
CAN SMALL BE BEAUTIFUL?

Smart Strategies for Small Countries and Small Businesses

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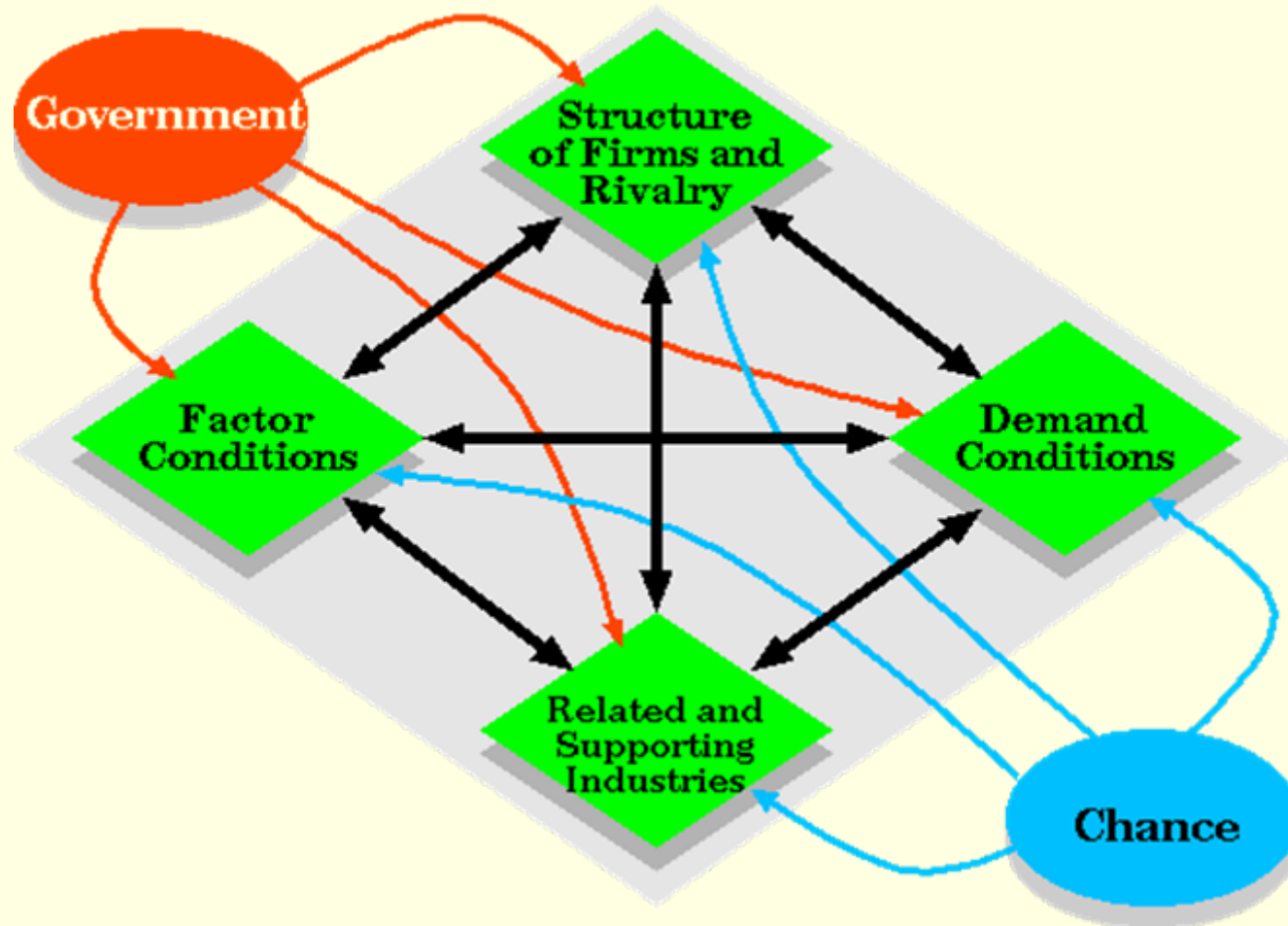
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Small and nimble

- Consensus about small is beautiful
- Nimble, agile and smart with globalization, information communication technology ICT
- City-states from Venice to Hong Kong & Singapore, small countries by population from Ireland to New Zealand
- Reforms + policies + institutions = competitive advantage or artificial comparative advantage
- Brunei's natural comparative advantage → policy-induced competitive advantage

Porter's diamond: Competitive advantage



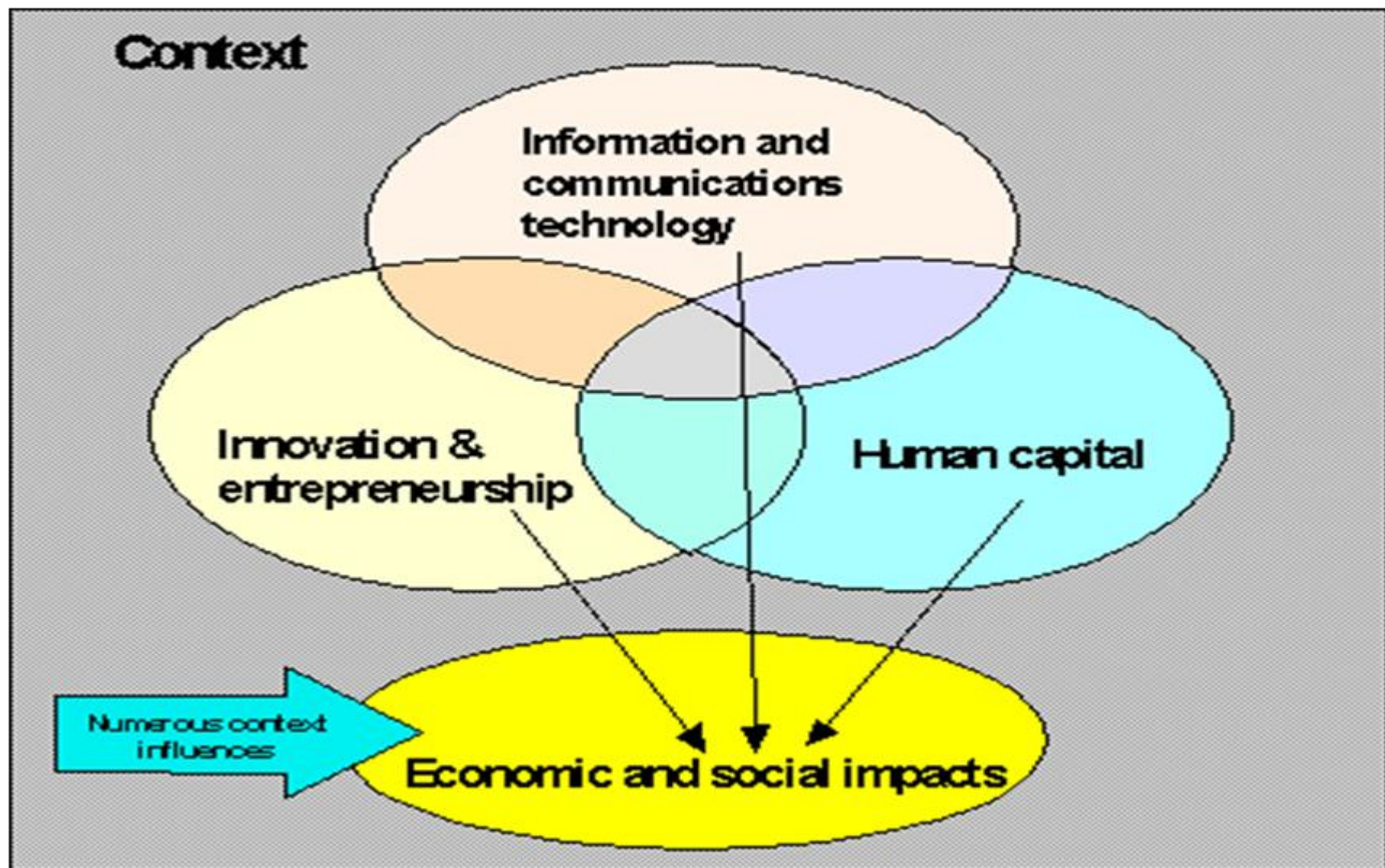
Role of supporting industries

- Clusters need a spectrum of market players
- Multinational corporations (MNCs): expertise, technology, market, foreign exchange
- Local business: local knowledge, partnership
- Government-linked companies (GLCs) or state-owned enterprises (SOEs): catalyst
- Role of government: hard and soft infrastructure, be facilitator not regulator
- Small, medium-sized enterprises (SMEs): supporting industries, entrepreneurship

Brunei's advantage

- Wealth is not by oil alone, monetize wealth
- Sustainable development, diversification
- Paradox of plenty or “resource curse”
- State-owned, state-driven growth models
- No puzzle, East Asian miracle extendable to some Middle East visionary exemplars
- Contrast yet-to-be Brunei Inc with Dubai Inc and Abu Dhabi Inc
- Singapore Inc as *de facto* benchmark

Figure 1 Simplified knowledge-based economy



Business process reengineering

- **Reengineering** is fundamental rethinking and radical redesign, not more of the same to bring about dramatic result and improved performance
- **Business process reengineering** is reorganizing process in purchasing, marketing, distribution cutting traditional corporate silos based on products and geography and psychology
- **Hyper competition** compels resource-based cost advantage to give way to policy-created, non-resource or less cost-based competitive advantage
- **Qualitative, non-price** factors in quality, standards, productivity, timeliness, turnaround time, product and service delivery, assurance and other socio-political economy factors including safety and security

Brunei industrial policy

- Passive flexible industrial policy
- No enough for just manpower, ownership, government support or facilities open for all categories of industrial activities and enterprises
- Need focus around clusters and Porter's diamond
- Pick-winners with market forces via MNCs and direct foreign investment (DFI) in well-supported clusters versus across-the-board approach and risk-taking
- Brunei is not as highly industrialized as ASEAN
- Comparative advantage of cluster oil-based industries and services to grow more non-oil clusters

Brunei EDB's diversification

- New economy as EDB's vision and branding versus brick-and-mortar old economy
- Service clusters complement and supplement
 - Finance, Islamic and conventional banking + Anti-Money Laundering & Combating the Financing of Terrorism (AML/CFT)
 - Tourism + right strategy like meeting-incentive-convention-exhibition MICE, high-end, adventure
 - Transport, telecommunication, logistic connectivity
 - Other business services, support + growth poles
 - Knowledge-based economy, research and development R&D, human resources niche

Local supporting SMEs

- Public employment to private sector jobs
- Reduce red-tape, administrative obstacles for business start-ups
- Infrastructure support like business parks
- Small domestic base needs simultaneous leap for non-oil manufacturing-services diversification and export-orientation
- World Trade Organization, ASEAN, Asia Pacific Economic Cooperation (APEC) and free trade Agreements (FTAs)

Middle East developmental states

Dubai Inc

- Akin to Hong Kong Inc of *hongs*, tycoons and market forces
- Services versus industries
- Real estate, property
- Worldclass, 1st & best
- 1st and 2nd (2007-2015) Strategic Plans
- Dubai Inc is potent, looks out
- Support for SMEs + entrepreneurs
- Dubai branding, say-and-do, diverse cosmopolitan culture
- Leadership and Ruler's persona

Abu Dhabi Inc

- Akin to Singapore Inc, real homes for real people, steady, cautious stealth
- Natural beauty, oil and gas pace to preserve Arabic Bedouin tradition, culture and values
- 1st Strategic Plan 2008-12
- Abu Dhabi oil and gas as highest per capita in world
- Support for SMEs + entrepreneurs
- Well-kept secret, model and homely philosophy
- UAE leadership as President

Brunei for public-private partnerships

- What is public-private partnership (PPP)
- How PPP is best in new economy, globalization, ICT and competitiveness
- How PPP works for local business and SMEs
- Role of Economic Development Board
- Role of Brunei Investment Agency
- Sovereign-wealth fund, less iconic Temasek or Abu Dhabi Investment Authority (ADIA) in stealth?

Challenges

- Political will and commitment
- Demography is destiny
- Labor by composition, nationality skills
- Global talent policy, good place to work, live
- Finesse local business and SMEs, education, skills upgrading, human resources development (HRD) and ICT connectivity
- Technology, incubators and start-ups
- Entrepreneurship is risk-taking
- Intellectual capital is innovative and creative

World Bank: Doing Business

- Brunei is ranked 78 out of 178 economies, Singapore is top
 - Brunei Doing Business 2008 by 10 criteria
- | | |
|---------------------------|-----|
| 1. Starting a Business | 117 |
| 2. Dealing with Licenses | 66 |
| 3. Employing Workers | 4 |
| 4. Registering Property | 178 |
| 5. Getting Credit | 97 |
| 6. Protecting Investors | 121 |
| 7. Paying Taxes | 28 |
| 8. Trading Across Borders | 36 |
| 9. Enforcing Contracts | 158 |
| 10. Closing a Business | 35 |

Mind the gap

- Brunei is not ranked in:
 - World Competitiveness Yearbook
 - Global Competitiveness
 - Transparency International
- Brunei is ranked 34th out of 118 in Human Development Index in 2006
- Use indices to perform strength, weakness, opportunity and threat (SWOT) analysis
- Leverage up with financial resources

Policy implications

- Rebrand passive developmental state
- More proactive, aggressively outward-looking, adopt management jargon:
 - Reengineering, business process reengineering
 - Change management
 - 24/7 service clusters
 - Lean manufacturing
 - Intelligent production system
 - Goods-service blurring
 - Economic champions and SMEs