

OPINION

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INDUSTRIAL PARKS

GO FOR CLUSTER DEVELOPMENT

Clusters provide for cheaper logistics, readier access to talent, supplies, info and ideas

EARLIER this month, the Malaysian Investment Development Authority, or Mida, announced that it would promote the development of industrial parks along the East Coast Rail Link, or ECRL.

Along with these parks, infrastructure, logistics and transit-oriented developments are also planned designed to stimulate investment, tourism and economic growth along the railway.

However, its mode of promotion — industrial parks — may require reconsideration. Past industrial masterplans had championed industrial parks and free-

trade zones. Most of these zones comprise a hodge-podge of unrelated industries. They therefore do not offer synergy to the disparate businesses located there.

Synergies that arise from the interaction of businesses have a higher prospect of materialising among competitors in the same industry and who are clustered in a particular geographical location. Additionally, these competitors should be served by supporting industries. The latter include logistics firms, suppliers, research and testing institutes and government agencies that are involved in the development of that industry.

In his 2012 book *On Competition*, Michael Porter, the doyen of management gurus, advocates such clusters for economic growth. It is in industrial clusters that a great majority of innovations take place. Clusters provide for cheaper logistics, readier access to talent and supplies, information and ideas — all ingredients to produce better products

at lower costs.

There is also a mutual sharing of knowledge, expertise and even the pursuit of joint research and development. These factors are necessary for enhanced productivity among the players in a cluster.

The ensuing competitiveness serves as a magnet for attracting foreign direct investments or FDIs which then boost economic growth and employment. When foreign investments bring in productivity-boosting technologies, better wages for the workforce will be the result.

Infrastructure improvement and the strengthening of collaboration among firms within further develop the cluster. They, thereby, draw further investments and talent into the cluster. We have very well-developed electrical-and-electronics clusters in Penang, Klang Valley and west Johor. We also have a well-developed furniture cluster in the Batu Pahat area, and higher-education clusters in Klang Val-

ley and the Iskandar region.

These clusters have been instrumental in promoting growth in their regions and beyond. Take the electronic-and-electrical (E&E) companies in Penang. That they are globally competitive is a testament to the strength of the E&E cluster there. Similarly, Italy continues to be highly competitive in high-value fashion — textiles, clothing and leather goods.

Mida has identified new sources of growth, such as the aerospace industry. Recently, in launching an investment seminar, Prime Minister Tun Dr Mahathir Mohamad outlined specific initiatives for the aerospace industry.

These include industry facilitation, local supply-chain development, competency improvement, research and technology advancement, and international collaboration. This network of institutions has all the hallmarks of an aerospace cluster.

Time for Mida to revive 3IMP

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Indeed, cluster development is part of the initiatives of the Third Industrial Masterplan (3IMP), 2006 to 2020. Sadly, this plan was shunted to the backwaters with the launch of the 2010 economic transformation plan.

It is time for Mida to dust the 3IMP off the shelf and implement the cluster concept along the ECRL. Such cluster-centred development will give confidence to investors that they will have an ecosystem, ready with the infrastructure, logistics and talent, to sustain their investments.

Clusters either grow organically or are a result of state action. Organic growth is a slow process. To accelerate the development of clusters along the ECRL, Mida will have to take the lead in developing them.

Here are three suggestions for Mida in this venture.

FIRST, Mida should jointly study with the local governments and communities the cluster-development potential along the ECRL;

SECOND, having identified

these potential locations, Mida should nurture the related businesses already there or attract such businesses and their supporting industries to locate there; and,

THIRD, to ensure the sustainability of these clusters, Mida should develop the appropriate business environment along the lines Dr Mahathir outlined for the aerospace industry.

In pursuing the cluster concept, Mida will not be far from its planned development of industrial parks. After all, clusters are huge industrial parks with one quintessential difference. These parks are populated not by all and sundry. Rather, they house competitors within the same industry and have supporting industries to provide the necessary logistics and supplies.

Mida's planned infrastructure and logistics development along the ECRL can therefore be dovetailed into cluster development.

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