

MDEC Accelerates Plans To Attract High-Value Digital Global Business Services (GBS)

- *The market size in Malaysia is expected to grow US\$1.5bn by the end of 2024*

Cyberjaya, 30 April 2021: MSC Malaysia currently counts 579 active Global Business Services (GBS) companies within its fold, with 57 per cent being foreign direct investments (FDIs). 30 per cent of the foreign-owned GBS are part of the Forbes Global 2000 and Fortune 500 companies such as HSBC Electronic Data Processing (Malaysia) Sdn. Bhd., Jabil Global Business Services and Dassault Systèmes.

Although the number of active GBS companies accounts for approximately 20 per cent of the total number of active MSC Malaysia companies, GBS is the largest contributor to MSC Malaysia's performance, adding up to 50 per cent of investments, 66 per cent of exports, 61 per cent of jobs created.

In ASEAN, the number of GBS centres has grown by nearly 70 per cent since 2010, where Malaysia hosts more than a third of these centres, followed by the Philippines and Singapore (Source: SSON Analytics).

“Looking at the current GlobalData findings, the Business Process Management or what we term Global Business Services (GBS) market size in Malaysia is expected to grow from US\$1.3bn in 2019 to US\$1.5bn by the end of 2024. On that account, we are in a position of strength to bring more FDIs to this sector. The Government's commitment to improving digital infrastructure and providing a pipeline of digitally-ready workforce allows us to reinvent ourselves as the preferred location for high-value GBS such as Robotic Process Automation (RPA) Analysis, Artificial Intelligence (AI) and Data-led processing and Cybersecurity,” said Raymond Siva, Senior Vice President, Investment and Brand, and Chief Marketing Officer (CMO) of Malaysia Digital Economy Corporation (MDEC).

A thriving industry, integral to Malaysia's digital economy

25 years ago, Malaysia started nurturing the growth of information and communications technology (ICT) companies with the launch of the MSC Malaysia initiative to make Malaysia a global ICT innovation hub.

To support this growth, in mid-2000, MDEC ventured into the shared services outsourcing (SSO) industry. In 2011, expanded the efforts to develop the digital economy by venturing into the GBS sector and its related sectors.

Recently, the economic slowdown caused by the COVID-19 pandemic has created multiple implications for the GBS industry. Continuous cost pressure, increasing market volatility, technology-driven disruptions to the globally connected value chains have created opportunities for GBS to be the engines for transformation for the organisations they serve.

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“Despite the current pandemic conditions and challenges, Malaysia has seen its GBS industry sustain during this period due to its conducive business environment and access to talent. Such GBS/ BPO services provided are important supporting functions for the industry and businesses at large and we’ll continue to support our members and industry together with the government of Malaysia,” said Cheah Kok Hoong, OM Chair. OM, formerly known as Outsourcing Malaysia was an initiative of the GBS industry, formed in 2006 by PIKOM – the National Tech Association of Malaysia with the objective to promote and develop Malaysia as a global hub for high-value Digital Global Business Services.

“The global customer management and experience industry is undergoing a major revolution as a result of process automation, Search Engine Optimisation (SEO), AI and machine learning. The pace of change is accelerating, fuelled by technology and changes in customer expectations. The industry in Malaysia has already begun to upskill our workforce into higher-value roles, where complex customer interaction meets technology, resulting in enrichment of customer services and experiences. This will continue to position Malaysia as the location of choice for companies looking to expand or establish new customer management delivery centres,” said Raymond Devadass, President of the Contact Centre Association of Malaysia.

“The role of digital technology and services is evident, especially following the outbreak of the Covid-19 pandemic which has led to further acceleration of digitalisation and accentuated GBS as a key pillar for an organisation’s resilience and agility. Many organisations are relying on GBS to help them explore and deliver innovation, automation, advanced services, and new ways of working. The scope of GBS now includes finance, information technology (IT), Human Resource (HR), and procurement, as well as other functions, and that can be delivered onshore or offshore,” added Siva.

This is further supported in the State of the Shared Services Market Report (SSON) survey which indicates that Malaysia’s Shared Services & Outsourcing (SSO)/ GBS practitioners have confirmed that the rapid evolution and expansion of the digital economy is key in driving the GBS industry forward.

The finding says that the integration of digital technology has redefined companies in terms of process excellence, human capital management, data and technology skills development, and digital workforce in the shape of an RPA-enabled workforce.

“The trend is clear in Malaysia; companies are leveraging the GBS model to adopt and accelerate digital transformation, shifting focus from cost arbitrage to value-driven services,” Siva said.

While Finance, HR and Customer Experience are the most common services, intelligent automation and data analytics now feature among the top range of services. Value-add and cost-saving from streamlining and centralising core functions are major factors encouraging more and more companies to outsource their business activities.

Companies have also recognised that digitalisation is a key enabler as digital-first processes are a prerequisite to enhance customer and employee experience. The

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most critical enabling criteria are the availability of skills and expertise in the new digital technologies.

“Malaysia is now home to nearly half of all analytics-based services in ASEAN. To accelerate this growth, MDEC is engaging the industry to listen to their needs, develop progressive and conducive policy and regulatory framework, and a robust pipeline of digital talents,” he added.

The Government’s support outlined in the Malaysia Digital Economy Blueprint (MyDIGITAL) through various phases until 2030 to drive the country’s high value-added economy and to become a net exporter of home-grown technologies and digital solutions will complement the rest of the national digital economy development initiatives such as the country’s GBS sector in the coming years.

Such moves will go a long way towards boosting investor confidence and for these companies to establish Malaysia as their preferred base to other emerging GBS locations such as India and China.

“MDEC will continue to lead the nation’s digital economy transformation towards the aspiration of Malaysia 5.0, enabling a society that is deeply integrated with Fourth Industrial Revolution (4IR) technology such as Internet of Things (IoT), Data Analytics, AI, and Blockchain. We have embarked on initiatives to empower more digitally-skilled Malaysians, enable digitally-powered businesses and attract more digital investments. In doing so, we are creating new opportunities for both the people and businesses, contributing to the growth of a sustainable and equitable digital economy, and firmly establishing Malaysia as the Heart of Digital ASEAN,” said Siva.

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About Malaysia Digital Economy Corporation (MDEC)

Malaysia Digital Economy Corporation (MDEC) is a government agency under the purview of the Ministry of Communications and Multimedia Malaysia entrusted to lead Malaysia's digital economy forward.

Incorporated in 1996 to oversee the development of the MSC Malaysia initiative, MDEC's primary mandate today is to accelerate the growth of digitally-skilled Malaysians, digitally-powered businesses and digital investments in Malaysia. MDEC is focused on creating inclusive, high-quality growth through the nationwide digitalisation initiatives that are in line with the Government’s Shared Prosperity Vision 2030 in line with Malaysia 5.0 and firmly establishing Malaysia as the Heart of Digital ASEAN.

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To find out more about MDEC’s Digital Economy initiatives, please visit us at www.mdec.my or follow us on: Facebook: <https://www.facebook.com/MyMDEC/> Twitter: [@mymdec](https://twitter.com/mymdec)

For media queries, kindly contact:

Dashika Gnaneswaran -dashika.gnaneswaran@mdec.com.my
Simon Yap – simon.yap@mdec.com.my