

# STRATEGIC CAPACITY BUILDING FOR HUMAN CAPITAL

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## ABSTRACT

*The paper outlines the central importance of human capital and the factors that make capacity building for human capital imperative. Among these include, increased consumerism, globalisation, technological innovations, limits to public sector recruitment and the expanded role of government consequent to the responsive governance paradigm of public management.*

*While deliberating on current initiatives being undertaken for human capital augmentation within the public service, the paper also sketches future options in human capital capacity building. Current initiatives are based on the six strategic goals that have been set for the public sector. Future options include rebranding the public service, professionalising the public service, ensuring the right people for the job, ensuring the right enablers - technology, information capital, organisational capital - and promoting a culture that fosters organisational learning. All these key drivers and enablers in human capital enhancement are central to ensuring that the public sector has the requisite capacity to facilitate the country's achievement of a fully developed nation status, in its own mould, by 2020.*

## INTRODUCTION

Under intense economic, social, technological and competitive pressures, today's public servants continually face daunting and challenging tasks. Massive changes have occurred in the country's economic structure - consequent to the shift from a production-based economy through manufacturing/industrial economy to a knowledge-based economy. Coupled with world trade expansion, the rise of the digital economy, the incessant demand for better quality products and services from an increasingly consumerist society, these changes have led citizens (public, politicians and interest groups alike) to call for a better and more responsive public service. Influenced by the experience of private sector provision of goods and services, citizens expect public services of high quality and integrated across different public bodies and agencies (Hazlett and Hill, 2003). Citizens want and expect efficient and effective performance from their government. They want a government that works better yet costs less (Commonwealth Secretariat, 2002). Increased consumerism has precipitated significant changes in the way the government operates. Indeed these changes eclipse previous changes to the fundamental role of government.

There is also the current clamor for the government to reorient its role so that greater focus is given to creating an enabling environment for the private sector to thrive and contribute to national affluence. The emergence of new tasks and activities for the government, the transformation of many of its traditional functions, and the ICT revolution are all factors that have also contributed to the changing role of public administration. All these call for capacity enhancement - leadership skills and strategic planning capacities within the public sector - to cater for the expanded role of the government amidst emerging challenges.

### **CONCEPTUAL FRAMEWORK**

Two concepts are central to the theme of this paper: human capital and capacity building for human capital. The Organisation for Economic Co-operation and Development (OECD) defines human capital as a composite of knowledge, attitude, competencies and skills from education, training and experience. It represents one of our most valuable resources (OECD, 2002). Human capital has been directly linked to the ability of nations to innovate and become technological leaders. Indeed, the quality of the country's human capital is critical for attracting and sustaining the flow of investments and, hence, economic growth. It is also significant in improving the ability to become early adopters of technology and, hence, innovators that can lead to creating niche markets.

That human capital is a primary contributor to economic development is amply captured in Table 1. Albeit dated, Table 1 demonstrates that human capital development in physical resource-poor countries has caused these countries to outshine the economic development of the resource-rich countries with low human capital endowment.

Resource-Poor Countries	1970 GDP per Capita	1998 GDP per Capita
South Korea	1,950	12,150
Taiwan	2,990	15,010
Singapore	4,440	22,640
Hong Kong	5,700	20,190
Denmark	12,690	22,120
Resource-Rich Countries	1970 GDP per Capita	1998 GDP per Capita
Indonesia	1,190	3,070
Nigeria	1,230	1,230
Former USSR	5,570	3,890 (Russia)
Saudi Arabia	7,620	8,230
Venezuela	10,670	8,970

**Table 1: GDP per Capita (USD) in Selected Resource-Poor and Resource-Rich Countries**

Source: Robert and Kaplan, 2004, p.16 (Figures have been rounded).

Similarly, Table 2 reinforces the point that Table 1 makes, namely, economic development in countries smaller in geographical size have outpaced that of countries with bigger land masses, simply on the basis of the richness of their human capital. These evidence point to the second central issue of the paper - that is, for human capital to compensate for the lack of physical resources, its capacity must necessarily be enhanced. It is no surprise then that Malaysia has been- and continues to do so - investing heavily in the development of its human resources.

Country	Land Area (sq.km)	Population	GDP Per Capita
Luxembourg	2,590	474,410	\$ 55,600
Finland	388,150	5,231,370	\$ 30,900
Singapore	690	4,492,150	\$ 28,100
Korea	98,480	48,846,820	\$ 20,400
Malaysia	329,750	26,692,840	\$ 12,100
Thailand	514,000	64,631,400	\$ 8,300

**Table 2: Comparison of Land Area with GDP Per Capita in Selected Countries**

Source: The World Fact Book

Strategic capacity building has been defined in many ways and encompasses various dimensions. In the World Public Sector Report of 2001 (U.N., 2001), strategic capacity building is labeled as an effort to expand the existing capabilities - qualitatively and quantitatively - of an organisation or state to achieve national goals. Capacity building may be considered as the multiplier or co-efficient of human capital development and institution building in the equation to bring about economic development. The Report also distinguishes two principal dimensions of capacity building:

- A process that involves the establishment, reinforcement or reform of an organisational framework - and the corresponding information (knowledge and information and communications technology) and organisational capital (systems, culture, values and beliefs) for the conduct of human activities; and
- Human capital development that includes human capital formation, enrichment and refinement of essential management skills and the requisite technical aptitudes and value systems that are conducive to cost-effective management in organisations.

Discussion on capacity building is also almost always linked to sustainable development (see [www.arctic-council.org](http://www.arctic-council.org)) wherein capacity is recognised as comprising, among others, the following forms:

- natural capital such as renewable, non-renewable and replenishable resources;
- human-made capital such as equipment, machinery and technological infrastructure used to create goods and services;
- financial capital such as monetary instruments to transfer value;
- human capital that includes value-adding education, skills training and experience endowed in individuals and groups; and
- social capital that refers to communities in the broadest sense and includes the processes and structures of organisations and institutions, the effectiveness of relationships within and between people/ organisations, and the values and norms held by societies that facilitate productivity, innovation and resilience in the face of change.

Of the above, human and social capital can increase and evolve through use, although their creation and enhancement would necessarily require investment. While investment in human capital - skills, knowledge and competency enhancement - directly contributes to human capital enhancement, investments in information technology and knowledge management also contribute to human capital capacity building. So do investments that promote a societal culture that values science, technology and innovation which enables human capital potential to be maximised.

### **WHY CAPACITY BUILDING?**

On the national front, globalisation, competitive pressures and technological change are the main drivers of change. However, increased competition - for the most part, from China, India and other emerging economies in Asia as potential investment havens - could erode further foreign direct investment (FDI) flows into the country.

Following the opening up of its economy in 1978, FDI flows into China have grown 900 times between 1980-2004. Compare this with the FDI flows into ASEAN, Korea and Taiwan, which fell after the 1997 Asian Financial Crisis. While China's share of the FDI inflows into Asia rose from 2% in 1980 to 65% by 2004, that of ASEAN-4 -

Malaysia, Indonesia, Philippines and Thailand - declined. About USD 64 billion in FDIs flowed into China alone in 2004 compared to a mere USD 4 billion that poured into Malaysia in that year. China, therefore, attracts disproportionately more FDIs relative to other economies (Zheng *et al*, 2005). If we take into account India's and other emerging economies' potential to draw further FDIs away from ASEAN in general and Malaysia in particular, it is a grave threat and we may have to compete aggressively for FDIs in the future.

As Table 3 illustrates, we are still doing well in attracting FDIs. Notwithstanding, a slow growth of FDIs into the country could greatly incapacitate Malaysia's ability to generate income at levels experienced before. This dilemma suggests the need for currency of capacity enhancement to compensate for any resource scarcity.

	1997	1998	1999	2000	2001	2002	2003	2004
Malaysia								
Millions USD	6324	2714	3895	3788	554	3203	2473	4624
% of gross fixed capital formation	15.1	13.9	22.2	16.4	2.5	14.5	10.8	19.1
China								
Millions USD	44,237	43,751	40,319	40,772	46,878	52,743	53,505	60,630
% of gross fixed capital formation	14.6	12.9	11.3	10.3	10.5	10.4	8.6	8.2

**Table 3: FDI Inflows to Malaysia and China, 1997 - 2004**

Source: UNCTAD, World Investment Report (various years)

Technology too has driven change. It has not only helped transform the means of delivering services and the nature of the services, but has also shaped community expectations regarding their provision. They have, thereby, piled pressure on the existing public service capacity to fulfill those expectations. Human capital capacity building is not only essential in operating these new technologies but also to meet head-on societal expectations regarding public services provision (APEC, 2004).

Technology too has intensified international competition and increased productivity. The challenge to the nation, in particular, is to enhance national competitiveness by increasing workforce productivity and competency, upscaling innovation capacity and strengthening administrative efficiency. To further manage economic growth effectively, the nation has to move up the value chain and find new sources of growth and wealth creation. All these imperatives call for enhanced human resource capacity.

Capacity building in the public sector is also a function of the inexorable shift in the public administration paradigm. The traditional public administration or progressive public administration paradigm made limited demands on public sector capacity as the role of the public sector was to administer law, order and justice. The then limited role gave way to an expanded focus on results and development under the new public management paradigm of the nineties. The focus of public sector operations was not merely on law, order and the administration of justice, but also on customer satisfaction and results from public expenditure (See Table 4).

This expanded role made capacity building in the public sector urgent. Considering that the development of the human capital within the public sector directly impacts on the ability of the state to create an enabling environment for growth, poverty alleviation and deal with the challenges relating to global security, this makes strategic capacity building for human capital imperative.

There is a limit to which a government can keep on increasing its staff strength given the limited affordability of human resource costs. Hence, capacity building remains an alternative, and a viable option to additional staff strength in meeting the expanded role of government under the current Responsive Governance paradigm.

Paradigm	Public Administration	New Public Management	Responsive Governance
Citizen-state relationship	Obedience	Entitlement	Empowerment
Accountability of senior officials	Politicians	Customers	Citizens and stakeholders
Guiding principles	Compliance with rules and regulations	Efficiency and results	Accountability transparency and participation
Criteria for success	Output	Outcome	Process
Key attribute	Impartiality	Professionalism	Responsiveness

**Table 4: Three Models of Public Administration**

Source: World Public Sector Report 2005

Additionally, the public sector faces several challenges that have affected its capacity to provide efficient and effective service delivery. The Global Forum on Reinventing Government 2003 in Mexico (see <http://unpan1.un.org>), for instance, found that many developed and developing countries are faced with critical brain drain in the public sector that stems from a number of inter-related factors such as:

- attractive remuneration in the private sector;
- loss of pride in the concept of public sector;
- increasing politicisation;
- decline in the standards of professionalism; and
- gradual decay of the governance system.

The UN World Public Sector Report 2005 echoes a similar refrain. The Report perceives the erosion, over time, of the analytical and technical capacities of governments in many developing countries. Such gradual erosion is due to amongst others:

- growing politicisation in the public service;
- weakening of the ability of the executive to recruit and retain high quality talent; and
- decline in the importance of policy analysis units vis-à-vis political advisers, particularly in line ministries.

The challenge for the public sector is then to build and enhance a cadre of highly qualified, highly able and highly motivated human resource at all levels of public management.

While one advocacy group believes in an extensive public service - both in numbers and capacity - to meet the expanded role of government, there is another equally strong advocacy that calls for a minimalist state. The latter group comprises luminaries such as the American philosopher, Robert Nozick. It argues that the role of the government should be equivalent to that of the night-watchman. Just as the night-watchman ensures that laws are obeyed and security guaranteed while bringing the errand to justice, so too should the government's role be confined to maintaining law, order, security and justice of the land. All other interventions in the economy to promote social welfare and redistribution of income causes unjustifiable interference with liberty (Nozick, 1974).

Notwithstanding, the current trend of calling upon governments to create an enabling environment to ensure business efficiency and national prosperity - while leaving the bulk of economic production to the private sector - testifies to the fact that the government has still to engage in the delivery of some services beyond the minimalist role. These services cannot be privatised, such as, essential health services as for example, the national immunization of children against preventable killer diseases.

Further, events such as 9/11, 7/7 London bombings, the South East Asian tsunami and other natural catastrophes such as earthquakes and volcanic eruptions or even intentionally or unintentionally man-made disasters, vividly demonstrate how important it is that the government continues to serve the public during such emergencies or situations that may disrupt the normal way of life of the people. Such interventions have dictated the transformation and modernisation of the public sector. Policy measures would need to be developed that would not only ensure equitable distribution of national wealth - a national aspiration - but which, at the same time, would not jeopardise public sector efficiency and economic growth sustainability of the nation.

It is public sector efficiency that determines private sector efficiency, which then determines national competitiveness. As such, the public sector is an important component in the equation of national competitiveness and consequently national well-being. The public sector, therefore, needs to intensify its capacity to govern.

## STRATEGIES FOR CAPACITY BUILDING

This section sets out the strategies for human capital capacity building within the public sector. Current initiatives are first summarised, followed by an outline of the future options.

### Current Initiatives

The public service, as a key institution of the government, is entrusted to lead and to set the pace in enhancing the nation's competitiveness to meet future challenges. Several reform measures aimed at enhancing its capacity and capability in terms of institution, people and processes have been initiated. These reform measures also serve to create a foundation for the public service to achieve the national 2020 vision. In the management of human capital, the Public Service Department has implemented new measures to realign the human capital management practices with the development goals of the nation. Towards this end, six strategic goals have been identified as strategic priorities to propel the public sector forward in achieving a unified, high performance public service as shown in Figure 1.



Figure 1: Six Strategic Goals of Human Capital Management

In summary, the six strategies are:

- **Setting the strategic direction** to ensure that the management of human capital is integrated into the agency's strategic planning process and aligned with its vision, mission and goals.
- **Ensuring organisational capacity** to ensure agencies possess sufficient capacity and capability to perform their responsibilities to meet future challenges and rising demands from stakeholders and customers.
- **Implementing quality staffing** to ensure desired talents are attracted, acquired and retained in the public service.
- **Building workforce competency** for the development of the necessary skills, knowledge and work ethics through systematic, comprehensive needs-based training programmes.
- **Managing performance, recognition and reward** to motivate high performance through the establishment of performance expectation, result evaluation, holding people accountable and providing rewards and recognition based on performance.
- **Reshaping the work culture and working environment** to inculcate a high performance work culture that is responsive to public needs and is results oriented. There is also an emphasis on positive values and ethics, which encourages and allows employees to contribute their best to improving productivity and performance of their respective organisation.

Table 5 sets out some of the strategies and actions that have been undertaken under the six strategic goals:

Goals	Focus Areas	Actions
Set strategic direction	<ul style="list-style-type: none"> <li>• HR and strategic planning</li> <li>• HR and line management</li> <li>• HR planning</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of HR division/unit at operating agencies</li> <li>• Workforce planning model (human resource plan) developed for use by agencies</li> </ul>
Ensure organisational capacity	<ul style="list-style-type: none"> <li>• Organisational structure</li> <li>• Service schemes</li> <li>• Procedure and work processes</li> </ul>	<ul style="list-style-type: none"> <li>• Formulation of new schemes of service and classification of critical systems</li> </ul>
Implement quality staffing	<ul style="list-style-type: none"> <li>• Recruitment and selection</li> <li>• Placement</li> <li>• Career management</li> </ul>	<ul style="list-style-type: none"> <li>• Recruitment based on merit and rigorous selection process</li> <li>• Succession plan for some schemes of service</li> </ul>
Build workforce competency	<ul style="list-style-type: none"> <li>• Leadership development</li> <li>• Continuous learning</li> <li>• Knowledge management</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership development (INTAN, Stanford, Harvard)</li> <li>• Continuous learning (Training Policy for Human Resources in the Civil Service)(Service Circular No 6 of 2005)</li> </ul>
Manage performance, recognition and reward	<ul style="list-style-type: none"> <li>• Performance management system</li> <li>• Recognition &amp; rewards</li> <li>• Counseling services</li> <li>• Separation</li> </ul>	<ul style="list-style-type: none"> <li>• Malaysian Remuneration System</li> <li>• Key performance indicators (KPIs) as tool for measuring organisational performance</li> <li>• Balanced Scorecard for performance monitoring</li> <li>• Psychological development programmes</li> <li>• Modernisation of the pension administration system, contributory pension schemes</li> </ul>
Shape high performance work culture and environment conducive to workforce excellence	<ul style="list-style-type: none"> <li>• Ethics and values</li> <li>• Customer-focused services</li> <li>• Employer-employee relations</li> <li>• Conducive work environment</li> </ul>	<ul style="list-style-type: none"> <li>• Oath of loyalty, asset declaration, National Integrity Plan, Islam Hadhari</li> <li>• One stop centre, online / interactive services</li> <li>• National joint council, public sector workers' day</li> <li>• Quality control circles, monthly assembly, family day, counselling programmes</li> </ul>

**Table 5: Strategic Goals of Public Sector Human Capital Management**

Source: Public Service Department, 2005

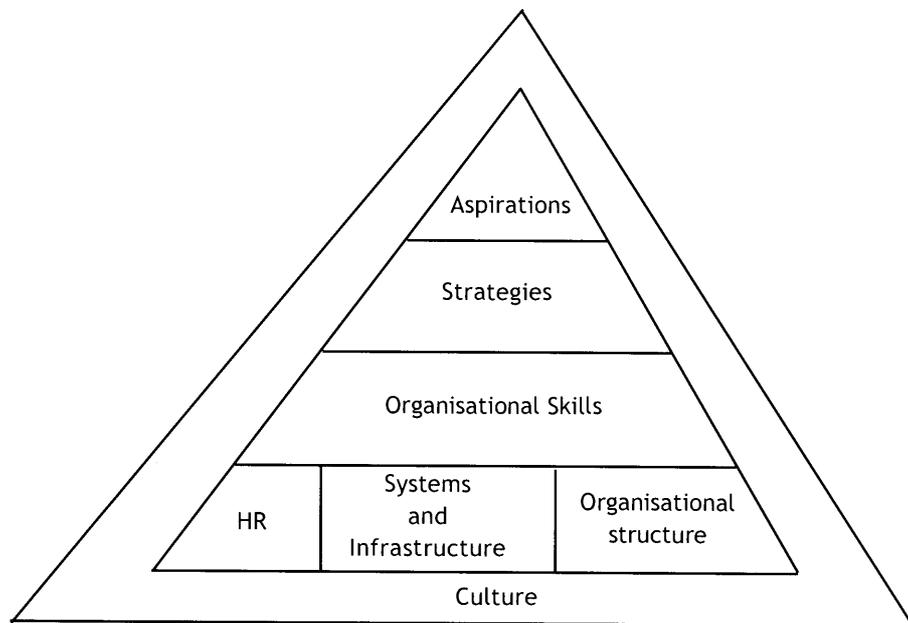
## Future Options

The current initiatives should ensure that the Malaysian public sector has the requisite capacity to achieve the government's aspiration of making Malaysia a developed nation in its own mould by the year 2020. Future capacity building efforts would require us to take stock of:

- what skills and expertise would be required to meet future challenges thrown at us by the forces of globalization and the RMK 9 implementation;
- the extent of the competency deficit in meeting these challenges; and
- what it would take us to rectify this competency deficit.

To develop further strategies in capacity building, the McKinsey Capacity Framework - as shown in Figure 2 - offers us a good starting base. The Framework outlines several important elements that can be used to enhance capacity building for human capital within the public sector. Pyramidal in structure, the framework consists of three higher order elements made up of aspirations, strategy and organisational skills. Aspirations refer to the mission, vision and overarching goals of organisations i.e. articulation of their common sense of purpose or direction. Strategies relate to a coherent set of actions and programmes aimed at fulfilling the organisation's overarching goal whilst organisational skills are the sum of the organisation's capabilities, including among others, performance measurement, planning, resource management, and external relationship building.

Human resource, systems and infrastructure, and organisational structure constitute the other three foundational elements of the Capacity Framework. Human resource refers to the collective capabilities, experiences, potential and commitment of the organisation's top management team, management teams and staff. Systems and infrastructure are the organisation's planning, decision making, knowledge management and administrative systems, and physical and technological assets that support the organisation. The organisational structure is the combination of governance, organisational design, interfunctional coordination and individual job descriptions that shapes the organisation's legal and management structure. These two sets of elements are integrated by culture, which acts as the connective tissue that binds together the organisation, including shared values and practices, behaviour norms, and most importantly, the organisations' orientation towards performance.



**Figure 2: The McKinsey Capacity Framework**

**(a) Higher Order Elements**

Vision is an important element in successful leadership. The civil service leadership needs to facilitate the development of a common vision that expresses the aspirations of both staff and key stakeholders with regard to where the organisation wants to be in the future. By clarifying the vision of the organisation, a CEO can considerably enhance the capacity of his organisation. Employees will know what is expected of them, how they are supposed to function, what their challenges are, and how they are to deliver the unique value proposition that distinguishes their organisation from others. In that way they will be able to fulfill customer expectations. The Head of the UK Civil Service, for example, envisioned a civil service that exudes pride, pace, passion and professionalism that together can keep the civil service relevant and effective with the underlying foundational core values of honesty, integrity and impartiality (see <http://www.civilservice.gov.uk/reform/>). This vision, however, cannot be the product of one person. It needs to be developed in partnership with staff and key stakeholders.

Direction setting is also required of the public sector leadership but with less emphasis on direction. In a 'flat world' however, the paradigm is not to command

and control but to connect and collaborate (Friedman, 2005). Instead, more emphasis should be placed on nurturing - coaching and mentoring - empowering, and persuading. There should also be less concern with rules and more on relationships, less reliance on structures and more on empowerment, and greater stress on strategic and organisational issues of the future.

Branding or rebranding, is one way to go about formulating a vision. Branding is about stripping away the layers of your business to uncover the business processes that create value. This is what General Electric did when it moved away from its traditional lines of business - household appliances like toasters, washing machines, irons - to those businesses that brightened its bottom line. Malaysia Airlines Bhd and Proton Holdings Bhd are vigorously seeking to rediscover their core competencies. As Ito (2003) puts it, a brand evokes emotional and rational expectations of a product or service, and provides information that distinguishes the brand from its competitors. The brand concept when extended to HR practices also enables organisations to differentiate themselves from competitors in the labour market. Ito (2003) also outlined the civil service branding strategy as to include aspects of the civil service career that may help attract applicants and retain existing staff, characteristics of careers and mobility pattern in the civil service and the opportunities for meaningful careers.

Branding is a potent force in attracting top talent to the organisation as the brand can manifest organisational values. If these values are correspondent to those held by the well-educated or the uniquely creative high-performance individuals - who can make a positive contribution to the organisation's performance or add knowledge capital to it - then the organisation would have little difficulty in attracting these talented individuals to its fold and retain the existing ones. This is important given the intense competition for top talents in the market place. The organisation - and its brand - will need to articulate a vision, an opportunity and a future.

The public service therefore must rebrand itself to build capacity by attracting and retaining top talents in the service. And essential to the capacity of government to respond to critical challenges effectively will be its renewed focus on the management and development of human resource, including the development of strong leadership capacities - the foundational element in the McKinsey model as well as the Balanced Scorecard model of Kaplan and Norton (2004). Top leadership commitment to capacity building needs to be demonstrated through the provision of adequate resource allocation and policy priority setting to human resource management and development. Human resource management should not be seen as a 'back burner' in the scheme of management operations in the public service. Rather, HRM should be given as equal

an importance as financial management and service delivery in departmental operations.

Through rebranding, the public service can be turned into an employer of choice with everyone buying in to a common set of values, of working together to create something of value for everyone in the system and where there is a very high degree of alignment of interests of the different stakeholders held together by a strong central focus and purpose. Ultimately, the capacity of the public service to create value and impact favourably on the public's needs would contribute to enhancing its image as an employer of choice, and not just as the nation's biggest employer.

Public sector organisations are facing unprecedented pressure to improve service quality within a tight resource environment. They are also expected to become more accountable, customer focused and responsive to stakeholder needs. Public sector performance is a subject that attracts huge attention from the public, media and politicians alike. As such, performance measures play an important role in implementation. The measures are used to provide evidence that plans are actually on track. They also need to be regularly reviewed to see whether the set of actions they instituted are the result of planning and are as desired. Public servants too are expected to strive for high performance.

#### **(b) Foundational Elements**

The quality of institutions in the public sector is underscored by the capacity of its human resources and leadership. Public institutions exist to coordinate the action and behaviour of human resource for public interest. Therefore, it is important to ensure that human resource capacities are properly aligned with the strategic objectives of the government. The development of staff competencies is an essential part of a strategy to upgrade these capacities and, consequently, the quality of the public sector.

To ensure quality workforce, the public sector needs to attract talent into its fold. Strategies need to be developed that are effective in recruiting and retaining the best talent, that is, people who have the required skills and who are committed to service in a complex and changing environment. A public service cadre, however, is not just about articulating a vision without the accompanying skills and capabilities to translate the vision into active institutional practice and service delivery. To bridge the gap between vision and delivery, the people to be attracted and retained must be able to live the articulated vision and translate this vision into actual practice.

The *sine qua non* for talent attraction is the application of merit principles in recruitment and retention. Merit is related to values, ideals and ethics to the appropriate role of civil service in a democracy. As such, merit does not only mean having the necessary skills and competencies to fill the job in question but also having public service character. This is the desire to act, not for individual self-interest but for a greater good. Other strategies would be an enabling environment and appropriate incentives that promote the retention of high quality staff through the provision of growth opportunities that keep them from finding more promising opportunities that they might find elsewhere. The development of a more open and adaptable employment framework is necessary whilst, at the same time, ensuring an equitable distribution of employment opportunities in the public sector.

Ensuring the right people for the job through competence-based development allows for the identification of 'performance gaps' of public servants that can be addressed through capacity building and organisational learning programmes. The public sector's dual role as entrepreneur - with the need to ensure its own productivity through good governance - and as an enabler - through the creation of an enabling environment for business and others to achieve productivity - also suggest that issues such as attracting, retaining and developing human capital that is capable of doing the job, and equipped to foresee and prepare for the challenges of the future need to be effectively addressed.

Information and communications technology (ICT) has greatly improved effectiveness, efficiency and productivity in the government. Information, being a valuable resource, must be developed so that it can better serve users. ICT can be used to:

- help foster transparency and accountability in government;
- measure the effectiveness and efficiency of public services; and
- provide more client oriented and integrated services in response to changing demands.

Accordingly, the public sector would need to continue its investment in ICT and e-government and associated skills development if it wants to enhance its workforce capacity to meet future demands imposed upon it. The increasingly productive use of technology, and better approaches to knowledge creation and human resource motivation invariably impacts on organisational design. This may give rise to the testing of new types of institutional arrangements for the production and delivery of services to the public. For example, combining greater market orientation, and experimenting with competition in service delivery with traditional measures of developing a highly competent civil service system.

Central to the core of capacity building is the related concept of organisational learning. Continuous learning ensures continuous improvement in public services provision. It is one of the instruments for enhancing the capacity of human capital. A knowledge culture is also the key to the longer term improvement of performance in public organisations through the creation of a culture that encourages self-assessment and learning, quick analysis and innovation, and knowledge creation investment in human resources and technology.

To this end, the public sector can draw on good practices from overseas. For example, the Australian Public Service Commission's Framework for Managing Learning and Development (see [www.apsc.gov.au](http://www.apsc.gov.au)) can be drawn upon as a starting reference. The framework features seven key elements: Aligning learning with the business; integrating learning with HR and other business processes; creating a learning culture; providing appropriate learning options; managing learning effectively; supporting application of skills in the workplace; and evaluating learning and development.

It is clear therefore, that there is a need to establish and promote an effective civil service system and investment in human capital capacity to benefit from developments related to the emergence of the knowledge industry and economy.

### **(c) Culture**

Capacity building will ring hollow without the inculcation of values and culture of high performance as well as a culture that promotes a high level of accountability in the public service. Such accountability is not merely in terms of the fidelity to the law but also in terms of outcomes of government operations. The culture of high performance coupled with integrity would constitute the core of professionalism in the public sector workforce.

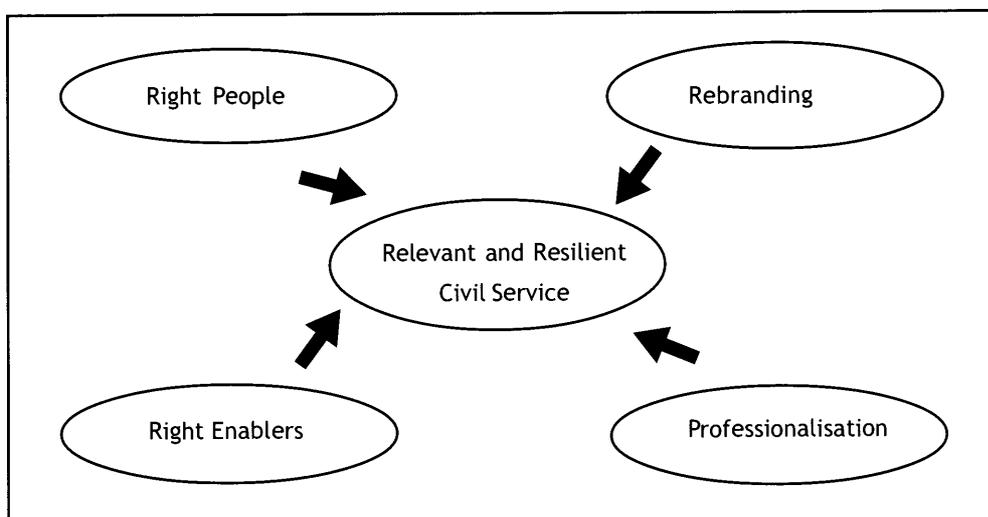
Interest in professionalism - and the related concept of public sector ethics - has become a front burner in public sector capacity building given the concerns over declining standards and corresponding need for integrity in public life. Professionalism in the public sector may not only be observed through the deep and relevant knowledge

and aptitude or skills among the public sector workforce, but also through a coherent, widely-shared and profoundly-internalised values system (U.N., 2001).

Underlining the enhancement of professionalism in the public sector as a means to build human capital capacity is the need for advanced professionalism and integrity such as:

- pride in work and proficiency in the subject matter;
- intrinsic, professional motivation rather than extrinsic, personal concerns;
- perseverance, resilience and strong resolve in the face of challenges and crises;
- resistance to 'undue' political pressures in decision-making; and
- legitimate use of power and authority.

Further competencies and expertise need to be developed so that the public sector workforce not only has the capacity to add value but also create value through the development of new and better services. Such value creation would also enable public agencies to differentiate themselves in service delivery and to justify their existence (see Kim and Mauborgne, 2004). Figure 3 shows in summary the requirements of a relevant and resilient workforce.



**Figure 3: Relevant and Resilient Civil Service**

## CONCLUSION

Capacity building is both a process and a goal. It is a comprehensive process of enhancing the ability of individuals to effectively carry out their responsibilities and to reach their potential. It is also about the need to invest in human capital capacity development to promote more efficient public management.

The primacy of human capital development in nation building requires the integration of human capital building within the overall social and economic development strategy of the nation. That is what the previous and the current Malaysia plans have sought to do.

Capacity building for human capital may be achieved through the provision of the requisite knowledge, skills, values and attitudes of staff at all levels. The realigning of the aspirations and the strategies can dramatically improve the public sector human capital capacity. Public sector leadership plays a central role in making capacity building happen. It will have to assess the required capacity to ensure the successful implementation of the Ninth<sup>th</sup> Malaysia Plan and the achievement of Vision 2020. It would then have to identify the capacity gap in human capital, organisational capital and information capital and then start the challenging task of bridging the capacity gap.

Building capacity can be time consuming, difficult and costly. But against the increasing cost of recruiting human resources, capacity building is the least cost alternative in the long run. The nexus between increased capacity and the consequent enlarged impact of human capital on national development is difficult to quantify. Nevertheless, there exists this causal relationship that justifies the continued investment in human capital capacity building. It is this causal relationship that induces governments to recognise that investments in workforce capacity building are crucial to increasing national competitiveness.

Our continued affluence lies in the continued expansion of the capacity of our human capital. As such, building human capital should be regarded as an investment and not simply as a cost to the organisation to sustain productivity. The challenge ahead is in finding effective ways to strengthen the capacity of our human capital so that sustainable growth is always within our reach.

## END NOTES

1. This paper is an update of the paper presented at the 11th Civil Service Conference, 21-22 July 2006. National Institute of Public Administration (INTAN), Kuala Lumpur.

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