



BOOK REVIEW

STRATEGIES FOR ASIA PACIFIC: BEYOND THE CRISIS

By Philippe Lesserre and Hellmut Schutte, London: Macmillan Press Ltd., 1999, ISBN 0814751563, 323 pp.

Today's world faces a digital divide. The ASEAN economies must realign themselves in an era of digital change and develop a strategic response to compete in the future. Michael E. Porter says, "Economies and companies flourish because of pressure, challenges and new opportunities, not a docile environment or outside 'help' that eliminates the need to improve," (Porter, 1990). Thus, in search of new strategies to face the challenges of digitalizing global economies, governments and corporations in the ASEAN region are redefining the role of corporate governance, and sharpening their professional skills and competencies needed to remain responsive and effective.

How do successful players in the team of ASEAN economic policy-makers face these new challenges in this era of digital divide? How are international organizations repositioning their businesses to remain competitive in an environment designed by the WTO, APEC and AFTA? These are questions that are yet to be answered by the policy-makers and industrial captains in the region. The book entitled, *Strategies for Asia Pacific: Beyond the Crisis*, by Lesserre and Schutte may help in answering some of the questions above.

At the time the book was published, the recession which began in 1997 in South East Asia was showing no clear sign of abating, and the indications were that it was affecting other regional economies. Unfortunately, the trigger for the recession, i.e., the socio-political instability, was showing no sign of being solved in the near future. Some multinationals responded appropriately, on the assumption that the problem was deep-rooted, and would not be solved in the short to medium term. Mergers and acquisitions were once again high on the corporate agenda, with the prospect of a large number of jobs being shed worldwide as firms tried to maintain profitability in response to

investor expectations. Others were looking at reengineering their businesses over the medium term, with many firms seeing their future in e-business.

As a consequence, employees in developed countries were facing uncertainty about future employment. Downsizing by firms resulted in a glut of the labor force in the market, and employees were responding by seeking more skill-oriented training in areas that were likely to be in demand by employers, and which were recognized by governments.

Given the above scenario, will the Asia Pacific region look different once the crisis is over and is the post-crisis period good enough for expansion? This is a question put forward to be answered by the authors (p. 24). According to Lesserre and Schutte, the answer depends upon the size of the economies in the region. Highly volatile countries such as Thailand, Indonesia, the Philippines and Malaysia, together with South Korea, constitute only half of the regional economies that were devastated by the crisis of 1997. However, China, along with Hong Kong, is the other half that is not affected by the recent currency crisis in the region. This ensures confidence in the economic stability of the Asia Pacific region as a whole. Hong Kong, China, and Taiwan have not been shaken in the regional currency crisis indicating a good sign of recovery provided strategies are put forward appropriately during the period beyond the crisis. Hence, they may turn the whole region around. Japan, which faces a host of domestic problems has provided the engine of growth in the region so far, and will determine the future of the Asia Pacific, provided that regional strengths, i.e., (i) high savings rates, (ii) low taxes, (iii) an entrepreneurial and enthusiastic young population with high emphasis on education, and (iv) high work ethics, are appropriately utilized by the business strategists in the region (p. 25).

Nevertheless, the authors' use of only the "limits to growth" strategic model, highly advocated by the club of Rome as applied in charting out future strategies of the regional economies, is somewhat indicative of the authors' short-sightedness. There are many more strategic options given by futurists and experts in the area of strategic management. However, the authors express concern about how soon the regional economies can be revived as many countries suffer from (i) lack of infrastructure, (ii) deterioration of the environment, (iii) population explosion, (iv) dependency on imported energy from the Middle East, and (v) distributive and social justice problems. This concern is noteworthy as some or all of these problems may become deterrents for high growth to return to the Asia Pacific region (p. 26-7). The authors

should also refer to the strategic models developed by Naisbitt and Aburdene (1990) entitled “Megatrends–2000” and Naisbitt (1996) entitled “Megatrends Asia” for a better option. Basically there are 10 schools of thought for strategic options. All these strategic models are not necessarily free from drawbacks, yet they do offer added value in this regard. Otherwise, it is very dangerous for scholarly works like the present one to merely rely upon one source without discussing and criticizing other works. Among the three strategic options offered, i.e., (i) looking for further expansion, (ii) maintaining the status quo, and (iii) downsizing, foreign companies in the ASEAN region mostly adopted the first two options. This indicates that foreign investors still have a positive view of their future in the region in the long-term. A study cited by the authors supports this idea:

“A survey conducted by the International Chamber of Commerce and UNCTAD in March 1998 revealed that only 12 percent of 198 multinational companies (MNCs) were planning to reduce their investment in the region, while 62 percent planned to maintain and 12 percent to increase their investment. European companies represented 34 percent of the MNCs in the last category. Altogether 94 percent of respondents were positive about the long-term prospects of the region,” (p. 50).

However, the ethical issues associated with the trend above have been coming to the fore, because economies in the Asia Pacific region have been accused of cronyism and nepotism. This is but one of a raft of ethical issues that businesses have to take into consideration, some with implications on their profitability. As a result, larger firms have to respond by establishing ethical departments, with board level representation. They have to deal with not only such issues, but also the ethical issues emanating from the philosophical conflicts of market and command economies, which are being forced into the agenda of governments and societies alike. Thus, the authors analyzed the market characteristics of the three main sub-regions, i.e., Japan (representing market economy), China (representing command economy) and the NIEs (representing the industrializing and developing economies). The focus was on the needs of market segmentation and consumers (pp. 64-114).

Looking at the pessimistic side of the whole episode from the viewpoint of Lesserre and Schutte, ASEAN’s journey to the path of recovery may take longer due to the historic business-government

relationship. According to the authors, western executives are often puzzled by their Asian counterparts and the way they operate businesses (p. 117). However, this scenario is over-emphasized due to the ignorance of the authors about the roots of Asian historical and cultural realities.

Fears of a new crisis are exaggerated. The reason being that the quality of recovery is improving, adding resilience to the Malaysian economy which is now in a much stronger position to absorb shocks (Devadesan, 1998). Due to a relatively freer market, the Malaysian economy is not deterred by the gloomy regional outlook.

Indonesia's recovery is on a firmer foundation, but political problems continue to undermine investor confidence and could lead to policy slippages. Counter cyclical measures adopted by the Korean Government will cushion the economic slowdown. However, slow progress in corporate restructuring will continue to be a drag on the economy in the medium term. In the Philippines, intense anxiety about domestic political conditions has receded, but the Government has yet to present a comprehensive economic program that resolves past problems and puts the economy on a higher growth path. The prospects of a more stable government in Thailand have improved, but there are concerns that some of the new Government's proposals may entail large fiscal costs and work against the efficiency of rural credit markets. Foreign direct investment (FDI) inflows have shown considerable resilience in the wake of the Asian crisis. An important side effect of the crisis has been the further liberalization of FDI. Three years into the recovery, the future of FDI inflows to the affected countries, with the exception of one or two countries in the region, looks bright. However, intellectual debates on the *modus operandi* of the corporate sector in the region as well as some of the problems in the market intelligence system to gauge strategic response have been well documented in this part of the book (pp. 180–214).

The world economy has continued to grow, despite the disruptions of floods, famines, crises and local conflicts. This economic growth has been led by the United States, but deregulation and closer integration within the 17 members of the European Union have positioned the EU as a major world player, alongside the United States. In South East Asia, despite the unsettled economies in China, and the recently so-called reunified Korea, productivity gains are feeding through to useful increases in GDP, especially in Japan. There is recognition that both state and personal prosperity can occur only through regional stability and peace. Therefore, the authors emphasize issues of strategic alliances between the West and their Asian counterparts, mainly Japanese

partners, in the region (pp. 216-37).

However, as firms get larger, and as competition becomes more intense, the more enlightened firms are realizing that competitive advantage is fostered best through a learning organization, and having well-trained people. For this reason, many firms are now seeing staff as valuable long-term resources, and are prepared to invest in their training and development, in the hope of retaining their services. The notion of “cradle to grave” employment is re-emerging, driven by the cost incurred during the last decade when firms had to pay large amounts of money to recruit top staff. This life-long employment based on promotion from within for top posts will be a future trend.

Nevertheless, delivering this “cradle to grave” strategy is proving problematic for firms, not just because it is a new concept, but also because they do not have the internal resources to develop their staff. The outsourcing of services that was prevalent during the latter half of the last decade, denuded many firms of their training facilities, and the costs involved in replacing these facilities are significant. For this reason, an increasing number of firms are looking for partners to assist in the long-term training and development of their staff. But because of the demands on staff time during work, and the trend of “personalizing” their leisure time as a means of minimizing the effects of stress, firms are looking for innovative ways of training their staff, so that training can take place “on the job”, and with minimal disruption. This has been the reason for an emerging trend that has been evident over the past year, of firms moving towards a mentoring option, which allows staff to be trained while continuing to do their job.

If the above trend in human resource development continues in the region it will have significant implications on the Hong Kong and Singapore labor markets. Life-long employment patterns, as practiced by the Japanese, will have a positive impact due to the continuous learning and training opportunities in Japan. In their concluding remarks, the authors noted that in the region, vocational training has been encouraged, quoting the case of Singapore. However, it is still theoretical in nature with little practical content.

The book perhaps tries to shed some light on the regional crisis while discussing issues on political economics and regional stability but does not give regional strategic planners any indication or suggestion as to how to avoid future possible crises (pp. 298-302). Perhaps it is because the future strategic prescriptions have to be formulated on a case by case basis, and thus need a customized approach in terms of corporate governance in the region which is something possibly beyond

the scope of this book.

The book, a blend of attractive colors in its cover design is full of empirical and analytical details. The book is of modern outlook, and is handy and user-friendly. The concepts used in the book seem to have been carefully developed, explored and analyzed, except for those on the continuing search for ways to improve corporate governance and avoid future crisis, if any, in the Asia Pacific region. The book is indeed a good reference for research purposes. It may also be used as a recommended reading material for students of strategic management and business policies. Policy-makers would also benefit if they could spare some time from their humdrum daily life and office routine.

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