

Malaysia's facilitative ecosystem attractive to tech companies expanding to Southeast Asia

Malaysia's strategic location in Southeast Asia and its competitive position make it attractive as a prime investment and business destination for foreign and local companies. They choose the country as their regional operations hub to tap the growing opportunities in the region — the fastest-growing in the world.

The government and its relevant agencies play an active role in nurturing the tech and business ecosystem. Investment agency InvestKL Corporation has facilitated 100 multinational corporations (MNCs), including tech-based companies, in setting up their regional hub in Greater Kuala Lumpur over the past decade.

These companies include Shanghai-based United Imaging, a high-end medical device manufacturer looking to develop digitalisation and artificial intelligence (AI); Switzerland-based ABB Group, which set up its digital operations centre for robotics; Oracle Malaysia, which established a cloud solutions hub; Japan-based Daifuku Co Ltd, which set up its high-tech regional facility that focuses on Industry 4.0 (IR4.0) projects; and Linde Malaysia, which is expanding its production capacity through IR4.0 technology.

German-based warewashing technology producer MEIKO Group set up its regional headquarters in Greater Kuala Lumpur in 2012. Rudolf Kitzbichler, managing director of MEIKO Clean Solutions (SEA) Sdn Bhd, credits InvestKL with helping the company in its journey, arranging for stakeholders to visit the German facility to understand the company better. He says this showed Malaysia's commitment and is confident of the country's continued support of the company's development in the region.

Online used-car trading platform Carsome Sdn Bhd's co-founder and group CEO Eric Cheng appreciates Malaysia's robust regulatory landscape, which supports and facilitates a well-established ecosystem that includes e-commerce platforms, financial institutions, extended warranty providers and used-car dealers. He says there is a willingness for public-private sector collaboration in the country. The participation and contribution to the discourse on ideation, co-innovation and commercialisation from its partners have contributed greatly to the company's growth.

Cheng notes that Malaysia's digital start-up space is extremely vibrant with sound initiatives that are well supported by the government and its agencies, of which Carsome is a direct beneficiary. The location of its headquarters in an MSC Tier 1 building in Greater Kuala Lumpur gives the company access to world-class facilities to run a digital business.

Strategic reach into Southeast Asia

Southeast Asia's 360 million internet users are the



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most engaged globally, according to the *e-Economy SEA 2019 Report* by Google, Temasek and Bain & Co. The internet economy in Southeast Asia grew nearly 40% in 2019 to exceed US\$100 billion in gross merchandise value, an indication of the region's robust tech-adoption rate.

The growth is advantageous to Malaysia's position as a tech hub for Southeast Asia. Ernst and Young's (EY) investor guide, *KL calling: dynamic, digital, diverse*, says Malaysia is in an excellent position to benefit from investment inflows as MNCs fast-track their decisions to restructure their supply chains, diversify supply sources and select a local and an Asean near-market manufacturing base to manage uncertainties and disruptions following the Covid-19 pandemic. The ongoing US-China trade war has also been a decisive factor in MNCs' move to Malaysia as they look for ways to shift operations to safer business destinations.

When MEIKO Group was considering its Southeast Asia regional headquarters, it looked at Bangkok, Singapore and Kuala Lumpur. Kitzbichler says Kuala Lumpur has the most central accessibility geographically. The ease of doing business, the multilingual workforce, cost-competitiveness and good digital potentials "made it easy for us to decide on Kuala Lumpur".

Carsome sees Malaysia as a good hub to expand its reach into Southeast Asia, given its sizeable and growing population, steadily expanding economy and increasing technological adoption. Cheng says the region's used-car market is underserved. "Even with our transaction value of US\$600 million to date, we cover only about 1% of Southeast Asia's used-car market. This translates into high growth potential in the region. Our ambitions are relatively unrealised, giving us the full potential to charge ahead with our offerings."

Highly skilled and multilingual workforce

Malaysia's multicultural, multilingual, capable, educated and diverse workforce is a source of strength and a key consideration of many MNCs that want to expand to Southeast Asia. The country moved up two spots to No 26 in the Global Talent Competitiveness Index 2020 (GTCI 2020). According to the IMD *World Talent Ranking 2019* report, Malaysia was at No 2 position in Asean, with one-third of its labour force possessing a tertiary education.

While this is an encouraging indication of Malaysia's talented workforce, we recognise the need to push for more skilled human capital development to meet the needs of the job market. To promote a new generation of talent capable of holding managerial positions, InvestKL collaborated with Talent Corp and

the Ministry of Education to introduce the InvestKL Talent Programme (ITP). This programme will drive the set-up of multiple world-class centres-of-excellence as a collaborative venture to enhance capabilities, development, knowledge-sharing and best practices to prepare the local workforce for the work of the future.

The government has also introduced many learning initiatives to bridge skill gaps, such as SkillsMalaysia 2.0, to boost participation in technical and vocational education and training (TVET).

UK-based interactive video game developer and publisher Double Eleven set up its first base outside of the UK in Greater Kuala Lumpur. The company's chief operating officer Mark South said knowledge transfer is important to the company and it aims to share knowledge with its Malaysian team. He notes that while the country's game industry is still in its early stages, there has been promising growth over the past few years.

South notes that Malaysian game studios have introduced amazing and award-winning intellectual properties (IP) and partnerships with global studios to develop some of the world's most popular games. He adds, "This comes as no surprise as Malaysia has a vast amount of experienced talent that have been putting the country on the map through their amazing work, with a good supply of fresh talent to grow this industry to greater heights. These are all reasons that attracted us to Malaysia in the first place and we look forward to nurturing these talents and playing a part in shaping and growing the game industry here."

Competitive cost of doing business

Malaysia's affordable location, competitive labour costs, comparatively lower operating cost and overall lower cost of living are also attractive factors to MNCs. The country ranked No 1 among Asean countries for the lowest cost of living in Mercer's *2020 Cost of Living Survey*.

Kuala Lumpur has one of the lowest office rents in Asia. Its prime central business district's (CBD) gross effective office rent at US\$15.2 per sq m per month is one of the lowest among Asian cities. The city offers an affordable cost of living — particularly in terms of recreation, leisure, social and cultural aspects, including a good range of international schools — which makes it feasible for MNCs to consider locating in Malaysia for the long term.

The country is making large strides in its drive to be the region's dynamic tech hub. With the right building blocks in place, and with the mindset of engaging and developing for further progress, Malaysia is fast becoming one of the more developed digital economies in Southeast Asia and home to an ever-growing number of tech-based companies. ■