

ASEAN's Innovation Dilemma: Economic Growth Does Not Equal Job Creation

“There are no whole truths; all truths are half-truths. It is trying to treat them as whole truths that plays the devil” said Alfred North Whitehead, an English mathematician and philosopher. And rightly so. Today we often hear that innovation is required for job creation. That we must teach graduates to be industry ready. Or that good leadership comes from the top. Are these truths or half-truths?

ASEAN has faced and continues to face many challenges ranging from the global economic crisis in 2008, Covid since 2018, to the political challenges within each nation. Despite this the Organisation for Economic Co-operation and Development (OECD) has projected 4.5% in 2022, before settling back to 3.2% in 2023, close to the rates seen prior to the pandemic.

We need to appreciate that much of this growth is the result of the demographic dividend enjoyed due to a young and vibrant population. However this is not expected to last beyond 2030 and even now the clamour for job creation is getting louder in an increasingly connected and digital age.

In this discussion the Brookings Institute of Washington, DC, offers us some valuable findings. In 1980 to generate \$1 million in manufacturing output it took 25 jobs. That output could be achieved with just 6.5 jobs in 2015. Further back in history in 1979 to generate \$11 million dollars General Motors needed 840,000 workers whereas in 2012 Google needed fewer than 38,000 employees to generate \$14 billion dollars! Innovation and entrepreneurship in technology caused those dramatic changes. And it continues to this day.

What should ASEAN economies do to grow sustainably along with an inclusive economic agenda that leaves no one behind? Can we continue to rely on our factor resources and efficiency (here read as cheaper) methods? The innovation march is on and we must be prepared. It is important to recognize that all three principal types of economies: factor-driven, efficiency-driven, and innovation-driven, are present in all national economies. But their relative prevalence and their contribution to economic development varies. The World Economic Forum's Global Competitiveness Report proposition is that each phase of economic development has a different optimal combination of these three activities. Here are five key approaches that can be accommodated by economies at every stage of their economic growth.

1 Embrace Innovation.

There needs to be a move away towards disruptive as opposed to just sustaining and efficiency type innovations if economies are to ultimately grow. Although for some firms, that could result in their own businesses, and others within that industry, performing even worse off as goods and services become cheaper. Thus diminishing their profit margins. Hence the innovation dilemma (a concept by Clayton Christensen, Harvard University). Added to that, increasing efficiency and sustaining innovation usually results in reduced job creation opportunities either through automation or other efficiencies. From a country wide economic standpoint the first mover advantage may not be an advantage within the ASEAN context in its need to create jobs. At least not in the short term. Unless those first mover advantages is efficiently leveraged and the firm quickly achieves scale whilst still delivering cost reductions to the customer. AirAsia Bhd is a good working example of that, hiring well over 6,000 employees pre Covid. So ASEAN firms need to invest in efficiency and sustaining type innovations whilst constantly keeping an eye out on the disruption's coming their way. This is done by looking at the significant forces, usually technological forces, impacting their industry. To keep a

balance they could spin off smaller firms that can readily embark on self-competing innovations. Such vulnerability measures reflect the intuitive wisdom of the entrepreneur at work.

2 Innovative Leadership

Leadership is not solely about the leaders themselves, as in their particular traits, but rather what they do to make their employees great, their positive influence and ability to inspire. And leadership is seen at all levels within organisations. And more apparent today is the importance of the followers of leaders, and in turn their followers, that make a big difference to innovation within organisations. They must want to follow you, not because they are paid to do so. That makes a boss the 'superboss' as described by Sydney Finkelstein (author of *Superbosses: How Exceptional Leaders Master the Flow of Talent*). ASEAN may not be amongst the innovation driven economies yet (except Singapore) but our millennials already are, both in behaviour and mindsets (thanks to the ubiquity of the internet). In order to capture their imagination and harness their drive and potential today's leaders will need a 'superboss' mentality. Millennials are prepared to be guided not instructed. Engaged and supported not dictated to. Your customers and employees are changing. So must you.

3 Collaborate for Industry Innovation.

Collaboration to sustain and enhance innovation efficiency usually also means producing cheaper and cheaply. The automation involved will result in jobs reduction either by the head count or hours worked. Until and unless new markets are found quickly, that are sufficiently large, it will not result in job creation. This however is challenging and takes time. However the same cannot be said for disruptive type innovation collaborations. Disruptive innovation does not lend itself easily to being transferred between economies, and when it does so, it's at a high price. Thus collaboration becomes crucial. A good example is the recent strategic collaboration with MTDC, China's No.1 robotics manufacturer Beijing Huize Boyuan and Johor Corporation to create a Robotics Future City in Johor for the robotics industry. By doing so one country can afford the resources in exchange for new knowledge and expertise that will upskill and upscale existing local inventors and innovators. Such facilitation by government and their agencies as gate constructors can help exploit regional and global opportunities.

4 Learning to Learn

Too often we hear the phrase, 'we must prepare our graduates for industry'. But what industries are we referring to? Is it the IT industry? Or perhaps the banking, tourism or airlines industry? History over the last 25 years have shown that those industries have undergone significant changes and will continue to do so. At no time has institutions of higher learning been able to prepare graduates as required by industry. In fact thanks to technology and automation there is even less such jobs available for graduates. The reality is that institutionalised teaching will always play catch up to innovative industry changes.

Rather it should be that graduates are prepared with the skills and abilities to learn-to-learn along with good language and soft skills. To engage their aspirations and curiosity and build on their entrepreneurship skills and abilities experientially. Where they learn to manage and grow any industry business or be intrapreneurial within firms in any industry. It is learning centred on principles. That flexibility is what's required in our hypercompetitive environment today. Graduates must learn-to-learn so that they can be independent whilst filling gaps and adding value as required;

be it for existing firms or their own businesses. As Simon Sinek (author of 'Start with Why') said, 'You don't hire for skills, you hire for attitude. You can always teach skills'.

5 Fuel your Innovation

Innovative ideas by themselves mean little. Exploit your new innovative ideas through entrepreneurship. It will bring about economic growth and with that much needed job creation. It is the entrepreneurial mechanism that turns innovation into economic output (Acs and Armington 2006). A lack of entrepreneurship can therefore be seen as a bottleneck for innovation-driven countries (or wannabes) in achieving their growth and especially job creation ambitions. Entrepreneurs develop for customers. Unfortunately young ASEAN innovators are not necessarily the best at entrepreneurship and at its worst are navel gazers. A good example today is Rio Tinto, an Australian mining corporation, who made innovation work for them and significantly raised their profitability in a declining market. They applied driverless trucks, remote trains and advanced data management to improve and sustain their mining operations; hitherto a mundane commodity type business. How can we do this for our palm oil industry? We may not be the biggest producer today but we can become the most profitable. We need concerted efforts to accelerate to market our innovations. Malaysia's Bioeconomy Development Corporation Sdn Bhd's programmes serves as a good example of such initiatives.

The above bears out the half-truths that we are faced with. Innovation is critical but we need to appreciate its impact on nations. The increase in GDP and productivity can also result in many who will be left behind. Conversely the unbridled redistribution of wealth garnered from such innovation efforts can stagnate a nations growth opportunities. Thus our dilemma.

A step in the right direction is to appreciate the half-truths through reflection and open discussions. In the short to midterm inclusive growth must give way to innovation-driven growth. This is a bitter and unpopular pill but the realities for a peaceable nation are what they are. Innovation's growth needs to be tempered by inclusion across ethnicities, genders, demographic groups and regions. Innovation's positive outputs when poured into social programs, training, education and policy decisions that are evidence based can do that. They create routes for the marginalised to get back into the economy.

That said, in such schemes we are not slicing bread but rather breaking a biscuit. Disjointedness and in disarray some policies and plans may seem, but we must coerce a direction nonetheless. Just as focussing on innovation only for growths sake can be perilous to job creation, so too placating and serving all stakeholders simultaneously is not possible. Innovation of all types is the result of a nation's enterprising human capital; a result of the right mindsets nurtured through an uncompromising education system. Anything less is a compromise and no nation can afford to compromise job creation.

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