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PERDANA MENTERI MALAYSIA**

**Venue : Kuala Lumpur Convention Centre**

**Date : 29/08/2014**

**Title : THE LAUNCH OF THE INNOVATING MALAYSIA CONFERENCE 2014  
(AIM)**

Bismillahirrahmanirrahim,

Assalamualaikum Warahmatullahi Wabarakatuh

**Yang Berhormat Ministers,**

**AIM Governance Council Members,**

**Mr. Mark Rozario;**

**Chief Executive Officer of AIM,**

**Distinguished Guests,**

**Members of the Media,**

Bismillahirrahmanirrahim,

Assalamualaikum Warahmatullahi Wabarakatuh dan salam 1 Malaysia

Ladies and Gentlemen,

1. Good morning and Salam 1Malaysia. It is a great pleasure to be here with you today for the Innovating Malaysia Conference (“IMC”) 2014. As we stride confidently towards becoming a developed nation by the year 2020, we continue our drive for innovation, and the desire to inculcate in our people an innovative state of mind in whatever field or discipline they may find themselves. This conference underscores our emphasis on innovation, and it is particularly important at this juncture in our journey to the future.
  
2. Malaysia is blessed to be a player in one of the world’s most dynamic and fastest-growing region. The Asian Century cliché is already a reality as the world trains its eyes on asia in the wake of the economic lethargy in other regions. South East Asia is of particular interest, and The ASEAN Economic Community 2015 will open even more doors and opportunities for those who have the value to deliver.
  
3. The question we must sincerely ask ourselves is ‘Are we ready’? As a country, our eyes are set firmly on the vision to achieve high-income, developed nation status. Our targeted per capita income is US\$15,000 by 2020. This can only be achieved by increased high value outputs, innovation, efficiency and productivity. We have done reasonably well thus far, but certainly there is room for improvement and we can do more to accelerate our progress.

Ladies and gentlemen,

4. Malaysia’s achievements to date have been deliberate using carefully devised national policies and strategies. Among the government’s recent extremely successful initiatives are the Economic Transformation Programme and the Government Transformation Programme.
  
5. Many of the ETP initiatives which the government tasked PEMANDU to lead, in collaboration with the various ministries, have borne fruit and generated benefits to our people and nation. We are indeed pleased that these efforts have been recognized and that PEMANDU as an agency of the government of Malaysia, was acknowledged for its

innovativeness and was featured in a publication by NESTA, a non-profit foundation for innovation based in the UK.

6. However, the lower hanging fruits have been picked in the previous years of the ETP execution and the ETP is now hitting maturity. It is time we leapfrog our nation's growth by creating a significant step-change in the competitiveness of our companies by embracing the transformative power of innovation.
7. Innovation is the main driver of growth in advanced economies. UK Innovation showed that two-thirds of national economic growth came from innovation. Similar figures were seen by the Organisation for Economic Cooperation and Development (OECD) in other developed countries.
8. As I've stated on other occasions, for long-term success, the quality of our nation's growth is as important as the quantity. Therefore, Malaysia is on a national strategic drive towards a more knowledge-intensive economy. There is a clear need for traditional and non-traditional businesses to innovate to create significant impact on GNI and GDP.
9. In the Global Innovation Index 2014, Malaysia ranks 33 out of 143 countries, which is a commendable position. We are also in the Top Two among the 40 upper-middle-income economies<sup>2</sup>. However, we must not be complacent on where we are as we have been around this same spot for several years.
10. To propel forward, the government has recently made investments to boost innovation among various groups via the different communities and agencies. Agensi Inovasi Malaysia, MAGIC and Cradle are some of the agencies set up to facilitate specific groups to innovate, in enhancing the nation's global competitiveness in innovation. This is to be underscored in the Budget 2015 and in the 11th Malaysia Plan, whereby innovation is one of the key driving factors.

11. A key initiative that I have mandated Agensi Inovasi Malaysia, or AIM, to execute is the National Corporate Innovation Index, or NCII, which is a central focus in today's conference proceedings and on which I shall elaborate a little more, shortly.

12. Incidentally, I am pleased that the agency has been collaborating with the aforementioned esteemed organisation, NESTA, on this project, along with other local and international expert partners. The NCII is designed to accelerate growth of corporations in Malaysia and significant players in the respective markets, which is crucial towards driving our economy.

Ladies and gentlemen,

13. Innovation is not only about R&D or high technology or patents – it is about turning a new idea into something profitable or something that creates new value. The bulk of our businesses are in the service sector; it would be sorely misguided and counter intuitive for us as a nation to associate innovation with and restrict it to, just technology and R&D.

14. In fact, NESTA's research showed that only one out of nine UK businesses' investments in innovation took the form of R&D. Similar results have been found in the US, France, Germany and China. Investments in innovation in our country would also not be disproportionately high on R&D, as reflected in the makeup of our economy.

15. However, our businesses must not think that innovation is out of our reach; It is there for us to embrace and to embed in our processes, modules and practices. Innovative capability is something we can and must develop as well as leverage on. Thus, I urge all businesses to take a broad view of innovation and constantly examine how your business can be more innovative on every front.

16. Public listed companies and large organisations particularly need to be involved by collaborating with each other and the other players in one complete and conducive innovation ecosystem.
  
17. A challenge I sometimes hear is that many startups find it difficult to penetrate large organisations and companies, stemming from issues ranging from a lack of experience or track record, rigid procurement policies that build high barriers of entry, or which favours foreign or established players only. It is time we change and remove all of these barriers to innovation. Corporations should make earnest efforts to support our capable emerging businesses to deliver value to them and to also venture into international markets.
  
18. I am encouraged to see that some efforts have been done by the PLCs and GLCs on this front. Steps have been undertaken as part of the GLC Transformation effort. Also, I am pleased to note that MINDA is now actively working with individuals who serve on company boards, to be more innovation ready and receptive. This is extremely important so that the innovation mind set is present not just at the management and execution levels, but also at the highest levels of governance and decision making of any organization.

Ladies and gentlemen,

19. Innovation does not happen overnight. It does not happen by chance, particularly in large companies. It needs to be managed -and managed effectively- requiring the company's top management to pay attention to the aspects that can help the company to remain relevant, competitive and sustainable in the long run.
  
20. I chair the governance council of AIM and we saw the value of developing a tool that would help our corporations to be more innovative. The National Corporate Innovation Index, or NCII, is a tool that is three years in the making.

21. Benchmarking with international measures and working with respected international bodies have seen much progress made on the development of the NCII measurement tools. The development effort, particularly in the tool's validation, is a collaborative effort done with the support of some of the key industry giants here today, such as Petronas, Sime Darby, and other corporations. I would like to express my thanks to these companies for being pioneers in realizing our NCII objectives.
  
22. The NCII, will give companies a comprehensive overview of crucial areas that need to be managed to boost its innovativeness. It aims to institutionalise innovation and governance within corporations and help identify mechanisms for corporations to engage in innovation activities that will ensure their long-term sustainability.
  
23. The NCII aspires to develop a more comprehensive, well-reasoned view of innovation investment and returns and educate the larger private sector community to help nurture a climate that encourages and not penalizes innovation endeavours.
  
24. Furthermore, if a corporation outlines its innovation journey and plan and shares compelling stories on innovation (as what Amazon and eBay does) with its stakeholders and the investment community, it can help players in the equity markets better understand and value innovation.
  
25. The NCII will serve as a badge of honour for companies in the long run. It would be similar in spirit to Bursa's Environmental, Social and Governance Index – which is only the second of its kind in Asia. The index, which will be provided by the FTSE of London, will benchmark the transparency of our leading corporations and make the results widely available.

Ladies and gentlemen,

26. The government puts a high premium on innovation to ensure that Malaysia's economic development lasts for the long term. We have established special funds, provided tax incentives as well as capacity building programmes so that the bright sparks of innovation are encouraged and sustained.
  
27. We will do more in the future, armed with feedback from dialogue sessions with industry players, including from one I shall be having with the CEOs and top management of leading innovative companies which had participated in developing the NCII.
  
28. Finally, I commend AIM and its partners for putting together the Innovating Malaysia Conference 2014. Do take advantage of the networking opportunities present here and gain new ideas and partnerships with like-minded, driven and innovation-primed attendees.
  
29. Together, with your support, we can build an agile, dynamic and innovation-driven ecosystem for corporate Malaysia.

Thank you.