MALAYSIAN INNOVATION SUPERCLUSTERS
FOR FUTURE ECONOMIES

A JOINT REPORT BY
SMART CITY  CLEAN ENERGY  DIGITAL HEALTH  AGRO TECH  MOBILITY
HOW DO WE ACCELERATE MALAYSIA’S NATIONAL TRANSFORMATION?
MaGIC (Malaysian Global Innovation & Creativity Centre) and Engage // Innovate – a global strategy & innovation consultancy is partnering to help Malaysia pursue its vision for TN50 and beyond.

**The question we explore is:**

**How do we accelerate Malaysia’s National Transformation towards a high-value and prosperous nation?**

We believe a big crucial part of the answer lies in developing Innovation Superclusters for Future Economies.

Superclusters are large network innovation platforms, connecting multiple actors across a wide ecosystem, including startups, corporates, regulators, risk capital and academics. The superclusters will be designed around future high-growth sectors for Malaysia.

The project, starting in 2018, will run a large number of corporate innovation labs to support the corporates’ transformation agenda and a large number of startup venture builder programs to build and scale new startups. The project will build on the significant work done over the past decades in building a more prosperous Malaysia.

At the GEC Summit, we invite future leaders at all levels to help activate and accelerate Malaysia for future economies.

SINCERELY

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EXPLORING MARKET OPPORTUNITIES

- SMART CITY
- DIGITAL HEALTH
- CLEAN ENERGY
- MOBILITY
- AGRO TECH
WHAT IS ____ AN INNOVATION SUPERCLUSTER FOR FUTURE ECONOMIES?
The world is learning to innovate faster – and innovation superclusters are playing an increasingly important part.

Silicon Valley (tech), Boston (healthcare), London (fintech), Tel Aviv (tech) are famous clusters in today’s global economy.

They attract talent, capital, R&D investments, corporates and create a strong collaboration model across a large ecosystem.

Today, countries and regions are learning to actively build and grow future-oriented clusters on a massive scale. They are designed to accelerate regions and countries into the future.

We call them Innovation Superclusters.

**THE BUILDING BLOCKS FOR AN INNOVATION SUPERCLUSTER**

- **High Density of Actors**
- **Close Physical Proximity**
- **Strong Network & Collaboration Culture**
- **High Degree of Knowledge Sharing, Skills Transfer & Mutual Learning**

**A Positive Reinforcing Trend of Faster, Bigger and Better Over Time**

**Collectively, A Stronger Go-to-Market Strategy**

**Higher Value Creation Across the Entire Ecosystem**
For entrepreneurship eco-systems, cluster designs can be viewed as the next step in the eco-system’s evolution.
**THREE TYPES OF CLUSTERS**

**[EC] EMERGING CLUSTER**
- Potential growth clusters
- Wide range of sectors and industries
- Incomplete ecosystems
- 10 – 50 nationally
- Local by design
- **Timeframe: 3+ years**

**[GC] GROWTH CLUSTER**
- High potential areas
- Strong value creation
- Might miss key elements
- 10 – 30 nationally
- ASEAN region
- **Timeframe: 5–10 years**

**[SC] SUPERCLUSTERS**
- Competes globally
- Large export
- High-value creation
- 3 – 10 SCs
- Can span multiple country borders
- **Timeframe: 10+ years**

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**MALAYSIAN INNOVATION SUPERCLUSTERS**
**THREE TYPES OF CLUSTERS**

Most cluster ecosystems, over time, identify three categories of clusters.

[EC] EMERGING CLUSTER

Small, local and very often incomplete clusters. These clusters are likely abundant and easily recognized in local geographies. These clusters are likely to range across most sectors and industries. They have limited economic impact. Any cluster program for Emerging Clusters can be 3 year horizon.

[GC] GROWTH CLUSTER

More mature, more complete and higher value creation, Growth Clusters have a high potential combined with a higher number of members in the cluster. These clusters might range across the ASEAN and have a high international potential. The development horizon might be 5 – 10 years to create significant economic impact. A large number of startups and scalups should be found in a GC.

[SC] SUPERCLUSTER

Superclusters attract top global talent, funding and corporates. They are known globally and have a significant export value creation. They compete and win in a global marketplace. SCs are more complete ecosystems, with several hundred members. Startups and scaleups attract global funding and scale fast due to their access to talent and capital.
THE FIVE PILLARS FOR INNOVATION ECOSYSTEMS

Adapted from MIT REAP, Harvard Business School (Prof. Michael Porter), BI Norwegian Business School (Prof. Torger Reve)
FUTURE GROWTH INDUSTRIES FOR MALAYSIA
Source: Department of Statistics, Malaysia
Towards 2050, the shape of the Malaysian economy is set to shift – significantly. But we do not yet know what the growth industries of tomorrow will be. We want to actively shape and nurture the emerging future economies.
THE STATE OF THE CURRENT MALAYSIAN STARTUP ECOSYSTEM
#58/137 COUNTRIES

Source: Global Entrepreneurship Index 2018
WHERE’S THE ACTION?

Lower deal flow, lower investments puts Malaysia far behind Singapore and Indonesia over the past five years. Notably, the amount of capital going into Malaysia is lagging far behind desired targets.
Unicorns are startups valued at US$1BN+.

Globally, outside the US there are 106. With none in Malaysia; after Grab moved to Singapore.

This is an expression of the overall quality of the eco-system, notably the access to scaleup capacities, including access to markets, growth capital and larger funding rounds.

Malaysia could make it an ambitious target to develop 5-10 Unicorns over the next decade.

This would testify to the rising ambitions and quality in the overall eco-system, placing Malaysia into the global elite ecosystems.
MOVING TO OPEN BUSINESS MODEL INNOVATION
Most companies are used to a “closed business model innovation” thinking. They are more comfortable “building it ourselves”. This is the traditional, in-house R&D approach to innovation. In very stable industries, this model has worked well for many firms.

Today, in the face of disruptive technologies, sudden industry shifts and an ever increasing pace of innovation, companies are increasingly forced to work with “open business model innovation”. This shift takes companies in the direction of more openness, more sharing, more network and stronger collaboration.

For most large companies, this shift is demanding. It’s difficult. It requires both a new structure and a new culture. It also opens up a series of new innovation options.

BUY: Should we acquire and integrate companies that can help us grow faster and stronger?

PARTNER: should we identify and collaborate with new, likely and unlikely partners?

CO-INVEST: should we invest a number of small bets ($200,000 and up) in a portfolio of new startups; perhaps invest to learn, rather than only invest to earn?

CO-DEVELOP: should we design and collaborate with startup builders and accelerators, to co-create new accelerator programs that can help us test out entirely new business models?

Corporates worldwide are now learning to work with open business model innovation. This is virtually required for a successful transformation journey.

As we launch Innovation Superclusters for Future Economies, helping corporates build the right innovation strategy will be a key part of the mission.
BUILDING YOUR FUTURE INNOVATION STRATEGY

SUPERCLUSTERS WILL HELP YOU BUILD A FUTURE-FIT INNOVATION STRATEGY
LEARNING FROM THE NORDIC MODEL
NEW GROWTH POST-OIL & GAS

Over the past few years, the Nordics has seen an explosion in innovation and startups. The ecosystem has been growing rapidly. Cluster design and development is a 20+ year backbone that is enabling and supporting the new growth.

Accelerators, investors, foreign and local talent, co-working spaces, disruptive technologies and global sustainability is driving a generational shift across the ecosystem.

Notably, Norway is shifting from an oil and gas nation to a future-thinking innovation lab, for both corporates and startups. Much of this shift comes out of long-term cluster building for new growth industries.
CASE STUDY

ACCELERATING CORPORATE INNOVATION

Established companies are jumping on various accelerator programmes for new corporate ventures and corporate growth.

**SOLAR ENERGY**
A leading utility ran a 5-day bootcamp to explore and launch their solar energy strategy.

**SMART CITY**
In only 5 days, a software company found a number of valid partners and landed their successful smart city strategy.

**MOBILITY**
The national rail company accelerated their innovation in digital and mobility-as-a-service.
CASE STUDY

ACCELERATING INNOVATION IN SEAFOOD & AQUACULTURE

Norway is a leading seafood and aquaculture nation. The government has set a 5X target for industry growth towards 2050. The aquaculture industry is a national high-growth industry, taking Norway post-oil and gas.

X2 LABS - a startup factory, has built a series of seafood-related startups through its unique four-week accelerator programme. These startups grow out of a successful Seafood Innovation Cluster at high speeds and solid investment opportunities for early stage investors.

Blue Lice

Tackling a sea lice problem worth US$3 Billion, Blue Lice takes the industry into a new direction with treatment prevention.

www.bluelice.no

Eriof Norway

High-end Norwegian seafood to the Chinese market through a digital business model.

www.eirofnorway.com

Fishency Innovation

Underwater camera technology and cloud services for digital aquaculture services.

www.fishency.no
AT THE GLOBAL ENTREPRENEURSHIP COMMUNITY SUMMIT WE LAUNCH THE FIRST MALAYSIAN INNOVATION SUPERCLUSTERS.

WE INVITE YOU TO JOIN US.
At MaGIC, we believe in inspiring movement. Our mission is to build a sustainable entrepreneurship ecosystem by catalysing innovation & creativity for driving long-term nation impact.

Magic runs a number of entrepreneurship programs, accelerators, academy and events to develop future entrepreneurs in Malaysia and beyond.

www.mymagic.my

Engage // innovate is a global strategy & innovation consulting company. We partner with top leadership in public and private sectors to help accelerate transformation and growth.

Our global client work includes:

- Strategy & transformation
- Business model innovation
- Innovation strategies and new growth
- Corporate accelerator programs
- National transformation projects
- Startup factory for new ventures

Our team is also business school faculty and frequent keynote speakers at leading strategy and innovation events worldwide.

www.engage-innovate.com
www.strategytools.io
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