

Outlook 4

EDITION

New Zealand Capability – Lessons from Asia

New Zealand Capability – **Lessons from Asia**

Part One – Singapore and Malaysia

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CONTENTS

ACKNOWLEDGEMENTS	01
EXECUTIVE SUMMARY	02
INTRODUCTION	03
BACKGROUND TO THE CURRENT STATE OF STRATEGIC THEORY AND PRACTICE IN NEW ZEALAND	04
SCOPE OF STUDY	06
FOCUS QUESTIONS	06
GENERAL REMARKS	07
SINGAPORE	09
MALAYSIA	13
COMMENT ON MALAYSIA	16
PRELIMINARY ANSWERS TO THE FOCUS QUESTIONS	17
CONCLUDING COMMENTS	19
LESSONS LEARNT	20
CONCLUSIONS	22

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EXECUTIVE SUMMARY

THIS REPORT EXAMINES the strategic practices of Singapore and Malaysia as a guide to improving New Zealand's strategic capability. The question asked is what New Zealand can learn from developing Asian capability and 'best practice' in the area of long-range strategy formulation, taking Singapore and Malaysia as being representative of other fast-growing South East Asian economies. At a later stage the intention is to extend the research into North Asia by looking at the state of strategy practice in countries such as China, Japan, Korea, Hong Kong and Vietnam.

The answer is that there are no strategy formulation models unique to Singapore or Malaysia. Rather, their economic success is attributed to a range of other factors including strong political leadership, vision, ambition, the role of governing elites, openness to overseas ideas, cultural issues and pragmatism.

The issue for New Zealand is whether we can add to our strengths as a well regulated open market economy some of the strengths we see in East Asian models; these strengths come down to the quality of leadership that is available. The whole theme – in Asia as well as in New Zealand – centres on the quality of government. Central to this is the quality of leadership offered by political leaders and by public service chief executives and managers.

Specific issues canvassed in the paper include the desirability of New Zealand moving to a more explicit wealth-creation model along the lines of Singapore's. This is seen as one of a number of breakthrough strategies needed if New Zealand is to have any realistic prospect of returning to the top half of the OECD per capita income table.

The paper also suggests that New Zealand needs to ask itself whether it is sufficiently transformative and ambitious for the future. In looking at the examples of Singapore and Malaysia, the paper also advocates thinking further about the role of our governing elites. We need to do more to recognise and create a public sector elite, recruited on merit and rewarded for its public service achievements and ideas. Traditionally, we have followed a public sector model based on the idea of egalitarianism and the shunning of elitism. It is time that this is rethought. We have world-class public sector leaders in New Zealand and we need to begin celebrating their achievements. This would be an important step in lifting New Zealand's overall performance as a society.

Despite the extraordinary richness of Asian examples, strategic theory and analysis is based almost exclusively on the European and North American strategy literature.

INTRODUCTION

MANY ASIAN COUNTRIES have formal long-range planning documents that encapsulate their visions and directions for the future (e.g. Malaysia's Vision 2020 and Knowledge-based Master Plan, and Vietnam's new five-year Socio-Economic Development Plan 2006-10). Many also have industry plans that chart very specifically what is to be achieved, by who and by when – for example, Singapore's 2002 Life Sciences Plan, designed to ensure that by 2010 'at least 15 world-class companies' in the fields of life sciences and biotechnology will have established regional headquarters in Singapore, and its International Hub 2000 programme, by which it aims to make itself the intellectual and strategic headquarters of the regional economies. Equally ambitious is South Korea's 2006 information technology plan to turn itself into the digital hub of North East Asia, and Thailand's 100-year and 1,000-year (!) fisheries master plans.

Despite the extraordinary richness of these and other Asian examples, strategic theory and analysis as it is taught in New Zealand (for example at Victoria University of Wellington's School of Government), and we think most probably also in Australia, is based almost exclusively on the European and North American strategy literature. In our teaching in New Zealand, ritual nods are given in the direction of Sun Tzu¹ and Miyamoto Musashi², and a more structured nod towards the Japanese management guru Kenichi Ohmae³. These three aside, Asia, in strategy terms, remains largely unexplored.

The aim of this paper is to conduct a preliminary investigation of contemporary Asian strategy practice through desktop research and a field trip to two representative countries in the region, Singapore and Malaysia⁴. Depending on the outcome of this preliminary investigation, it is hoped that in a second phase it may be possible to extend the field research to a number of North Asian countries. The overall objective of the research is to establish what lessons might be learnt from Asia that could be used to lift New Zealand's own capability for long-range strategy formulation and analysis.

Two further and important objective are to look at ways that New Zealand can establish and maintain contact with leading strategic thinkers and practitioners in the Asia Pacific region, and to seek advice from the region on how best to enrich our teaching of strategy in New Zealand by including a range of the leading strategic thinkers from the Asia Pacific region in our course readings. Note that in the context of this paper 'strategy and strategic thinking' is not intended to be synonymous with 'security and security studies'. Strategy here is used in Geoff Mulgan's much broader 'whole-of-government' sense: it is about how individuals, organisations and countries determine where or what they want to be in the future, why, and how best to get there⁵. Security issues may well be part of strategic studies, defined in this way, but only a part. All issues that have a long-run future component to them, and that are deeply significant to the wellbeing of the individual, organisation or nation, are regarded as strategic in the sense that the term is being used here.

- ¹ Sun Tzu (ca 400-320BC). In *hanyu pinyin* the more correct romanised spelling is Sun Zi. See Chow-Hou Wee (2003). *Sun Zi: The Art of War. An Illustrated Translation with Asian Perspectives and Insights*. Singapore: Prentice Hall.
- ² Miyamoto Musashi (1643). *A Book of Five Rings. The Classic Guide to Strategy*. Translated by Victor Harris. New York: Overlook Press, 1974.
- ³ Kenichi Ohmae (1982). *The Mind of the Strategist: The Art of Japanese Business*. New York: McGraw Hill. Also *The Invisible Continent: Four Strategic Imperatives of the New Economy*. New York: Harper Collins, 2000.
- ⁴ Although there are very significant differences across South East Asia, for the purposes of this study Singapore and Malaysia are held to be sufficiently 'representative' of the faster-growing South East Asian economies to enable useful lessons for New Zealand capability to be drawn.
- ⁵ UK Cabinet Office. *Strategy Survival Guide*. See www.strategy.gov.uk.

BACKGROUND TO THE CURRENT STATE OF STRATEGIC THEORY AND PRACTICE IN NEW ZEALAND

⁶ Andre Siegfried (1914). *Democracy in New Zealand*. Wellington: VUW Press, reprinted 1982. Ch V: pg 53. Siegfried goes on to observe that 'this is very Anglo-Saxon. To investigate what will happen twenty years hence is to theorise, and the Anglo-Saxons never theorise. What they want is immediate and practical results; even expedients do not frighten them, if they bring a measure of relief or progress. Let us never forget that we are dealing with the most practical of men, and that idealism takes a very small place in their thoughts'. Ibid. Pg 57.

⁷ See, for example, Margaret Hunn (1981). *New Zealand Commission for the Future: a Case Study*. Report for a 1981 OECD conference on 'aids to policy making'. Also Kusumul Devahastin (1984). *The Rationality of Planning: a Comparative View of the National Development Council, the Commission for the Future and the New Zealand Planning Council*. Unpublished MA thesis, VUW library. Also Gerard van Bohemen (1977). *The New Zealand Planning Council*. *Victoria University Law Review*. (1977-78) 9 VUWLR 185.

⁸ No new postings appear to have been placed on the Knowledge Wave website in the four years since the last conference in January 2003.

⁹ For the most recent report (February 2005) see *Growth through Innovation: Progress to Date* at <http://gif.med.govt.nz>.

¹⁰ Henri Ghesquiere (2007). *Singapore's Success: Engineering Economic Growth*. Singapore: Thomson Learning. Pg 14.

¹¹ OECD Economic Studies No. 33, 2001/II.

AN EARLY VISITOR TO NEW ZEALAND (the French political scientist André Siegfried) described the New Zealand colonials as 'men of mingled strength and simplicity. Their strength makes them unconscious of obstacles, and they attack the most delicate questions much as one opens a path through a virgin forest with an axe. Their outlook, not too carefully reasoned, and no doubt rather scornful of scientific thought, makes them incapable of self-distrust. They have, like almost all men of action, a contempt for theories; yet they are often captured by the first theory that turns up, if it is demonstrated to them with an appearance of logic sufficient to impose upon them. In most cases they do not seem to see difficulties, and they propose simple solutions for the most complex problems with an astonishing audacity'⁶.

Whether a latter-day Siegfried visiting New Zealand to examine the current state of strategic theory and practice here would stand by this very early judgement is impossible to say. But what we do know is that various efforts in New Zealand at centralised planning and long-range futures thinking and analysis have been spasmodic, and lacking in sustained or consistent Government support. The examples of the National Development Conference (1968-69) and its successor, the National Development Council, the Futures Commission and the New Zealand Planning Council in the 1970s and 80s are instructive⁷, all three bodies being long since disestablished, and so too the apparent lack of sustained follow-up to various Government and private sector initiatives such as the Auckland Knowledge Wave Conferences⁸ of 2001-03, and the mixed record of achievement in other areas of New Zealand Government-led innovation (e.g. the Government's Growth and Innovation Framework, or GIF⁹, now superseded, since March 2006, by the Government's Economic

Transformation Agenda with 11 Economic Transformation ministers and nine government agencies contributing).

Whether weaknesses in planning mechanisms or long-range policy formulation in themselves account for New Zealand's steady decline in relative economic performance is doubtful, but it may be worth considering that over much the same period that Singapore, a strong centrally planned economy, achieved average annual growth rates in gross domestic product (GDP) of 7-7.5 percent¹⁰ (the period considered is the four decades from 1960 to 2000), New Zealand consistently ran last or second to last in the Organisation for Economic Co-operation and Development's (OECD's) GDP per capita growth data (the actual results for New Zealand were: <2 percent GDP growth per capita in the decade 1960-69; <1 percent in 1970-79; <1.5 percent in 1980-89; and <1 percent in 1990-99)¹¹. New Zealand was only saved from bottom-ranked growth status in all four decades by the inclusion in the OECD statistics of the former Czechoslovakia (not an OECD member country) in the final decade for which comparative GDP per capita is available (1990-99). Of course, it is only fair to note that through most of the period surveyed here Singapore was a developing country and hence would have been expected to grow very much faster than New Zealand since it had the advantage of much cheaper factor inputs (e.g. labour). But this alone does not explain New Zealand's very poor economic growth performance relative to other developed OECD economies: for 40 years, bottom of class on a GDP growth per capita basis.

A further comparative indicator of how the New Zealand economy is performing relative to other economies, and of its growth potential looking ahead, is contained in the indicators

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published by the World Economic Forum in its annual *Global Competitiveness Report*¹².

In 2006-07, New Zealand was ranked 23rd for global competitiveness out of the 125 countries surveyed, down one place from its 2005-06 ranking. By contrast, Singapore was ranked fifth, the top-performing Asian economy, behind Switzerland, Finland, Sweden and Denmark. The United States (US) was ranked sixth, one place behind Singapore, while Japan was ranked seventh and Germany eighth. Australia was placed 19th, ahead of New Zealand, while Malaysia at 24th in the global competitiveness rankings was three places behind New Zealand.

Further indicators of New Zealand's economic performance relative to other OECD economies are contained in income per capita and productivity growth data published by the OECD¹³. From the 1970s to the 1990s New Zealand's income per capita fell from ninth in the OECD to 20th. While New Zealand achieved a sustained lift in average growth during the 1990s and per capita income improved by an average of 2.2 percent, its relative position in the OECD rankings has remained static, illustrating the difficulty that New Zealand faces in making up lost ground in achieving the Government's stated goal of a return to the top half of the OECD rankings¹⁴.

The root cause or causes of differences in economic performance between countries is the subject of a very large and technical body of literature that lies well beyond the scope of this paper. Without in the least supposing that the presence or absence of centralised planning or the structured use of strategic analysis and other futures tools is likely to be a decisive factor in determining economic growth outcomes, it is instructive nonetheless to examine the extent to which different countries in the region employ recognised strategic techniques

for thinking about the future and constructing their long-range policy approaches.

In New Zealand, as noted above, after an initial burst of enthusiasm for planning and futures work in the 1970s and 80s, the effort fell away and, with few exceptions, was pretty well extinguished by the 1990s. Over the past two to three years, however, a growing number of government departments, with help and guidance from a small State Services Commission support group, have embarked on various forms of environmental scanning and scenario analysis¹⁵. But the overall impression is that these efforts have yet to gain much policy traction. The links between futures thinking and strategic options' generation in New Zealand are not yet well developed, and much of the long-range planning effort undertaken tends towards the superficial.

As evidence for this rather large claim, the observer need only look at a representative range of current departmental *Statements of Intent* to see to what extent these convey any genuine sense of significant long-run choices being offered to ministers. The same is true of other departmental briefing documents in which strategic options might be expected to feature, for example in briefing memoranda to incoming Ministers at the start of a new government.

Strategic planning, as commonly undertaken in New Zealand, displays the tendency of falling into the common trap of advocating the continuation of current policy, often with additional resources added, while failing to advocate the elimination of less productive activities. But when everything is given much the same priority, no strategic benefit is gained, critical choices are not made and time invested in strategic work, as well as the resultant planning effort, are both effectively wasted.

¹² For report extracts, including 2006-07 highlights, see www.weforum.org.

¹³ For a comprehensive source of comparative data published by the OECD secretariat, see www.oecd.org/statisticaldata.

¹⁴ See also the background readings for the 2003 Knowledge Wave conference, and especially a very useful Deutsche Bank Global Markets Research report at www.knowledgewave.org.nz. Note that the apparent contradiction in the growth data reported here and that commented on earlier is due to the different OECD indices being used (average growth in GDP and per capita income in the latter case, and growth in GDP per capita in the former case). The indices differ but in neither case does New Zealand have any cause for satisfaction in the results as reported by the OECD.

¹⁵ These include Economic Development, Environment, Housing, Internal Affairs, Justice, Labour, Transport, and the Treasury. (NB: I am indebted to Janette Malcolm for this list, taken from an unpublished paper completed as part of her Strategic Studies postgraduate degree programme.)

What accounts for the superior economic performance of Singapore, and to a lesser extent Malaysia, compared with that of New Zealand over the past 30-40 years?

SCOPE OF STUDY

WITH DUE REGARD for evident cultural factors and differences in governance, the emphasis in this research is on studying how selected Asian countries go about their long-range decision-making as a guide to improving New Zealand strategic capability. In this current phase of the research, the countries selected for

study are Singapore and Malaysia. In addition to desktop research, a brief field trip was conducted to talk to selected officials and academics in the capitals of both countries and to examine the holdings in a number of the leading university libraries in Singapore and Kuala Lumpur.

FOCUS QUESTIONS

FOLLOWING ARE THE focus questions for the research:

- How do Asian strategic and long-range policy formulation models differ from New Zealand's Western-based models? Are differences a result of models that are distinctively 'Asian' (or more particularly Singaporean or Malaysian) or are differences due to political/governance systems, history, culture, external influences or individual skill sets? Which of these factors seem to be the more important in accounting for differences in economic performance?
- What role do whole-of-government factors play in modern Asia? How successful are these models in aligning private and public sector interests?
- If differences in economic performance stem from strategic and long-range policy formulation models unique to the Asian region, what are these models and could they be emulated by New Zealand?

- If the differences are due to the skill sets of particular individuals, who are they and what are their skills? What networks could be created to assist New Zealand in learning from them?
- To what outcomes have the strategy and policy processes led in terms of economic performance, social development and trade competitiveness? Can the outcomes be described as superior to those achieved by countries with different strategy and policy processes (New Zealand in particular)?

Boiling these questions down, they essentially translate into an enquiry into what accounts for the superior economic performance of Singapore, and to a lesser extent Malaysia, compared with that of New Zealand over the past 30-40 years. Is this a matter of these two countries being blessed with rich natural resources, a more favourable geographic location, or a more productive labour force that is working harder, or smarter, or both? If it is a matter of working smarter, what can New Zealand do, if anything, to emulate their example?

GENERAL REMARKS

BEFORE TURNING TO the specific cases of Singapore and Malaysia, it may be useful to look briefly at the literature dealing with the high-performing Asian economies and summarise current views on what factors account for their remarkable economic growth.

Joseph Stiglitz¹⁶, in a 2001 review article surveying lessons from the East Asian experience, indicates how his own thinking has evolved since his contribution to the generally accepted standard text¹⁷ on the East Asian 'miracle economies'. First, he poses the obvious question: to what extent is the appellation 'miracle economies' justified, particularly in light of the 1997 financial crisis in Asia? His answer, miracle or not, is that very few other economies external to the East Asian region have experienced such pronounced periods of consistently high economic growth. Increases in living standards in East Asia are virtually unprecedented. As Stiglitz remarks, 'Only a tiny number of other countries have succeeded in achieving comparable rates of saving on a voluntary basis, over an extended period of time, and even countries with considerably lower savings rates have found it difficult to invest comparable amounts (relative to GDP) efficiently, with high and sustained incremental output capital ratios... a large part of the real debate on East Asia's development prowess revolves around explaining these high savings rates and the relative efficiency of investment.'

Stiglitz goes on to note that in the view of some commentators, the lesson from the East Asian miracle is that 'all' one has to do to attain rapid growth is to achieve East Asian levels of savings and ensure that the funds are well invested. For a variety of reasons he thinks that this is too simplistic. First, it underplays the role of East

Asian governments and the active part many have played: in investing in physical capital, human capital and research and development; in intervening in wage-setting; in actively seeking foreign direct investment or, in the case of Japan and Korea, in promoting reinvestment by their own firms; in addressing issues connected with the knowledge gap, including technical education; in creating new financial institutions; in setting social and industrial policy; and in actively seeking ways to transfer technology. In short, his view is that most commentators overplay the role of the market and fail to grasp the significance in the East Asian miracle story of the role played by government action and intervention.

Stiglitz also notes the importance of two final factors that have underpinned East Asian long-term high economic growth: government attention to social policies that address income inequality and racial issues; and, in respect of at least two of the miracle economies, the importance of location and geopolitics (Hong Kong's ability to act as an entrepôt for China; and Singapore as an entrepôt for South East Asia). Although he does not sum up how his thinking has evolved in any one catchphrase, the general tenor of his observations suggest that at heart the East Asian miracle story is a story about *more* government, not *less*. Or as Kishore Mahbubani¹⁸ puts it in a recent article, while America may have retreated from the 'golden assumptions of the Kennedy era' (that great societies could be built by governments led by good leaders) to the minimalist assumptions of the Reagan era (good government is equated with less government), East Asia has not. East Asia retains a belief in the role played by governments, especially those led by strong leaders. Mahbubani suggests that in East Asia the critical variable has

¹⁶ Joseph E Stiglitz and Shahid Yusuf eds. (2001). *Rethinking the East Asian Miracle. Ch 13: From Miracle to Crisis to Recovery: Lessons from Four Decades of East Asian Experience*. New York and Washington: Co-publication of the World Bank and Oxford University Press. Pp 509-526.

¹⁷ World Bank Policy Research Report (1993). *The East Asian Miracle: Economic Growth and Public Policy*. New York: Oxford University Press.

¹⁸ Kishore Mahbubani (2007). *From Confucius to Kennedy: Principles of East Asian Governance*. In Indermit Gill, Yukon Huang and Homi Kharas eds. (2007). *East Asian Visions: Perspectives on Economic Development*. Washington: World Bank publisher, in association with the Institute of Policy Studies, Singapore. Ch 11: pp 188-202.

The critical variable is the role played by the governing elites.

¹⁹ John Ravenhill (1995). *Singapore, Indonesia, Malaysia, The Philippines and Thailand Volume I*. Aldershot: Edward Elgar Publishing Company. *Political Economy of East Asia*, Vol 3. Pp xx-xxi.

not been democracy or free markets (although he acknowledges the importance of both), but rather the role played by the governing elites, including their willingness to remain open to Western best practice models, adapting and applying these wherever appropriate.

Mahbubani's conclusion about the role played by *governance* in East Asia is supported by John Ravenhill¹⁹, who argues that the success of the Singaporean economy (as one notable example) owes as much to state intervention as it does to the free play of market forces. Factors identified by Ravenhill in support of this thesis include the role of the state in providing public goods that are important in attracting foreign direct investment (a stable macroeconomic policy environment, extensive infrastructure, well developed systems of basic and vocational education, low real wages, and massive domestic savings through the operation of a compulsory scheme of contributions from wage packages to a Central Provident Fund).

Mahbubani's views deserve further reflection and we return to them later as a recommended reference point for New Zealand as it considers its own future, including its interactions with Asia and what we can learn from Asian 'best practice'. For the moment, what is interesting in the context of this report is that in none of the general texts surveyed here is there any discussion of the methodologies (strategic, futures, policy or otherwise) that may have been used by East Asian officials or advisers in drawing up the long-term plans that support decision-makers in East Asia. This does not mean that such decision aids and models do not exist, merely that if they do exist they appear not to have come to the attention of the authors of the survey material.

SINGAPORE

THERE IS A LARGE popular as well as technical literature dealing with aspects of Singapore's growth story. A useful comparative text is contained in the Political Economy of East Asia series of publications, Volume 3 of which deals with Singapore, Indonesia, Malaysia, the Philippines and Thailand (John Ravenhill ed., 1995)²⁰. Points made by Ravenhill about the economic development path followed by Singapore include the following:

- Of all the South East Asian economies, the progress made by Singapore has been the most impressive. Its overall rate of economic growth in the 1960s and 70s exceeded that of South Korea and Taiwan, leading some observers to give Singapore the title of 'world's most successful economy'.
- With the loss of Malaysia and its internal market in the Malaysian hinterland, Singapore had no choice but to pursue an export-led growth strategy.
- Singapore pursued a relentless policy aimed at attracting as wide a grouping of multinational enterprises to invest in Singapore as possible, thus creating jobs, markets, technological know-how and a wide array of other follow-on benefits.
- Initial success became self-reinforcing as Singapore established itself as the growth pole of South East Asia. Foreign corporations increasingly chose Singapore as their regional headquarters, attracted by its infrastructure and highly skilled workforce.

A recently retired Director of the IMF-Singapore Regional Training Institute (Ghesquiere, 2007²¹) provides an additional explanation of the general principles and lessons that lie behind Singapore's economic growth. According to Ghesquiere, the main ingredients for success in the case of Singapore have been:

- **A set of institutions that have facilitated the design and implementation of growth-oriented policies.** Institutions singled out by Ghesquiere for favourable comment include the Singaporean civil service, with its reputation for high levels of efficiency, integrity and ethical standards; Singapore's respect for the rule of law including the protection of property rights; and sound labour market institutions.
- **Superior planning and implementation.** Departments and public service entities mentioned in this context include the Economic Development Board (EDB)²², the Monetary Authority of Singapore, the Internal Revenue Authority of Singapore, Customs, the court systems and the National Wages Council. Not mentioned by Ghesquiere but worth adding to this short list would be the Public Service Division of the Prime Minister's Office, responsible for the training and standards of the Civil Service, which it delivers through its associated Civil Service College, and the newly established Centre for Governance and Leadership, which is to conduct 'research on strategic issues related to the Singapore Government'. Also worth mentioning are a number of independent think tanks and advisory bodies that contribute to debate in Singapore over policy directions (e.g. the Institute of Policy Studies under

²⁰ Ibid.

²¹ Henri Ghesquiere (2007). *Singapore's Success: Engineering Economic Growth*. Singapore: Thomson Learning.

²² Economic Development Board: for more detail on its history and general approaches, see the following text: Edgar H Schein (1996). *Strategic Pragmatism: the Culture of Singapore's Economic Development Board*. Cambridge, Massachusetts: MIT Press. Also Chan Chin Bock ed. (2002). *Heart Work: Stories of How EDB Steered the Singapore Economy from 1961 into the 21st Century*. Singapore: Economic Development Board and EDB Society. Foreword by Lee Kuan Yew. See also extensive references to the work of the EDB in Lee Kuan Yew (2006). *From Third World to First, The Singapore Story 1965-2000. Memoirs of Lee Kuan Yew*. Singapore: Marshall Cavendish. For additional detail on the EDB see also Simon S C Tay ed. (2006). *A Mandarin and the Making of Public Policy. Reflections by Ngiam Tong Dow*. Singapore: NUS Press.

None of these factors would be decisive in itself without a strongly articulated national strategy.

²³ Henri Ghesquiere (2007). *Singapore's Success: Engineering Economic Growth. Singapore: Thomson Learning. Ch 4: Growth-enhancing Institutions and Cultures.* Pp 131-136.

²⁴ Note that Malaysia, in contrast to Singapore, actively pursues affirmative action policies designed to redistribute the wealth and control of private sector enterprises to indigenous peoples: the minority Chinese subsidise the majority Malays.

²⁵ Ronnie Lessem (1998). *Management Development Through Cultural Diversity.* London: Routledge. Pg 135.

Ambassador-at-large Tommy Koh) and a number of influential university faculties that also feature in public debate (e.g. the Lee Kuan Yew School of Public Policy at the National University of Singapore headed up by Ambassador Kishore Mahbubani).

- **Cultural attributes that support economic growth.** Factors singled out by Ghesquiere include: a preparedness to take a long-term, forward-looking view; a propensity to save; an openness to new ideas and a willingness to learn; a high degree of trust, internal cohesion and a willingness to help; consensus-seeking; self-reliance and solidarity; and a willingness to accept authority and paternalistic rule.

None of these factors would be decisive in itself without a strongly articulated national strategy. In the case of Singapore, the strategy selected by the governing elite has three clearly articulated aspects²³:

- **A long-term vision centred squarely on economic growth.** This is the primary goal to which all others are subjugated. The rationale for this is straightforward: without growth, Singapore would run out of options. Growth is seen as the best guarantee of social harmony, internal cohesion and the survival of the state.
- **A policy of sharing the benefits of economic growth throughout society,** not through redistributive policies, which the Singapore authorities see as impeding growth, but by ensuring equal opportunity regardless of race or standing in society. Advancement is through merit, objectively measured²⁴.

- **Accountability on the part of the politically dominant group through the courts.**

Notwithstanding the limits that Singapore imposes on political freedoms, the ruling elite also accepts that there are upper bounds on the power that may be exercised by the Government. Singapore enjoys a strong judiciary that acts as a check to political power and potential abuse by that power. Government officials and politicians are held accountable for their actions by the courts. Democracy, although practised within limits that are much more constrained than in the West, is put to the test every five years with nationwide elections.

Ghesquiere summarises his account of the factors behind Singapore's economic success by noting that at its heart the reason for success comes down to the effective integration of economic strategy and policy in all its dimensions; economic policies, institutions and cultural attitudes all reinforce each other to create what he calls 'an unbeatable combination'.

From a standard strategy perspective, there is remarkably little to learn in a *directed sense* from the Singapore case study. Neither in the literature surrounding the Singapore success story, nor in interviews with key officials or academics, is there any evidence that Singapore has developed any unique strategy models of its own, whether by adaptation from the West or by an indigenous programme of self-help. Singapore regularly invites notable strategy practitioners to visit (most recently Peter Schwartz of Global Business Networks and also strategy consultants such as Gary Hamel and Peter Senge) and in the late 1990s Michael Porter served as an adviser to the EDB²⁵.

But Singapore does not appear to follow any particular strategy model or discipline in arriving at its long-range policies.

This of course does not mean that Singapore is not 'strategic'; Singapore's economic success suggests very strongly that the opposite is the case. Indeed, if elements of the Singapore approach are broken down and itemised it can be seen that a variety of strategic approaches that are well recognised in the strategy literature are at work. These include: *clarity of objectives and concentration of power* (Quinn²⁶); *a concern for practicality... will it work* (Clausewitz²⁷, Colin Gray²⁸); *the creation of public value* (Mark Moore²⁹); *stretch rather than fit* (Hamel and Prahalad³⁰); *blue ocean strategy* (Chan Kim and Renee Mauborgne³¹); *emergent rather than directed strategy* (Mintzberg³²); *systems approaches and the learning organisation* (Peter Senge³³); *industry clusters* (Michael Porter³⁴); *strategic thinking and strategy as design* (Jeanne Liedtka³⁵); and *vaulting ambition* (Horace³⁶).

When senior officials and leading Singaporean academics were asked what strategy models or strategic analysis tools Singapore used in its approach to long-range policy formulation issues, the uniform response was not to talk about strategic approaches but to refer to a set of other factors that Singaporeans say have been at the heart of their approach. These factors, according to them, are very clear and straightforward:

- **Strong and committed leadership.** One former official, now a senior academic, spoke of the 'maglev' effect that the Minister Mentor (former Prime Minister Lee Kuan Yew) exerts on all with whom he comes into contact. It is very apparent that his influence in Singapore is still felt very deeply at all levels of government.

- **Role of the governing elites.** Quite clearly, Singapore is a society that is led by a meritocracy. Educational achievement is deeply valued in Singapore society. Academic excellence is the one recognised route to the top of the public service, and from there to government boards and business directorships. Mahbubani argues that the one critical variable differentiating East Asia from the rest of the developing world is the quality of the governing elites³⁷.
- **Openness to overseas ideas.** From Singapore's earliest days it has valued and made itself open to the best of overseas ideas. The guiding thought has been one of learning and adapting. Mahbubani, Lee Kuan Yew, Goh Keng Swee³⁸ and others all make the point in their memoirs and elsewhere that Singapore looked closely at the Meiji restoration and studied how the Japanese had set out to learn from the West³⁹. Mahbubani argues that one of the great unremarked influences behind the East Asian economic miracle is the extent to which governing elites learnt from each other. Goh Keng Swee set himself to study the Meiji restoration so that he could apply its lessons to Singapore; Deng Xiaoping in turn studied Singapore and took his findings back to China. South Korea also studied Japan's success story and applied its findings to create its own economic breakthrough.
- **Confucian culture.** Mahbubani and many other Asian writers assert the importance of Confucian culture and teachings in the East Asian success story. But Mahbubani does not overload the wheelbarrow. He notes that while Confucian teachings emphasise the ethical

²⁶ James Brian Quinn (1980). *Strategies for Change: Logical Incrementalism*. Richard Irwin and Co.

²⁷ Carl von Clausewitz (1780-1831). On War. Beatrice Hauser ed., Oxford World's Classics Paperback. Oxford: OUP (2007).

²⁸ Colin S Gray (1999). *Modern Strategy*. Oxford: OUP.

²⁹ Mark Moore (1995). *Creating Public Value: Strategic Management in Government*. Harvard University Press, Cambridge, Massachusetts.

³⁰ Gary Hamel and C K Prahalad (1994). *Competing for the Future*. Massachusetts: Harvard Business School Press.

³¹ W Chan Kim and Renee Mauborgne (2005). *Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant*. Massachusetts: Harvard Business School Publishing Corporation.

³² Henry Mintzberg (1994). *The Rise and Fall of Strategic Planning*. Edinburgh Gate: Pearson Education (2000).

³³ Peter Senge (1990). *The Fifth Discipline: the Art and Practice of the Learning Organisation*. New York: Doubleday.

³⁴ Michael Porter (2004). *Competitive Strategy*. New York: Free Press.

³⁵ Jeanne Liedtka (2004). *Strategy as Design*. Rotman Management.

³⁶ Stephen Harrison ed. (2007). *The Cambridge Companion to Horace*. Cambridge University Press.

³⁷ See Kishore Mahbubani in *East Asian Visions: Perspectives on Economic Development*. Indermit Gill, Yukon Huang and Homi Kharas (2007). Washington and Singapore: co-publication by the World Bank and the Singapore Institute of Policy Studies, pp189-190.

³⁸ Goh Keng Swee (1995). *Public Administration and Economic Development in LDCs*. In *Wealth of East Asian Nations: Speeches and Writings by Goh Keng Swee*, ed. Linda Low, [pp 128-145]. Singapore: Federal Publications.

³⁹ Ibid, pp 192-197.

Confucian culture is no doubt a factor, but perhaps not a driving factor.

⁴⁰ Andrew Sheng (2007). *The Asian Network Economy in the 21st Century*. In *East Asian Visions: Perspectives on Economic Development*. Indermit Gill, Yukon Huang and Homi Kharas (2007). Washington and Singapore: co-publication by the World Bank and the Singapore Institute of Policy Studies. Pp 258-259.

⁴¹ Edgar H Schein (1996). *Strategic Pragmatism: the Culture of Singapore's Economic Development Board*. Cambridge, Massachusetts: MIT Press.

⁴² Simon S C Tay ed. (2006). *A Mandarin and the Making of Public Policy. Reflections by Ngiam Tong Dow*. Singapore: NUS Press. Pg 89.

⁴³ See Kishore Mahbubani in *East Asian Visions: Perspectives on Economic Development*. Indermit Gill, Yukon Huang and Homi Kharas (2007). Washington and Singapore: co-publication by the World Bank and the Singapore Institute of Policy Studies. Pp 198-199.

⁴⁴ Ezra F Vogel (1991). *The Four Little Dragons: The Spread of Industrialisation in East Asia*. Cambridge, Massachusetts: Harvard University Press.

⁴⁵ Chua Chee Lay ed. (2005). *Keeping My Mandarin Alive: Lee Kuan Yew's Language Learning Experience*. Singapore: World Scientific Publishing.

⁴⁶ See Tommy Koh in *East Asian Visions: Perspectives on Economic Development*. Indermit Gill, Yukon Huang and Homi Kharas (2007). Washington and Singapore: co-publication by the World Bank and the Singapore Institute of Policy Studies. Pp 142-148.

⁴⁷ Based on Transparency International's 2006 Corruption Perception Index. By comparison, New Zealand is top ranked equally with Finland and Iceland, Australia is ranked in ninth place, while Malaysia is in 44th place out of 163 countries surveyed. See www.transparency.org.

⁴⁸ Alwyn Young (1992). *A Tale of Two Cities: Factor Accumulation and Technical Change in Hong Kong and Singapore*. In *NBER Macroeconomics Annual*, Cambridge, MA: MIT Press, pp. 13-63.

importance of putting family and society before self, so too do the other great religions. Confucian culture is no doubt a factor, but perhaps not a driving factor. Andrew Sheng⁴⁰ takes this line of thought further. As a Western-trained Asian (from Malaysia: Visiting Professor, University of Malaya and Tsinghua University, Beijing) he notes that Asian intellectuals who attribute the rise of Asia to Confucian values are in danger of forgetting two important points. First, large parts of Asia, notably India, do not have a Confucian tradition, and second, many Chinese reformers in the late 19th and early 20th centuries argued that it was precisely the conservative values of Confucius that were blocking attempts to advance technologically and institutionally to meet the Western challenge.

- **Pragmatism over ideology.** In Singapore, as also in Malaysia (perhaps more surprisingly), pragmatism is the watchword, if not the guiding ideology. It is instructive, for example, that the first substantial history of the workings of Singapore's EDB is titled *Strategic Pragmatism*⁴¹. It is also instructive that Ngiam Tong Dow⁴², a past chairman of numerous Singaporean statutory boards, including the EDB, describes his guiding philosophy as 'bake the cake first': Singapore's economic strategy, like China's, is to create jobs and affordable housing for all as the economic foundation of society.

One other factor is worth citing. Mahbubani⁴³ quotes from an extensive study of East Asian elites by Vogel⁴⁴ to suggest that self-cultivation may also be an important part of the East Asian success story. Described as being analogous to the Protestant work ethic, it is the 'restless desire

for improvement that looks to the long term and that looks beyond material acquisition' as a means of enhancing one's leadership potential and the performance of the work group. Lee Kuan Yew's personal drive as an adult to learn Mandarin is held up as an example to young Singaporeans. They can even purchase a book and self-improvement DVD showing the Minister Mentor at his Mandarin studies⁴⁵. It is hard to bring to mind an exact New Zealand equivalent.

Before leaving Singapore, we note that in a number of studies questions and concerns are raised that bear on Singapore's future. Tommy Koh raises concerns about three issues that Singapore, and the rest of Asia, will need to address as part of their modernisation process⁴⁶. These issues are: corruption (less of an issue for Singapore than for other Asian countries, given Singapore's very clean record – ranked fifth least corrupt out of 163 countries by Transparency International⁴⁷); social equity, as reflected by disparities in income distribution; and concern for the environment. Finally, we note an emerging debate in the case of Singapore over total factor productivity (the growth of output that cannot be attributed to inputs such as capital and labour). Total factor productivity gives a measure of the extent to which growth in an economy is the result of productivity enhancements, as distinct from increased inputs. According to one study (Alwyn Young, 1992⁴⁸), the contribution of total factor productivity to growth in Singapore is very low compared with Hong Kong and the other East Asian tigers. If so (and there is reason to be cautious in the interpretation of the data), this would be an issue of concern to the Singapore authorities as it suggests that Singapore's industrial policies may not have been as successful as the pure economic growth figures suggest.

MALAYSIA

FROM A STRATEGY PERSPECTIVE, Malaysia offers a different set of lessons from Singapore in several significant respects. Whereas Singapore had no choice in 1965, on separation from Malaysia, but to shift to an export-driven industrialisation policy, reducing trade barriers and actively seeking foreign investment⁴⁹, Malaysia with its rich natural resources and larger internal market had the luxury of a wider set of policy choices. The Singapore success story is about its ability to leverage external resources and external markets to achieve economic growth well beyond its domestic economic resources. Malaysia's success comes from a broader range of factors, internal as well as external.

Internally, it has had the advantage of being the world's leading producer of tin, rubber and palm oil, and a significant producer of timber and wood products, gold, oil and gas. Like Australia, it is, in natural resource terms, the lucky country. Externally, it has also been successful in encouraging significant foreign (in particular US and Japanese) investments in manufactures, particularly electrical and electronic goods, textiles and other light manufacturing. In the years since independence from Britain in 1957, Malaysia has steadily transformed itself from an economy based on agricultural and mining exports to one where manufacturing and services now account for as much as 32 percent and 57 percent of GDP respectively⁵⁰. Significantly, this transformation has been led by the state rather than the private sector and is in many ways all the more remarkable considering initial capacity issues and the failure of a number of state-inspired sectoral industrial policies to achieve their hoped-for potential⁵¹.

Ravenhill assesses Malaysia as the most impressive economic performer, next to Thailand, of the ASEAN (Association of Southeast Asian Nations) Four (Indonesia, Malaysia, the Philippines and Thailand⁵²). But he also adds the key judgement that 'to some extent this success appears to have occurred as much despite government policies as because of them' or alternatively 'perhaps it would be more accurate to suggest that the benefits from Malaysia's relatively low level of tariffs, its generous incentives to foreign investors, and its suppression of organized labour have swamped the negative effects of government interventions in support of the dominant Malay ethnic community, and its costly efforts at sponsoring heavy industry'.

Andrew Sheng⁵³ analyses the conditions that led to the spread of the global supply chain back into Asia. In the 1980s, as manufacturing and labour costs rose in Japan and the US, and South East Asian governments signalled their interest in receiving foreign direct investment into the free trade and special development zones they were developing, Indonesia, Malaysia, the Philippines and Thailand all began to receive the benefits. Malaysia, with foreign direct investment offers from both the US and Japan, was one of the first to benefit with investments in plants specialising in footwear, textiles and consumer electronics followed by machinery, electrical appliances, chemicals and transport equipment. Penang, favourably situated off the northwest coast of Malaysia, led the way. Significant US investments flowed into the state as a result of its ability to offer cheaper, well educated labour, good infrastructure, an attractive location and compelling tax benefits⁵⁴.

⁴⁹ Hank Lim (2003). *Singapore's Trade Policy: A Multilateral Regime*. In *The Value of Singapore*. Heartland no. 9/2003. Hong Kong: Cassan Press. Pg 41.

⁵⁰ Shapira, P; Youtie, J; Yogevaran, K; and Jaafar, Z (2005). *Knowledge Economy Measurement: Methods, Results and Insights from the Malaysian Knowledge Content Study*. Unpublished paper accessed from the website of the Economic Planning Unit, Malaysian Prime Minister's Department at www.epu.jpm.my on 25 May 2007.

⁵¹ John Ravenhill (1995). *Singapore, Indonesia, Malaysia, The Philippines and Thailand Volume I*. Aldershot: Edward Elgar Publishing Company. *Political Economy of East Asia, Vol 3*. Pg xiii.

⁵² Ibid, pg xxiv.

⁵³ Andrew Sheng (2007). *The Asian Network Economy in the 21st Century*. In *East Asian Visions: Perspectives on Economic Development*. Indermit Gill, Yukon Huang and Homi Kharas (2007). Washington and Singapore: co-publication by the World Bank and the Singapore Institute of Policy Studies. Ch 15: Pg 268.

⁵⁴ Dieter Ernst (2004). *Global Production Networks in East Asia's Electronic Industry and Upgrading Prospects in Malaysia*. In *Global Production Networking and Technological Change in East Asia*. Ed. Shahid Yusuf, M. Anjum Altaf and Kaoru Nabeshima. Washington: World Bank. Pp. 89-158.

From a New Zealand strategic perspective, there are five general lessons from the Malaysian story on which it is worth reflecting. These are the role of leadership, vision, ambition, planning and openness to ideas.

⁵⁵ Hng Hung Yong (2004). *5 Men and Ideas: Building National Identity*. Subang Jaya: Pelanduk Publications with the Asian Strategy and Leadership Institute (ASLI). Pp 135-146.

⁵⁶ Ibid. Pp 156-157.

⁵⁷ Op cit.

From a New Zealand strategic perspective, there are five general lessons from the Malaysian story on which it is worth reflecting. These are the role of leadership, vision, ambition, planning and openness to ideas. We look at each of these in turn:

- **Leadership.** Arguably Malaysia, like Singapore, has been especially lucky in its political leaders: Tunku Abdul Rahman (1951-70); Tun Abdul Razak (1970-76); Tun Hussein Onn (1976-81); Tun Dr Mahathir Mohamad (1981-2003); and, more recently, Dato' Seri Abdullah Ahmad Badawi (2003-present). Of these five men, Mahathir has been the longest-serving Prime Minister, holding office for 22 out of Malaysia's 50 years of independence. Although some of his actions on the international stage were controversial at the time (the 'Buy British Last' campaign of 1981 comes to mind), and his internal leadership legacy in Malaysia is not universally admired, he was an energetic and forceful leader with a determination to put his stamp on Malaysia's identity, foreign policy and economic development⁵⁵. He was also outspoken when he felt the need to be, including in his criticisms of the growing dependence of Malays on the affirmative action programmes mandated by successive governments under the New Economic Policy (the NEP, brought into law in the aftermath of the 1969 race riots)⁵⁶. In a farewell interview on leaving office in 2003 he gave vent to his frustrations with his fellow Malays: 'One of my disappointments is that I (have not been able to) change the culture of the Malays... I want them to learn how to look after themselves and not be dependent on the Government. I want them to work hard; I want them to be

honest and not try (to) get rich quickly. All these things, I keep hammering away at. I scolded. I praised. I did everything possible, but I am afraid, as I have said before, there is improvement only to a little extent because there are (some) Malays doing well. But, by and large, (the Malays) have become even more dependent on the Government'. As Hng Hung Yong comments, no admission could be more honest or brutal⁵⁷.

In interviews with a wide range of officials, academics and others in Kuala Lumpur, the generally held view was that Mahathir had proved himself to be a visionary leader and genuine strategic thinker whose vision and ambition had, in effect, created modern Malaysia.

- **Vision.** Mahathir's vision of the modern Malaysian state is captured in the 30-year planning document that is his political legacy: Vision 2020. Introduced by Mahathir in 1991, the aim was to chart a course whereby Malaysia, through attaining an average annual growth rate of 7 percent, would become a first world developed country with an income level equivalent to an average OECD country by 2020. At the time (1991) this rate of growth might have seemed within reach given that Malaysia had averaged an annual growth rate of 6.9 percent over the preceding 20 years. But a slowdown in growth rates since 2001 suggests that the 2020 targets are now probably beyond realistic reach in the timeframe originally envisaged.

Successive Malaysian governments put their faith in economic planning as the central instrument for delivering their strategic and policy objectives and for channelling the resources of the state.

- **Ambition.** Mahathir's term in office was characterised by the conceptualisation, financing and building of a number of public sector-led projects that were ambitious by any measure. The Multimedia Super Corridor (MSC), the new government centre at Putrajaya, the new Kuala Lumpur airport and the new Malaysian 'Silicon Valley' at Cyberjaya are all examples of Mahathir's vision of turning Malaysia into a world leader, setting an example of how an Islamic state can aspire to ultra-modernity. Captured by the phrase *Malaysia-boleh* (Malaysia-can), his strategic intent was to change the national mindset of the Malays into a belief that they could achieve anything they set their minds to. Not all of Mahathir's projects have come to fruition: his vision of a 95-kilometre-long bridge connecting Malaysia with Sumatra was not to be (it would have been the world's longest). Similarly, the Mega International Sea and Airport on reclaimed land in Kedah (the world's biggest) and the Kuala Lumpur Linear City (the world's longest mall, and built over a river) did not get beyond the concept stage⁵⁸. But in the same period the iconic Petronas Towers (in their time the world's tallest) were conceived and built and now act as a signature theme for Kuala Lumpur, as well as for Malaysia's ability to undertake civil engineering and architectural projects on a world scale.
- **Planning.** As early as 1950 (i.e. before gaining their independence from the British) successive Malaysian governments put their faith in economic planning as the central instrument for delivering their strategic and policy objectives and for channelling the

resources of the state⁵⁹. Some 23 national development plans since been formally adopted and published, two of which are 10-year outline prospective plans, and 11 five-year Malaysia plans. The balance of the plans is made up of formal mid-term reviews. The planning machinery is headed up by a National Planning Council comprising key economic ministers, with the National Planning Council supported in turn by numerous committees and sub-committees. The plans cascade downwards from the top-level Vision 2020 statement through the 10-year Outline Perspective Plans and the five-year medium-term Malaysia plans. While this looks, to an outside observer, to be an overly elaborate, linear and inflexible process of the kind that much of the modern literature on strategy criticises⁶⁰, the Malaysian authorities apparently find that it serves their purposes. Indeed it has been claimed that Vision 2020 and the associated planning machinery have been copied by a number of other countries including China, Vietnam, Thailand, Mexico, Botswana, East Timor and Saudi Arabia⁶¹.

- **Openness to ideas.** As we found in Singapore, the Malaysian authorities are very open to overseas ideas and have sponsored a steady stream of visits by consultants well known in their respective fields. The list includes Michael Porter, Gary Hamel, C K Prahalad, Peter Drucker and Rosabeth Kantor. Kenichi Ohmae for a period acted as a consultant to Mahathir and was apparently instrumental in shaping the Prime Minister's thinking on the creation of the MSC and Cyberjaya.

⁵⁸ *Economy of Malaysia*. Retrieved from <http://en.wikipedia.org> on 25 May 2007.

⁵⁹ Economic Planning Unit, Prime Minister's Department (2007). *Development Planning – A Brief History*. See planning documents available at the EPU's website at www.epu.jpm.my.

⁶⁰ Henry Mintzberg (1994). *The Rise and Fall of Strategic Planning*. Edinburgh Gate: Pearson Education.

⁶¹ Datuk Victor Wee (2003). *Vision 2020 and Enhancing Competitiveness*. Accessed 25 May 2007 from the EPU's website at www.epu.jpm.my.

Given an appropriate vision or strategy to guide the planning, the usual weaknesses of the formal planning school can be mitigated if not eliminated.

COMMENT ON MALAYSIA

⁶² Gilmore, F F and Brandenburg, R G (1962). *Anatomy of Corporate Planning*. Harvard Business Review, November-December 1962: 61-69.

⁶³ H Igor Ansoff (1965). *Corporate Strategy*. New York: McGraw Hill.

AS WAS THE CASE IN SINGAPORE, we saw no evidence of any purely indigenous approach to strategic planning. There would appear to be no uniquely Malaysian strategic model whose features can be examined. The Malaysian planning process appears to have been developed straight out of the Harvard strategy literature of the early 1960s⁶², or possibly from the formal US planning school represented by Ansoff⁶³ that went on to dominate and, arguably, infect the strategy processes of many large US corporates. This might be seen as a criticism of Malaysian processes, and indeed it would be were it not for the strength of the underlying vision as articulated by Malaysia's political leaders, and particularly Mahathir. Given an appropriate vision or strategy to guide the planning, the usual weaknesses of the formal planning school can be mitigated if not eliminated. The question is of course still begged: in such a system, what happens if a leader is thrown up by politics who is devoid of good ideas or, worse, whose ideas are bad to begin with?

PRELIMINARY ANSWERS TO THE FOCUS QUESTIONS

IT WILL BE RECALLED that the aim of this report was to conduct an investigation of contemporary Asian strategy practice through desktop research and a field trip to two representative countries in the region, Singapore and Malaysia. In summary form, the focus questions for the research and our preliminary answers are:

- ***Asian strategy models. How do Asian strategic and long-range policy formulation models differ from New Zealand's Western-based models?***
- We have seen no evidence, either in a search of the literature or in our field trip, that there are any distinctively 'Asian' models to guide strategy formulation or long-range policy analysis. Superior performance appears to be the result of strong political leadership coupled with able bureaucracies, stable governance systems and openness to ideas.
- ***What role do whole-of-government factors play in modern Asia? How successful are these models in aligning private and public sector interests?***
- Whole-of-government factors are more pronounced in Singapore than in Malaysia. 'Singapore Inc' is a self-ascribed phrase that appears very apt. To all appearances the interests of the Singaporean private and public sectors are very well aligned. In Malaysia, a question mark remains over the longer-term future and sustainability of the NEP/National Development Policy models (positive

discrimination in favour of the bumiputra). As long as this affirmative action policy remains in place, there will be a gap in the interests of Malaysia's various ethnic groups and, in particular, ongoing difficulties in integrating Chinese private sector interests with a predominantly Malay public service⁶⁴.

- ***If differences in economic performance stem from strategic and long-range policy formulation models unique to the Asian region, what are these models and could they be emulated by New Zealand?***
- See the response to the first question above. Differences in economic performance stem from differences in geographic settings, natural resource endowments, governance issues, policy settings and firm capability issues (amongst other factors). Malaysia (but not Singapore) employs a very extensive medium- to long-term planning system to guide resource allocations. On past performance, New Zealand would not wish to adopt this system. But there are aspects of both the Malaysian and Singaporean approaches on which New Zealand should indeed reflect further.

⁶⁴ Indermit Gill, Yukon Huang and Homi Kharas eds. (2007). *East Asian Visions: Perspectives on Economic Development*. Washington: World Bank publisher, in association with the Institute of Policy Studies, Singapore. Perspectives on East Asian Development: An Introduction. Pg 16.

In both capitals these are small groups of individuals, well known internationally, who have been the strategic thinkers at the very heart of the economic development process.

- ***If the differences are due to the skill sets of particular individuals, who are they and what are their skills? What networks could be created to assist New Zealand in learning from them?***
- In both capitals there are small groups of individuals, well known internationally (and of course well known to our high commissions), who have been the strategic thinkers at the very heart of the economic development process. These individuals are persons of great eminence, such as Minister Mentor Lee in Singapore and Tun Dr Mahathir Mohamad in Malaysia, plus a number of their senior ministers and other political figures inside as well as outside government. There is also a range of senior officials, advisers and members of various think tanks whose skills and experience in public life give them considerable authority. Although it is an attractive thought, it is not obvious how they could be linked into a single region-wide network of strategic thinkers.
- **To what outcomes have the strategy and policy processes led in terms of economic performance, social development and trade competitiveness? Can the outcomes be described as superior to those achieved by countries with different strategy and policy processes (New Zealand in particular)?**
- This question has been partially addressed by the comparative data in this report. For a more comprehensive report in relation to Singapore, it is well worth looking at the comparative data contained in a very detailed 2003 study for the Ministry of Economic Development (MED) by Charles River Associates (Asia Pacific Ltd). This study considers Singapore's innovation policies and their applicability to New Zealand. For comparative data on the East Asian economies more generally, see the numerous reports on the websites of the World Bank and the OECD.

CONCLUDING COMMENTS

WE SAW EARLIER a variety of evidence that suggests that New Zealand's economic performance is lagging behind a number of the leading growth economies in East Asia. The huge growth in Asian external reserves (now estimated at upwards of US\$1.6 trillion excluding Japan)⁶⁵ is a measure of the strength of regional economies. If this is to be the Asian century, or even the Asian millennium, on what will it be based? Asians working harder (the Protestant work ethic in Asian clothes) or working smarter? And if smarter, how exactly?

Put into strategic terms, does the East Asian miracle owe anything to the teachings of Clausewitz and Gray, or Hamel and Prahalad, or Porter, Senge and Mintzberg, or Reich, Moore and Alford, to cite just a few writers and practitioners familiar to us from the Western strategy literature? Or does the East Asian inspiration come more from Confucius, Sun Tzu, Miyamoto Musashi, Kenichi Ohmae, Kishore Mahbubani and other strategists from the East? And if inspiration comes from the latter group, do we know enough about their teachings to make our way with confidence in the region?

As the Asian financial crisis showed, meritocracies and inspired leadership are not enough. Stability also requires enablers such as open markets, functioning legal and regulatory systems, integrated policy settings and educated workforces. As Andrew Sheng argues⁶⁶, Asian bureaucracies need to make the transition from a paternalistic top-down governance structure to a pluralistic market economy structure since 'a top-down model dominated by a small elite can no longer manage large complex market economies open to wide public choice and rapid technological change...

as markets become more open and as network friction costs are reduced, consumers, savers and skilled labour will have the choice of moving across borders with ease... the law of one price is beginning to become a reality.'

The issue for New Zealand is whether we can add to our strengths as a well regulated open market economy some of the strengths we see in East Asian models; these strengths come down to the quality of leadership that is available. The whole theme – in Asia as well as in New Zealand – centres on the quality of government. Central to this is the quality of leadership, in thought as well as in deed, offered by political leaders and by public service chief executives and managers.

A secondary theme is beginning to emerge in the literature of East Asia concerning what was lost in the long centuries marked by Asia's decline⁶⁷ and what now stands to be regained in civilisational, creativity and cultural terms as Asia positions itself to take over as the global economic powerhouse.

New Zealand's capacity to participate fully in East Asia's economic and cultural renaissance will depend on the extent to which we have developed the interest in and ability to learn from Asia, as well as from our own citizens who have ethnic and other ties to Asia.

⁶⁶ Ibid, pg 280. Andrew Sheng on *The Asian Network Economy in the 21st Century*.

LESSONS LEARNT

⁶⁷ Indermit Gill, Yukon Huang and Homi Kharas eds. (2007). *East Asian Visions: Perspectives on Economic Development*. Washington: World Bank publisher, in association with the Institute of Policy Studies, Singapore. *Perspectives on East Asian Development: An Introduction*. Pg 21.

WHAT ARE THE LESSONS that may be learnt from this study? Somewhat tentatively, given that this study has concentrated on only two of East Asia's faster-growing economies, the lessons are grouped under two broad headings: (a) the general; and (b) the more specific.

The suggested lessons are as follows:

GENERAL

- Focusing on Singapore, we see the importance of enlightened political leadership in setting and maintaining the overall vision and direction of the Singapore economy, including the primacy given to a guiding vision centred squarely on maintaining economic growth. Supporting this vision is a set of economic, social and cultural policies, all of which are effectively integrated to serve the central goal of wealth creation ('first we bake the cake'). Singapore's single-minded pursuit of wealth is sometimes criticised as representing an excess of 'money-mindedness' which, if income inequalities and other social issues are not addressed, may be storing up problems for the future. Given the nature of the social contract that underpins New Zealand's traditional approach to such matters, we would presumably not be comfortable, nor might it be desirable, to set out to copy every aspect of the Singapore model. Yet, if New Zealand is indeed to have any prospect of moving back into the top half of the OECD in terms of per capita income, a set of new breakthrough strategies is clearly needed. We should therefore consider selected elements of the Singapore approach, including, most importantly, whether the goal of wealth creation should not become the primary focus of government strategy setting.
- Turning to Malaysia, we also see the importance of long-range vision and ambition in transforming a society. Although some of Prime Minister Mahathir's large-scale projects have been widely derided as follies, it can also be argued that they have given Malaysia a confidence in itself as a country that can combine the best of traditional Islamic belief with ultra-modernity.
- In both Singapore and Malaysia, the observer is struck by the openness to external ideas that permeates government and business circles and the existence of a public sector elite with the confidence and ability to pursue ideas aimed at transforming Singapore and Malaysia into world leaders.
- New Zealand needs to ask itself whether in its current approaches it is sufficiently transformative and ambitious for the future. This again is an issue primarily of leadership, particularly at the political level. But in looking at the example of Singapore and Malaysia, we also need to think further about the role of our elites. We have a sporting elite in New Zealand whose achievements are widely admired. And increasingly we are celebrating New Zealanders' cultural elite. But where we might expect to see a public sector elite whose achievements are recognised by New Zealanders, arguably what we have is a black hole. We need to do more to recognise and create a public sector elite, recruited on merit for their academic achievements and rewarded for their public service achievements and ideas. Traditionally we have followed a public sector model based on the idea of egalitarianism and the shunning of elitism. Perhaps this could be rethought.

We also need to look more closely at how to teach outstanding examples of 20th and 21st century Asian leadership as role models for New Zealand.

We have world-class public sector leaders in New Zealand and we need to begin celebrating their achievements. In New Zealand's system of government in which ministers traditionally take the credit, giving more recognition to achievement and excellence in the New Zealand public sector would require ministers to take the lead. Doing so would be an important step in lifting New Zealand's overall performance as a society.

SPECIFIC

- In designing strategic studies programmes, we need to focus more on leadership content. However, leadership is generally taught as a separate paper in New Zealand management schools. Some of the content in this report needs to be integrated more into strategic studies. We also need to look more closely at how to teach outstanding examples of 20th and 21st century Asian leadership as role models for New Zealanders.
- We also need to begin broadening the reading content of our strategy papers to include more Asian content, both by way of area case studies and in the form of selected readings from outstanding thinkers and writers in the Asian region.
- Both Singapore and Malaysia have government programmes under which they invite periodic visits from top strategy practitioners in the business field who act as 'thought leaders' and stimulants to discussion. Under the new Kippenberger Visiting Chair in Strategic Studies, New Zealand is about to initiate a programme of visits from leading United Kingdom and North American practitioners. Although visitors under the Kippenberger Chair auspices will be in the military rather than the business field of strategic studies, we should bear in mind the possibility of building on these visits to initiate further exchanges with our Singaporean and Malaysian counterparts.
- Such exchanges would be useful also in establishing and maintaining contact with leading strategic thinkers and practitioners in the Asia Pacific region and in building a new region-wide network of strategic thinkers over the longer term. This should be seen as an important New Zealand objective in the context of our overall pattern of relationships and objectives in the Asia Pacific.
- Finally, we should of course avoid the mistake of thinking that a brief field trip to Singapore and Malaysia has exhausted the potential in this area. As time permits, it will also be important to extend the present study to other countries in East Asia including China, Hong Kong, Japan, Korea and Vietnam.

The research into the literature discussed in this report and the opportunity to visit and talk to officials and academics in Singapore and Malaysia have given us a new perspective on what New Zealand needs to think about if it is to lift its performance.

CONCLUSIONS

We began this study expecting to find new and interesting 'Asian' models of strategy formulation in the region. These appear not to exist. On the other hand, the research into the literature discussed in this report and the opportunity to visit and talk to officials and academics in Singapore and Malaysia have given us a new perspective on what New Zealand needs to think about if it is to lift its performance, and on the discipline of strategic studies itself. This will enable us to introduce new material to the postgraduate teaching and research programme in strategic studies as well as broaden our reading lists to include a new range of Asian case studies and contemporary Asian writers and thinkers in our teaching. This will be the immediate benefit in addition to the other possibilities discussed in this report.

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was founded in 1994 as a non-profit, apolitical organisation dedicated to building New Zealand's links with Asia. Through its activities in education, business, media, culture, research and policy, Asia:NZ aims to promote initiatives which deepen understanding and relationships between New Zealanders and the peoples of Asia.

OUTLOOK RESEARCH REPORTS

The Asia New Zealand Foundation's *Outlook* reports are commissioned twice a year and aim to:

- + strengthen New Zealand's research and policy analysis capability;
- + share New Zealand-Asia related research and policy information across sectors;
- + stimulate debate among policy makers; and
- + improve dialogue between researchers, policy makers and practitioners.

A workshop to discuss and debate the contents of each report is held with interested researchers and policy makers.

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