Chapter 14

Innovative Human Capital as a Core Strategy towards an Innovation-Led Economy: Malaysian Perspective

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ABSTRACT

For the past decade, Malaysia has transformed considerably in its landscape, politics, outlook, economics, and social progress. It has developed from a country that focused on mining and agriculture towards an industrialized country, particularly in the manufacturing and service sectors. According to Prime Minister Datuk Seri Najib Tun Razak, as proliferated in the New Economic Model Agenda, moving towards this economy is fundamental especially in efforts to integrate the economy with the global economic network. Malaysia needs to continue to bring changes to the economy in order to move towards innovation-centred economy. The three main features are creativity, innovation value, and high skills. To achieve such a noble endeavour, Malaysia has no option but to nurture and configure the innovative human capital—simply put, Malaysia is in dire need of human capital that is innovative, creative, and proactive. In tandem with this scenario, the National Economic Advisory 2010 has outlined several strategic plans to transform Malaysia’s economy by focusing on strengthening and intensifying human capital development. Human capital needs to be equipped with necessary competencies and entrepreneurial activities to ensure that the private sector is the vanguard of economic development. Therefore, human capital approach could be leveraged by certain dimensions that could create new knowledge and information. Although human capital may be the origin of all knowledge, learning requires that individu-
INTRODUCTION

Over the past few decades and for most of the 20th century, organisations focus on tangible resources such as land, equipment, machines and money as well as intangibles such as brands, image and customer loyalty. Consequently, efforts are allocated more on the efficient use of labour and capital—the two traditional factors of production. How times have transformed? Nowadays, most of the Gross Domestic Products (GDP) in developed economies are knowledge-based and presently the economy has transformed towards innovation-driven economy, i.e. intellectual assets and intangible people skill (Dess et al., 2010). Today’s economy is known as innovation-led economy. Innovation-led economy simply denotes the emulsification of knowledge, technology, entrepreneurship and innovation to accelerate productivity which is the heart of economic growth (Schumpeter, 1943).

In the context of Malaysia, the innovation-led economy will provide the platform to sustain a rapid rate of economic growth and enhance international competitiveness and innovativeness so as to achieve the objectives of Vision 2020. This situation will also strengthen Malaysia’s capability to innovate, adapt and create indigenous technology, design, develop and market new products (Sangaran, 2009). Originally, Malaysia started the foundation of the knowledge-based economy in the mid-1990s, among others, with the launching of the National IT Agenda and the Multimedia Super Corridor (MSC). National IT Agenda aims at formulating strategies and promoting the utilization and development of IT, that is the driver for knowledge-based economy as well as to cater for the innovation-led economy. The MSC strives to create an ideal IT and multimedia environment to ensure that Malaysia will be in the mainstream of activities necessary to attract knowledge workers, technopreneurs, and high-technology industries.

The MSC is one of the world’s most advanced and comprehensive centres for resource and development of knowledge-based industries in the innovation-led economy. The five designated cyber cities of Kuala Lumpur City Centre, Kuala Lumpur Tower, Technology Park Malaysia, Cyberjaya and Malaysian Technology Development Corporation- Universiti Putra Malaysia Incubator Centre have attracted a sizeable number of sophisticated businesses, world-class technology-led companies and R&D investments. Additionally, the government also has granted the “Strategic Knowledge-based Status” to organisations that have potential to generate knowledge content, high value-added operations, usage of high technology, and a large number of knowledge workers and possess a corporate knowledge-based master plan.

The Malaysian government is confident of achieving the target provided that the human capital is leveraged in ensuring innovation at the highest level. Human capital, conceptualized as exchange and share insights and knowledge, which represent social embeddedness. Additionally, organisational architecture that is pro-innovativeness should be designed in promoting the development of human capital. The dimensions such as management support, work discretion, rewards, time availability, and risk taking could foster human capital to induce innovativeness. As such, it is imperative to understand the ingredients that could form and shape the innovative human capital by leveraging the social embeddedness and pro-innovativeness organisational architecture that lead to innovative performance and excellent organisational performance.