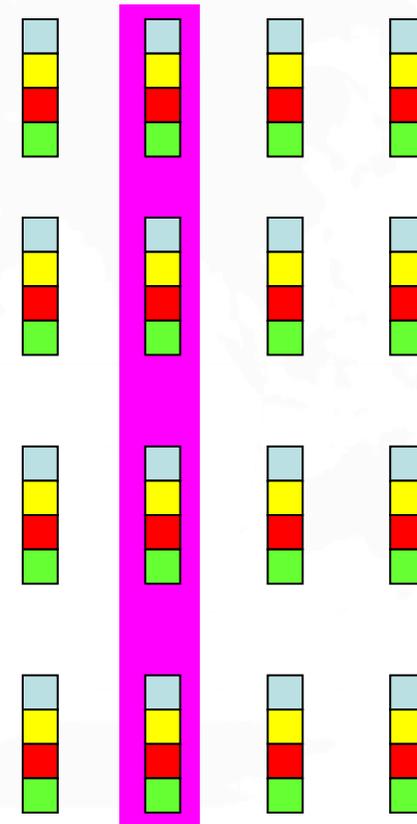
Competitiveness in...

Industries

Activities



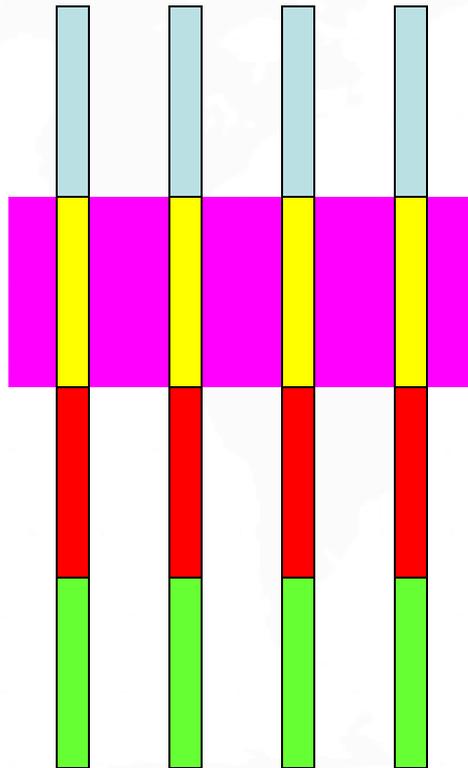
Vertical Chains



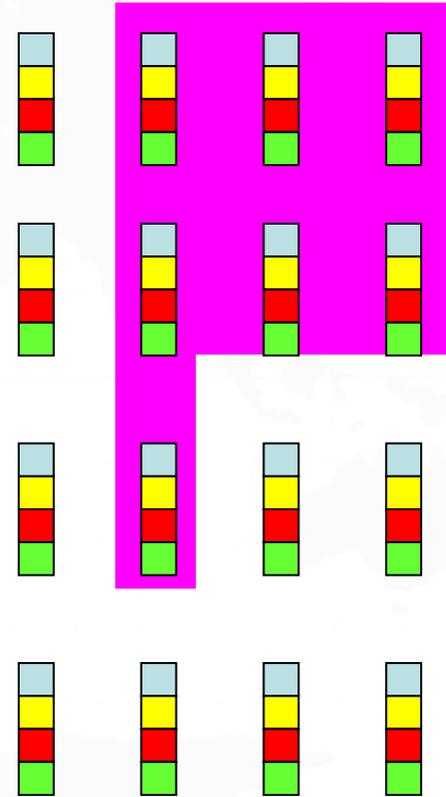
Competitiveness in...

Industries

Activities



Clusters



Skills Challenges in Asia

- **Asia faces substantial skills challenges, including:**
 - **Difficult world markets**
 - **Increased global competition**
 - **Shifting employment structures**
 - **Gender, ethnic, and urban-rural inequalities**
 - **Outdated, underplanned, or underfunded education and training systems**
 - **Mismatches between supply and demand for skills**
 - **The need to operate across a wide spectrum of skills at the same time**
- **The very success of some Asian economies is putting pressure on them and others to enhance skill development at every level.**
- **Understanding global forces, present competitiveness, local contexts, development trajectories, and institutional capabilities allows nations to plan skills strategies.**
- **The diversity of Asia means “one size fits all” solutions are unlikely.**

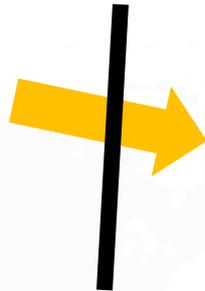
Activity-Industry / Cluster Matrix for Competitiveness and Skills

Activities / or Activity-Linked Occupations	Agroindustry	Simple manufactures	Complex manufactures	Simple services	Complex Services
R&D					
Product D & E					
Process D &E					
Components & Inputs					
Assembly					
Mktg & Branding					
Selling & Retail Mgmt					
Distribution					
After sales Service					
Strategy Setting					
Financing					
Firm Admin					

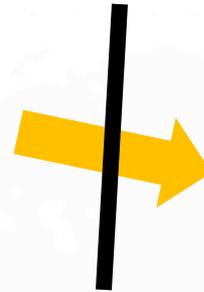
Activities and clusters are interesting for skill development, because they span or subsume industries.

Activity-Industry Matrix Trajectories and Portfolios

Activities / or Activity-Linked Occupations	Agroindustry	Simple manufacturing	Complex manufacturing	Simple services	Complex Services
R&D					
Product D & E					
Process D & E					
Components & Inputs					
Assembly					
Mktg & Branding					
Selling & Retail Mgmt					
Distribution					
AS Service, W & R					
Strategy Setting					
Financing					
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Etc.					



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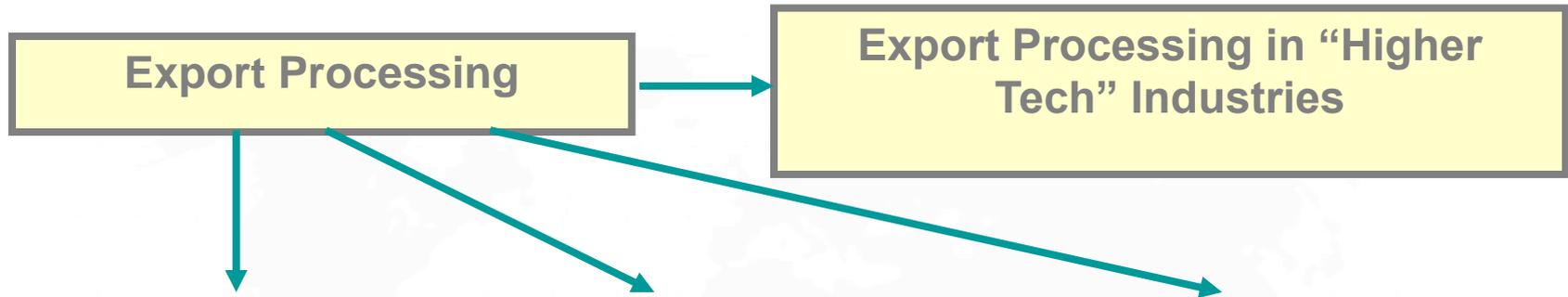
Using international comparisons and experience to develop potential trajectories AND to identify the skill bottlenecks to achieving those trajectories is a useful way to formulate policy and strategy for the **PORTFOLIO** of skills the nation requires.

Development Waves in the Pearl River Delta Region, China

- **Economic opening**
- **Hong Kong and local infrastructure companies**
- **Hong Kong companies in traditional industries**
- **Local companies in traditional industries**
- **Foreign and local companies simple service and support (I)**
- **Foreign companies in higher tech industries**
- **Local companies supplying MNCs in higher tech industries**
- **Local companies emerging in higher tech industries**
- **Local and foreign company R&D and advanced technical activities**
- **Local and foreign infrastructure companies (II)**
- **Foreign and local companies advanced service and support (II)**
- **Management centers for local and international business**

Each wave has required new skill sets.

Building on Export Processing



Components

- Subassembly
- Simple components
- Advanced components
- Technology

Capital Goods

- Service and repair
- Spare parts
- Individual machines
- Complete systems

Related Services

- Quality control
- Transport and Logistics
- Design/ Development
- Commercialization/ Mgmt

Development of higher value activities has depended on skills availability.

Common Bottlenecks

- **Basic literacy / numeracy (gender , ethnic, and urban-rural disparities)**
 - **Skills to provide and maintain basic services / infrastructure to promote worker productivity (health, sanitation, transportation, communication)**
 - **Skills and administrative capacity to formulate and implement policy**
 - **Ability to absorb knowledge of “appropriate best practice” from abroad**
 - **Basic to advanced production skills and service skills**
 - **Basic to advanced technical skills**
 - **Basic to advanced customer-facing skills**
 - **Basic strategic and business management skills**
 - **Entrepreneurship and advanced management skills**
-
- **A major question in many countries is who will train the trainers?**
 - **Another is who decides what skills are developed?**
 - **Another is whether the focus should be on the individual or society?**

Aligning Industrial, Development, and Skills Policies

- **Industrial, development, and skills policies should form a single, integrated whole.**
- **Skills policies should address present bottlenecks and requirements for desired development trajectories and should be “pulled through” by the needs of the economy, not “pushed through” by providers.**
- **Skills policies require an analysis of company needs and input from companies, workers, and the self-employed.**
- **Inclusiveness requires an assessment of gender imbalances, ethnic imbalances, urban-rural imbalances and other obstacles to inclusiveness that undermine productivity and development.**
- **An emphasis on bottlenecks to existing development is critical to targeting initial efforts.**
- **Ensuring that talented people do not have to use all their creativity to navigate cumbersome policy environments is a crucial part of skills policies and programs.**



Flexibility, Adaptability, Moving Up

- **Economic development is all about change. Economies develop best if they are flexible and adaptable enough to change with the times.**
- **Skill development based on activities and clusters allows for greater flexibility and adaptability. Activities cut across multiple industries and clusters subsume multiple industries, so individuals are not tied so much to individual industries.**
- **Economies develop through clusters of related industries, cluster-focused pathways allow for a focus on skills of today and tomorrow.**
- **The ability to compete on a global basis, interact in global production systems, understand underlying concepts, communicate within and across cultures, and bridge the gap between suppliers and customers provides flexibility and adaptability.**
- **A focus on standards, quality, precision, workmanship, integration with other workers, the right management systems, details, and low defects are crucial to moving to higher value manufacturing and avoiding the “middle income trap.”**

Innovation and Entrepreneurship are Crucial to Move Beyond “Middle Income”

- **Types of innovation / knowledge**
 - New technologies
 - New applications / bundles of technologies
 - New geographic, product, service markets
 - New marketing / distribution systems
 - New business models / mgmt tools
 - New ways of carrying out activities
 - New organizational forms
 - New ways of communicating
 - New financing and payment schemes
- **Entrepreneurship requires**
 - Market opportunity
 - Knowledge of the business
 - Entrepreneurial drive
 - Creativity
 - Strategy setting capability
 - Start-up and growth finance
 - An environment that rewards entrepreneurship / allows failure
 - Suitable legal and institutional arrangements
 - Suitable workforce

Formal R&D and technology development is often the least important requirement for commercially valuable innovation and entrepreneurship. Formal training, examples, and mentors are ways to foster entrepreneurship in a knowledge economy.



Characteristics of a Competitive Skills Development System

- Is integrated with development policy
- Is relevant to local conditions in terms of focus and delivery
- Is fit for purpose
- Is multi-faceted (formal education, vocational, in-company)
- Provides multiple pathways
- Is inclusive
- Empowers companies, schools, trainers
- Has lifelong learning potential
- Has expansion linked with needs of the economy and society
- Has a broad definition of knowledge
- Is a meritocracy or “meritocracy plus” system
- Has methods to train the trainers on an ongoing basis
- Identifies and absorbs “relevant best practice” from abroad
- Is as locally-based as possible, and integrated into communities
- Operates at several levels at the same time in proportions as required by the country
- Is a living system that changes and adjusts with society’s needs
- Provides the right portfolio of skills



Thank you

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