

Press Release

Opportunities in Times of Crisis: Why Malaysia is Still the Best Location for Digital Services

- *Malaysia's work-from-home readiness is attractive to foreign investors who want to relocate their GBS/BPO operations*
- *Quality of digital infrastructure, talent agility and government support play a role in enhancing Malaysia's potential for offshoring activities*

April 9, Kuala Lumpur – As governments across the globe rally to flatten the curve of for the COVID-19 outbreak, businesses are forced to rethink and re-strategise the way they operate. In response, companies in Malaysia have quickly adopted new operational strategies once the Movement Control Order (MCO) was introduced on March 18.

This is largely due to our high-speed broadband infrastructure and mobile broadband capabilities that are in place, various robust digital services that are still operating, and the resilience of the local workforce.

The World Health Organization (WHO) recently praised Malaysia for its preparedness and response in managing the COVID-19 crisis. It even selected Malaysia as one of the countries to test the effectiveness of drugs used to treat afflicted patients, a testament to the country's ability to conduct lab work and research.

Speed Of Response

The speed and scale of how the global pandemic spread caused significant disruptions to organisations across all sectors, forcing an engagement with various digital and technology solutions to streamline their operations and re-evaluate their business priorities.

Nations and corporates are advocating and implementing various measures to stop the spread of the deadly pandemic and keep their citizens and employees safe. This includes imposing unprecedented lockdowns on businesses, schools, and other non-essential services; restricting both domestic and international travels; and forcing millions to practice home quarantine.

As companies activate their remote working capabilities and prepare to streamline it further, employees' health and safety take vital precedence over balance sheets. What is clear is the global economy is bearing the brunt of COVID-19 and the Global Business Services (GBS)/Business Process Outsourcing (BPO) sector is not spared.

Many service providers are already struggling to continue operations due to logistical and technical limitations. Countries that are heavily reliant on BPO are now negatively impacted as they face significant challenges to arrange and manage remote working for its entire workforce. Beyond developing processes that can be deployed at scale, these businesses need to also consider the quality of infrastructure for broadband connectivity.

Malaysia – renowned for its offshoring capabilities, placing within the Top 3 for AT Kearney’s Best Offshoring Locations, and being first choice as the preferred business continuity hub for the world – has now emerged as a more attractive alternative for these hard-hit economies.

Competitive Digital Infrastructure

“Reliable and affordable high-speed broadband connectivity is a key catalyst to bringing in direct investments into Malaysia’s digital economy. The government is committed to ensure the implementation of the National Fiberization and Connectivity Plan (NFCP) to improve the country’s digital connectivity, with plans to roll out 5G in Q3 2020 still firmly in place. This is despite the economic uncertainties that the global pandemic brought about. One of the direct beneficiaries of this connectivity initiative is the GBS industry in Malaysia. This has undoubtedly empowered their employees to work-from-home and allowed the industry to continue to operate,” assures Malaysian Communications and Multimedia Minister, YB Datuk Saifuddin Abdullah.

Under the People-centric Economic Stimulus Package that the Malaysian government recently announced in the wake of COVID-19, RM600 million was allocated to provide free internet data usage to all Malaysians throughout the MCO period. An additional RM400 million was also invested in improving network coverage and capacity to provide high availability and quality telecommunications networks.

Other aspects of the stimulus will also help companies reduce operating costs. This includes tiered discount for electricity rates – ranging from 15% to 50% for April until September 2020, reduced rate of employer contribution to the Employee Provident Fund (EPF) and wage subsidy programmes.

Malaysia, home to over 600 Global Business Services (GBS) companies, has proven its mettle in rising to the challenge of transitioning organisations into remote working arrangements. For example, contact centres – one of the main components of the nation’s GBS industry, have moved from business as usual to work-from-home mode within a short span of time.

“The key here is our high-quality digital connectivity in Malaysia. With the internet user penetration in Malaysia now at over 85% and having already

deployed the fibre network across urban and sub-urban areas, the contact centre industry has been able to quickly integrate work and home domains,” Raymond Devadass, President, Contact Centre Association of Malaysia (CCAM), remarks.

This, in many ways, reinforced the notion that the availability of high-quality digital connectivity to homes is very crucial. For Raymond, that enabled the global customer support industry to start and expand its current transformative evolution with the use of automation, artificial intelligence and machine learning.

The Malaysia Digital Economy Corporation (MDEC), has also stepped up its efforts to drive these capabilities forward for businesses. Its ongoing endeavours focus on providing leadership and critical support to various companies and industry ecosystems, enabling them to continue operations during the MCO.

“Besides ensuring communication channels are open between industry players and the government during MCO, MDEC is also rallying local and foreign tech players in Malaysia to extend their digital solutions and services to both businesses and citizens. All these come under our recently launched #DigitalVsCovid Movement – a digital platform that is wholly dedicated to mitigating the negative impacts of COVID-19,” shares Surina Shukri, CEO, MDEC.

The movement already garnered support from hundreds of tech companies. This includes global tech giants that have offered free video conferencing tools to help business owners and management to maximise their work-from-home capabilities.

Readying Future Workforce Talent

For organisations that want to activate their remote working capability, it requires quality digital infrastructure and a prevalent culture of working from home at both micro (companies) and macro (country) levels.

Malaysia is ahead in Southeast Asia as one of the early adopters for remote working arrangements. A 2013 research report from Regus found that 53% of the country's workforce were already on flexible working arrangement, well ahead of the global average of 48%.

Malaysia's young, multi-lingual, multi-cultural and digitally savvy talent pool is no stranger to gig economy. Over the last few years, MDEC has been running an initiative called Global Online Workforce (GLOW). Designed to create a community of full-time high-quality freelance workers among Malaysians, it

generally helps these talents generate income through digital work via crowdsourcing.

Targeting university students and young professionals, as well as latent talent such as retirees, persons with disabilities and housewives, the programme provides training on in-demand digital skills, mentoring and coaching. This also includes providing tips and tricks to compete with other global freelancers.

Shared Services and Outsourcing Network (SSON), in its 2019 State of Shared Services Market Report for Malaysia, revealed how more than half of the GBS centres in the country are working with various global Centres of Excellence. The arrangement was to focus on continuous improvement, engaging data analytics and understanding robotic process and intelligent automation to deliver higher value processes for its clients.

All these point to Malaysian digital talent's agility and readiness for the future of work, all of which is shaped with digitalisation and the willingness to adapt to remote working capabilities.

Best Destination for Work-Life Balance

Strategically located at the heart of Southeast Asian region, Malaysia is renowned for being a top location for digital global services. Among its accolades is being ranked first in INSEAD Global Talent Competitiveness Index 2020 in the upper middle-income group and second in ASEAN for ease of doing business by the World Bank.

It's quality of healthcare is also first-class, as evidenced by its first ranking globally in 2019 International Living Annual Global Retirement Index.

Cheah Kok Hoong, Chairman of OM, a chapter of the National Tech Association of Malaysia (PIKOM) that focuses on GBS, sums it well: "Despite the current COVID-19 pandemic, Malaysia is still considered as an ideal and strategic location for investments. It is indeed a strong choice for companies looking at business continuity and resilient plans, ease of doing business, talent development, high availability for fibre bandwidth connectivity. OM members who support functional capabilities are weathering through this current MCO period, working from home and serving their clients seamlessly with the availability of efficient technology infrastructure and uninterrupted bandwidth connectivity."

Malaysia, Heart of Digital ASEAN

"As Malaysia aspires to become the Heart of Digital ASEAN, MDEC – in playing the role of specialised investment promotion agency for digital economy,

invites companies to consider this country as a prime investment destination for digital services, including global business services," says Hew Wee Choong, Vice President, Investment Development of MDEC.

MDEC has long been working closely with industry stakeholders such as OM and CCAM, along with various GBS companies to put Malaysia on the map as a top destination for this industry. "As we continue to support the world's GBS industry, we also will face the global crisis together. Having the support from our business-friendly government, combined with our strong digital infrastructure and talent ecosystem, we welcome you to make Malaysia your digital home," he concludes.