

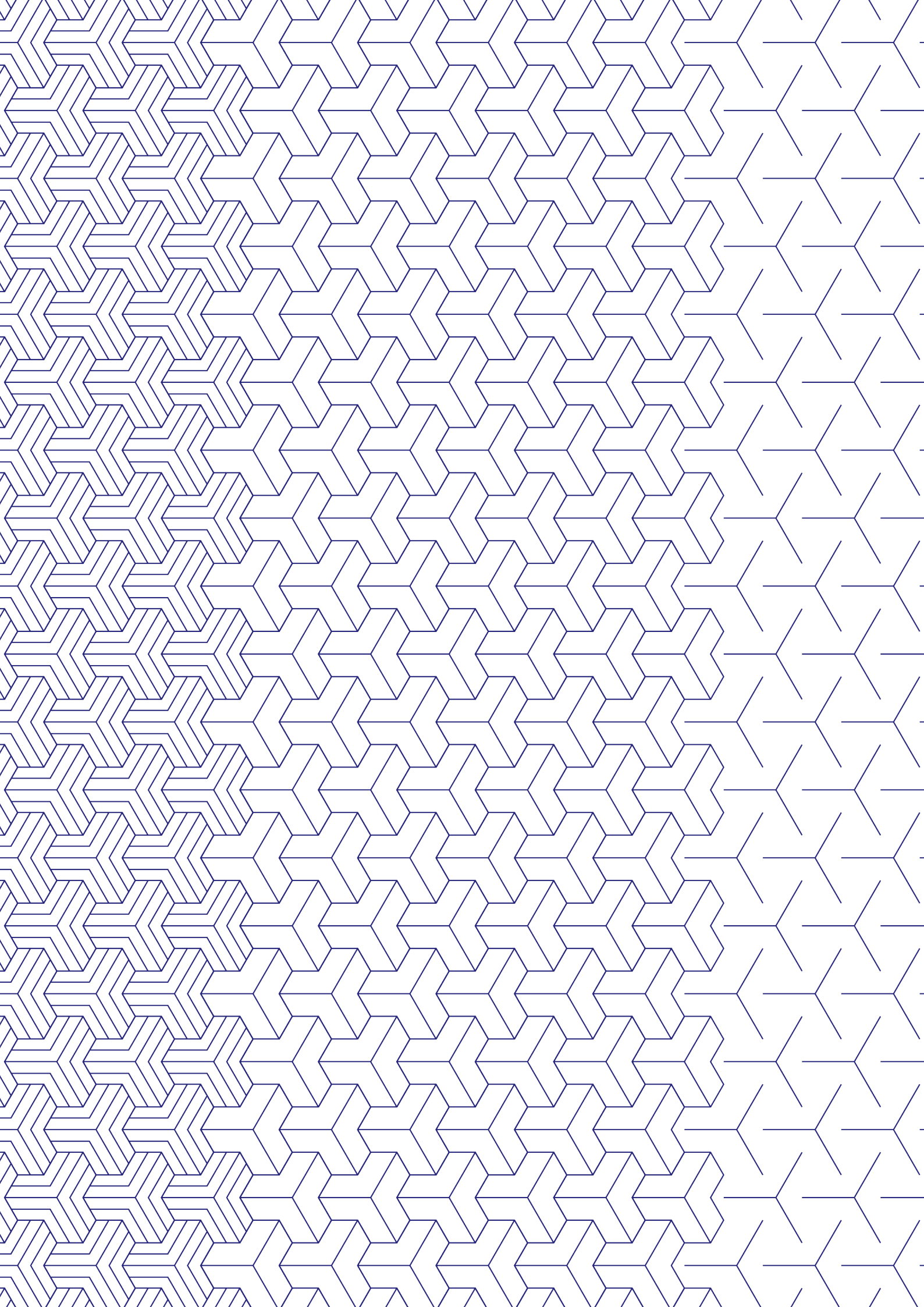


MINISTRY OF INVESTMENT,  
TRADE AND INDUSTRY

NEW INDUSTRIAL  
MASTER PLAN 2030

# GLOBAL SERVICES AND PROFESSIONAL SERVICES INDUSTRY







e ISBN No. : 978-967-0020-17-4

**PUBLISHED BY:**



MINISTRY OF INVESTMENT,  
TRADE AND INDUSTRY

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MITI, 2023

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## PREFACE

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Malaysia's strength in the manufacturing sector has been significantly driven by the implementation of robust and forward-thinking Industrial Master Plans, first launched in 1986.

The success of the IMP3 (2006-2020) was anchored on innovation, research and development (R&D) and human capital development to drive high value-added industries to transform Malaysia into a knowledge-based economy.

The journey towards formulating the NIMP 2030 is underscored by the need to build a robust industrial sector as an important prerequisite to achieve socioeconomic prosperity. Three previous iterations of the Industrial Master Plans have driven industrial development in Malaysia, with the Government adopting industrial development strategies relevant to the period to transform the economy. Malaysia flourished from a low-productivity agrarian-based economy and is heading towards achieving developed nation status, underpinned by robust manufacturing and services sectors. The strategy has successfully raised the living standards of the Rakyat and propelled remarkable growth in Gross National Income (GNI) per capita, increasing 34 times between 1967 to 2019, making Malaysia one of the fastest growing economies in modern history.

Industrial policies have since become more diverse and complex, incorporating new imperatives including the integration into the global value chain (GVC), development of indigenous capabilities in a knowledge economy, evolution of environmental, social and governance (ESG) criteria and disruptions from the new industrial revolution. The question is not about the necessity of such policies, but rather what new policies are required and how to proceed.

Given the current challenging environment, benchmarking and learning from other country's experiences are no longer sufficient. Malaysia needs to embark on its own path into uncharted territory, to steer the nation into the challenging future. The combined impact of the new imperatives and the recent pandemic has compelled the Government to rethink Malaysia's industrial strategy.

With the NIMP 2030, Malaysia intends to transform the industry into greater heights, capitalising on emerging global trends, supply chain disruptions, current geopolitical landscape, digitalisation and ESG considerations. These trends are moving at an unprecedented pace and Malaysia has to act fast.

Therefore, the NIMP 2030 is designed to achieve the aspirations in a span of seven years and takes on a Mission-based approach for industrial development. This approach unites Malaysia by encouraging collaboration between the Government and the private sector to rally the industries.

## Purpose of the NIMP 2030

The NIMP 2030 sets forth Malaysia's future direction in industrial transformation. It provides a national integrated plan for resilient industrial development until 2030 – setting the fundamentals for future policy development and enabling the industry at all levels. It articulates Malaysia's position and participation in the global economic environment.

The NIMP 2030 serves to:

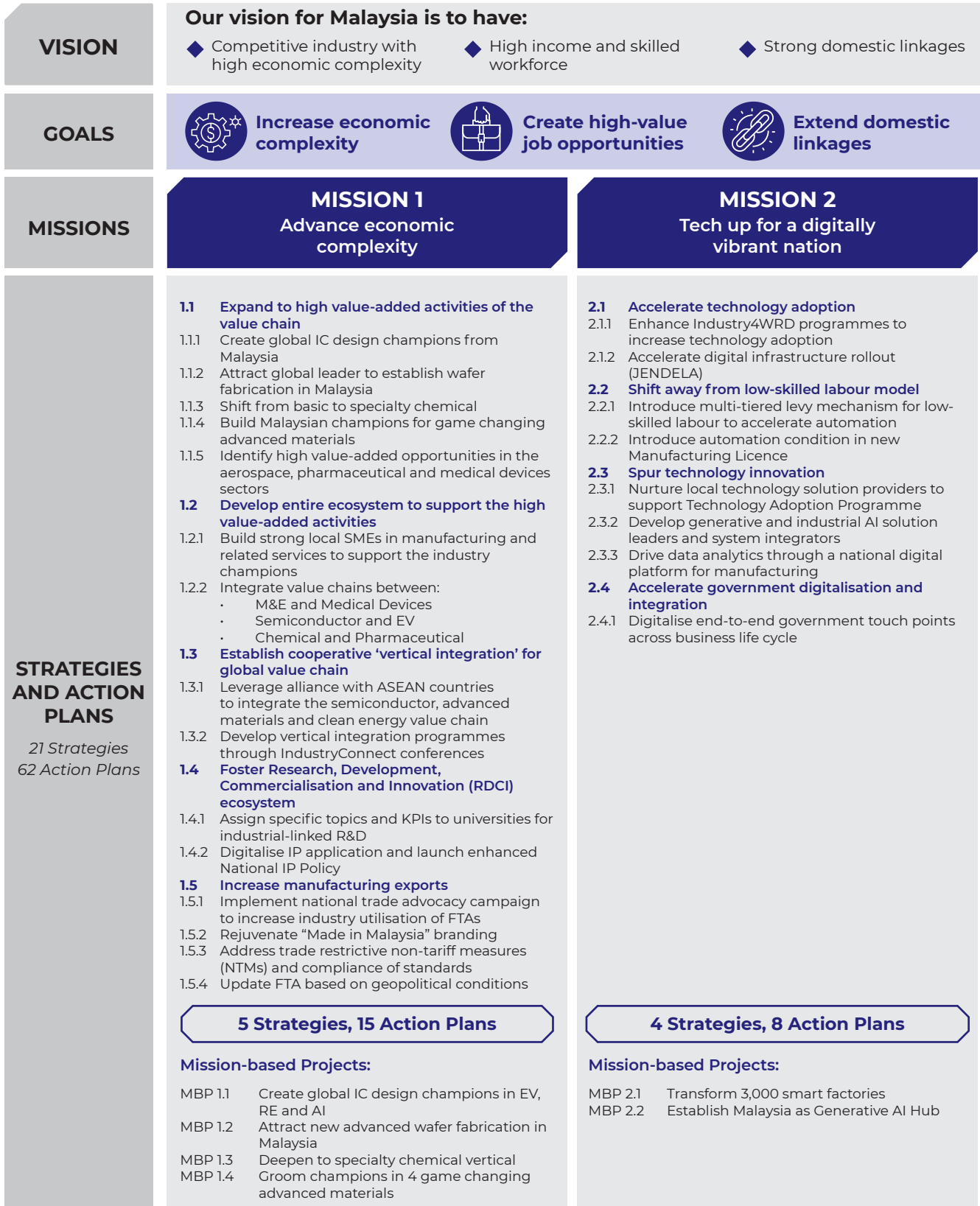
- Provide national strategic direction to lead the industrial development policies;
- Be a conversation piece for investors and other economies on Malaysia's position and direction; and
- Feature the role of the Malaysian Government in shaping the economy.

# INTRODUCTION

## New Industrial Master Plan 2030

The Missions and Enablers identified will be executed through 21 Strategies and 62 Actions Plans to unlock the needed enabling ecosystems. Several catalytic Mission-based

Projects (MBPs) have been identified to catapult the mission-based implementation. The NIMP 2030 strategic framework is illustrated below:





◆ New and existing industry clusters

◆ Balanced and inclusive participation

◆ Sustainable development



**Develop new & existing clusters**



**Improve inclusivity**



**Enhance ESG practices**

### MISSION 3 Push for Net Zero

### MISSION 4 Safeguard economic security and inclusivity

### ENABLERS

#### 3.1 Accelerate transition towards sustainable practices

- 3.1.1 Develop sectoral decarbonisation pathways to guide transition
- 3.1.2 Decarbonise "hard-to-abate" sectors
- 3.1.3 Introduce carbon policy, accounting and tax
- 3.1.4 Launch iESG framework and transition programmes

#### 3.2 Transition to renewable and clean energy

- 3.2.1 Enhance adoption scheme for energy efficiency or renewable energy
- 3.2.2 Accelerate availability and accessibility of renewable energy source for the industry

#### 3.3 Catalyse new green growth areas

- 3.3.1 Catalyse EV as a key growth driver
- 3.3.2 Grow carbon capture, utilisation and storage (CCUS) as a new sector
- 3.3.3 Develop circular economy framework for the industry

#### 3.4 Shift towards green infrastructure

- 3.4.1 Accelerate transformation of industrial estates into eco-industrial parks

#### 4.1 Develop resilient supply chain

- 4.1.1 Identify specific supply chain resilience strategies for critical sectors
- 4.1.2 Establish supply chain cooperation and collaboration through G2G and G2B programme
- 4.1.3 Introduce National Mineral Policy for downstream processing of critical minerals

#### 4.2 Foster climate resilient development

- 4.2.1 Develop sectoral adaptation pathways
- 4.2.2 Foster an adaptation industry to provide adaptation products and services (including exports)
- 4.2.3 Instil climate resilience measures for critical economic infrastructure

#### 4.3 Strengthen industrial clusters for regional development

- 4.3.1 Expand clusters for spillover regional impact
- 4.3.2 Align industrial development plan between Federal and States

#### 4.4 Empower Bumiputera participation and create inclusive workforce

- 4.4.1 Uplift capabilities of *Bumiputera* companies in manufacturing via *Tindakan Pembangunan Bumiputera 2030*
- 4.4.2 Develop programme to increase women participation in high-skilled manufacturing employment

#### E.1 Mobilise financing ecosystem

- E.1.1 Introduce NIMP Industrial Development Fund and NIMP Strategic Co-Investment Fund
- E.1.2 Boost financing for digitalisation and decarbonisation transition
- E.1.3 Establish green *sukuk* to facilitate transition
- E.1.4 Establish supply chain financing for SMEs
- E.1.5 Increase utilisation of the capital market
- E.1.6 Expand the imSME platform to show all available funding options including government funding and capital market
- E.1.7 Review government funding for consolidation

#### E.2 Foster talent development and attraction

- E.2.1 Leverage mynext and MYFutureJobs for strategic workforce planning to address long-term demand-supply requirement
- E.2.2 Introduce progressive wage system policy
- E.2.3 Improve policy to enable fast and hassle-free access to high-skilled foreign talents
- E.2.4 Expand TVET programmes for high-skilled jobs in critical sectors
- E.2.5 Raise profile of high-tech manufacturing career to attract interest in STEM subjects

#### E.3 Establish best-in-class investor journey for ease of doing business

- E.3.1 Establish a unified investment strategy and align investment evaluation to new parameters under NIA
- E.3.2 Harmonise and streamline functions and KPIs across IPA landscape
- E.3.3 Review and design competitive, agile and relevant incentives
- E.3.4 Improve One-Stop Portal for seamless investor experience

#### E.4 Introduce whole-of-nation governance framework

- E.4.1 Establish public-private collaborative councils
- E.4.2 Set up NIMP 2030 Delivery Management Unit
- E.4.3 Develop NIMP 2030 dashboard system

#### 4 Strategies, 10 Action Plans

##### Mission-based Projects:

- MBP 3.1 Create decarbonisation pathway role models
- MBP 3.2 Launch locally-manufactured EV
- MBP 3.3 Deploy large-scale CCUS solutions

#### 4 Strategies, 10 Action Plans

#### 4 Strategies, 19 Action Plans

## NIMP 2030 SECTORAL PLAN

There are individual enclosures of 21 sectors included as a supplementary reference to the main NIMP 2030 document.

They provide a view of the respective sectoral perspective in the context of the main NIMP 2030 document, and were developed with reference to individual sectoral roadmaps, where applicable.

The 21 sectors are:

Category	Industry
<b>Priority Sectors</b>	<ol style="list-style-type: none"> <li>1. Aerospace</li> <li>2. Chemical</li> <li>3. Electrical and Electronics (E&amp;E)</li> <li>4. Pharmaceutical</li> <li>5. Medical Devices</li> </ol>
<b>Sectors</b>	<ol style="list-style-type: none"> <li>6. Digital and Information and Communication Technology (ICT)</li> <li>7. Automotive</li> <li>8. Food Processing</li> <li>9. Global Services and Professional Services</li> <li>10. <i>Halal</i></li> <li>11. Machinery and Equipment (M&amp;E)</li> <li>12. Manufacturing-Related Services (MRS)</li> <li>13. Metal</li> <li>14. Mineral</li> <li>15. Palm Oil-based Products</li> <li>16. Petroleum Products and Petrochemicals</li> <li>17. Rail</li> <li>18. Rubber-based Products</li> <li>19. Shipbuilding and Ship Repair (SBSR)</li> <li>20. Textile, Apparel and Footwear</li> <li>21. Wood, Paper and Furniture</li> </ol>

## NIMP 2030 Services Sectoral Plan

The services sector is the enabler for other economic activities, including connecting supply chains and facilitating trade in goods.

In 2022, Malaysia's Gross Domestic Product (GDP) recorded the highest annual growth rate in more than two decades at 8.7 per cent with the services sector recording the highest growth at 10.9 per cent.

Total trade in services accounted for RM336.9 billion, contributing 18.8 per cent to the GDP at current prices. The deficit in services trade narrowed to RM56.4 billion year on year compared to 2021. Exports of services grew faster than imports, from RM88.1 billion in 2021 to RM140.3 billion in 2022, while imports rose to RM196.7 billion in 2022 from RM153.7 billion in 2021.

The Government of Malaysia is supporting the continuous growth of the services industry by implementing policies and incentives aimed at enhancing its productivity.

There are three services sectors as part of the NIMP 2030 document, which are:

1. Digital and ICT;
2. Global Services and Professional Services; and
3. Manufacturing-Related Services.

This document is the **NIMP 2030 Sectoral Plan – Global Services and Professional Services Industry**.

## OVERVIEW OF THE DOCUMENT

This NIMP 2030 Sectoral Plan – Global Services and Professional Services Industry (Document) provides insights into the sector and its prospects during the NIMP 2030 period.

This Document offers a comprehensive understanding of the industry's direction during the NIMP 2030 period based on its historical performance, opportunities and strategies to overcome existing challenges and achieve its targets.

The Document is presented in five sections:

### 1. Background

- This section sets the foundation to help readers understand the industry.
- It delves into the industry's focus area, encompassing its sub-sectors, for a comprehension of the industry's breadth.<sup>1</sup>
- Readers will find details about the industry's value chain and its key players, including the relevant industry associations, in this section.
- The section lists the policies that are related to the industry.

### 2. Performance

- This section reports the industry's performance during specific periods.
- There are two notable periods for the review of the industry's historical performance:
  - the IMP3 period (2006 to 2020); and
  - from 2021 to 2022.
- The performance review of the industry's development includes its investment trends, export and import dynamics, employment figures, value-added and productivity measures.

### 3. Trends and Opportunities

- This section highlights the opportunities and potential avenues for growth that the industry can leverage during the NIMP 2030 period.

### 4. Challenges

- This section provides insights into potential obstacles that could impact the industry's growth and development.

### 5. Strategies and Action Plans

- The final section of the document outlines the future trajectory for the industry.
- This section provides the Strategies and Action Plans that are intended to catalyse the industry during the NIMP 2030 period.
- The Strategies and Action Plans set in this Document have been aligned to the Missions set in the main NIMP 2030 document.

<sup>1</sup> Incentives available for this industry as of time of writing can be found in Appendix 1

## SECTION 1 BACKGROUND

### Areas Covered

#### Global Services

1. Global services has been identified under the Twelfth Malaysia Plan, 2021-2025 (RMKe-12) as high value-added services aligned with the aspiration to accentuate the nation's convergence towards becoming a Global Services Hub by 2025.
2. Global services can be defined as providing beyond transactional support services to delivering higher value-added services consolidated from a single centralised centre in Malaysia.
3. In Malaysia, global services business models include:
  - i. Principal Hub (PH);
  - ii. Global Trading Centre (GTC); and
  - iii. Global Business Services (GBS).
4. The PH scheme was introduced by the Government in 2015 to encourage multinational corporations (MNC) to use Malaysia as a base for conducting their regional or global business operations to manage, control and support key functions.
  - i. The variation of hubs under the PH scheme includes:
    - a. headquarter hubs;
    - b. distribution hubs;
    - c. engineering hubs;
    - d. procurement hubs;
    - e. supply chain hubs;
    - f. treasury hubs;
    - g. R&D hubs;
    - h. digital tech & smart innovative hubs;
    - i. centres of excellence; and
    - j. ICT services.
  - ii. In the past, there were many other schemes offered by the Government to attract companies to undertake regional/global services activities in the country such as:
    - a. operational headquarters (OHQs);
    - b. international procurement centres (IPCs);
    - c. regional distribution centres (RDCs);
    - d. treasury management centre (TMC); and
    - e. global operation hub (GOH).
5. GTC is defined as locally incorporated companies that uses Malaysia as its international trading base for:
  - i. undertaking strategic sourcing; and
  - ii. procurement and distribution of raw materials, components and finished products to its network of companies.

6. GBS includes companies that manage centralised and integrated service delivery models for multiple business units located in geographically dispersed locations.
7. GBS encompasses three main categories – business process outsourcing (BPO), information technology outsourcing (ITO) and knowledge process outsourcing (KPO) (Table 9.1).

**Table 9.1: Categories of GBS**

Category	Description
<b>i. Business Process Outsourcing (BPO)</b>	Transactional-type internal (back-office) business functions (human resources or finance and accounting) and front office functions which include customer-related services
<b>ii. Information Technology Outsourcing (ITO)</b>	Transactional-type IT and IT-related functions such as programming, technical support, desktop and server support, network and security systems
<b>iii. Knowledge Process Outsourcing (KPO)</b>	Value-added processes which are highly complex and require the talent of professionals with widespread educational backing

Source: Ministry of Investment, Trade and Industry (MITI)

### Professional Services

8. Under the Malaysia Productivity Blueprint (MPB) launched in 2017, professional services were identified as a priority industry to contribute towards national productivity improvement, covering:
  - i. accounting;
  - ii. architecture;
  - iii. engineering;
  - iv. legal;
  - v. advertising; and
  - vi. management consulting.
9. The professional services industry comprises two sub-sectors, namely accredited and non-accredited services providers (Table 9.2).
  - i. Accredited professional service providers must be members of a governing body or association in order to practice.
  - ii. Non-accredited professional service providers do not need to be members of a governing body in order to practice.

**Table 9.2: Sub-sectors of Professional Services**

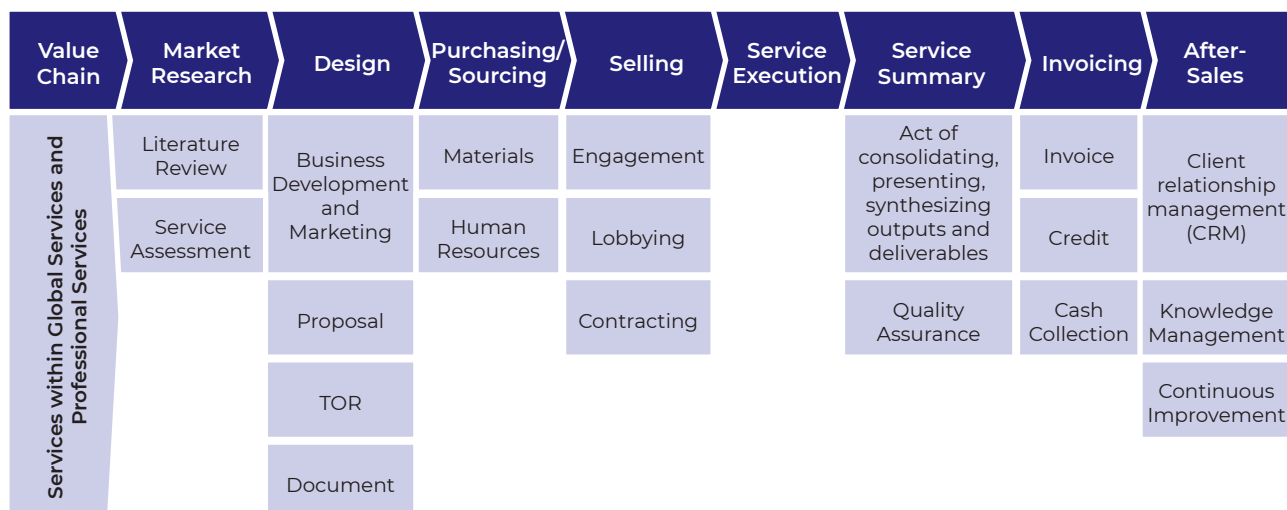
Category	Description
<b>i. Accredited</b>	<ul style="list-style-type: none"> <li>• Accounting</li> <li>• Architecture</li> <li>• Engineering</li> </ul> <ul style="list-style-type: none"> <li>• Legal</li> <li>• Land and quantity surveying</li> <li>• Technical advisory (green design)</li> </ul>
<b>ii. Non-accredited</b>	<ul style="list-style-type: none"> <li>• Advertising</li> <li>• Consultancy</li> </ul> <ul style="list-style-type: none"> <li>• Global business services</li> </ul>

Source: MITI

## Value Chain

10. The global services and professional services value chain is characterised by eight key components which collectively forms the industry’s service lifecycle (Figure 9.1).
11. The main activities in the industry are centred around eight key activities, including:
  - i. market research;
  - ii. design;
  - iii. purchasing and sourcing;
  - iv. selling;
  - v. service execution;
  - vi. service delivery;
  - vii. invoicing; and
  - viii. after sales services.

Figure 9.1: Value Chain of Global Services and Professional Services Industry



Source: MITI

## Market Players

12. As of 2020, Malaysia is home to 579 GBS with Multimedia Super Corridor (MSC) status and 349 various operational headquarters. Starting 4 July 2022, the MSC Malaysia has been rebranded as the Malaysia Digital initiative.<sup>2</sup>
13. The professional services market is highly fragmented, dominated by a select number of MNC alongside a growing number of smaller, local firms.
14. Industry associations in Malaysia’s professional services play important roles in representing the interest of the industry and safeguarding the welfare of industry players and consumers. Non-exhaustive examples of these associations include:
  - i. Technological Association Malaysia (TAM);
  - ii. Malaysia Service Providers Confederation (MSPC);
  - iii. Accredited Advertising Agents Malaysia (4As Malaysia); and
  - iv. Malaysian Institute of Architects (PAM).

<sup>2</sup> Malaysia Digital Status companies are offered to a set of incentives, rights, and privileges from the Government, subject to necessary approvals, compliance of applicable conditions, law and regulations

## Policies, Laws and Regulations

15. The industry's development is guided by the following:
  - i. Twelfth Malaysia Plan, 2021-2025; and
  - ii. Malaysia Productivity Blueprint.
  
16. Non-exhaustive laws and regulations related to professional services industry are:
  - i. Accountants Act 1967;
  - ii. Architects Act 1967 (Act 117);
  - iii. Legal Profession Act 1976;
  - iv. Rules and Audit Act 1957;
  - v. Registration of Engineers Act 1967 (Revised 2015);
  - vi. Quantity Surveyors Act 1967;
  - vii. Architects Rules 1996 (Amendments 2015);
  - viii. Registration of Engineers Regulations 1990 (Amendment 2021); and
  - ix. Licensed Land Surveyors Regulations 2011.



## SECTION 2 PERFORMANCE

### IMP3 Focus and Performance

17. During the period of the IMP3 (2006 to 2020), major focus areas for the industry were:
  - i. promoting shared services outsourcing;
  - ii. promoting trade and outward investments; and
  - iii. enhancing service delivery.
18. During the IMP3 period, the contribution of global services and professional services to GDP grew by 3.6 per cent, from RM18.4 billion (2006) to RM30.0 billion (2020).<sup>3</sup>

### Investments

19. The investment performance of global services (2006 to 2022) is recorded in Table 9.3 below.

**Table 9.3: Approved Investments of Global Services**

Items	Units	IMP3			2021	2022	2021-2022
		2006	2020	2006-2020			
<b>Total Investment<sup>4</sup></b>	RM billion	1.1	0.7	90.9	19.7	2.0	21.6
<b>Domestic Investment</b>	RM billion	0.2	-	12.9	1.1	0.9	2.0
<b>Foreign Investment</b>	RM billion	0.9	0.7	78.0	18.6	1.1	19.6
<b>Number of projects</b>	#	323	142	3,066	102	102	204
<b>Employment</b>	persons	3,277	764	46,277	3,838	1,223	5,061

*Note: No domestic investment was approved in 2020  
Source: MIDA*

20. During the IMP3 period, a total of 3,066 projects were approved in the global services with a total investment of RM90.9 billion. These investments committed a total of 46,277 job opportunities.
21. In 2021 and 2022, a total of 204 projects were approved with a total investment of RM21.6 billion. These investments committed a total of 5,061 job opportunities.
22. As of 2022, 36 (78.3 per cent) of the 46 projects approved under the PH incentive scheme were implemented since the introduction of the scheme in 2015.

### Exports

23. The export performance of global services and professional services (2006 to 2022) is depicted in Table 9.4.

<sup>3</sup> 2006 GDP data is based on constant 2005 prices while 2020 data is based on constant 2015 prices. Estimated from DOSM statistics under the category of business services

<sup>4</sup> Includes GOH, OHQ, IPC, TMC, PH, Representative Office (RE)/ Regional Office (RO)

Table 9.4: Exports of Global Services and Professional Services

Item	IMP3			2021	2022	2006-2020	2020-2021	2021-2022
	2006	2020	2006-2020			CAGR <sup>5</sup>	Annual Growth	
<b>Imports<sup>6</sup> (RM billion)</b>	13.2	24.7	295.6	24.3	27.6	4.6%	-2.0%	13.6%

Source: Department of Statistics Malaysia (DOSM)

24. During the IMP3 period, the industry's total exports grew by a CAGR of 4.6 per cent, from RM13.2 billion (2006) to RM24.7 billion (2020).
25. In 2021, total exports declined by 2.0 per cent to RM24.3 billion. Subsequently, total exports increased by 13.6 per cent to RM27.6 billion in 2022.
26. The growth of exports was driven by the rise of digitalisation which created new opportunities for global services providers in Malaysia. This was an effect of digital transformation in reshaping the dynamics of international business operations.
27. As of 2022, export proceeds amounting to RM40.69 billion were received and credited in foreign currency from approved PH projects since the introduction of the scheme in 2015.

## Imports

28. The table below presents the import performance of global services and professional services (2006 to 2022) (Table 9.5).

Table 9.5: Imports of Global Services and Professional Services

Item	IMP3			2021	2022	2006-2020	2020-2021	2021-2022
	2006	2020	2006-2020			CAGR	Annual Growth	
<b>Exports<sup>7</sup> (RM billion)</b>	19.3	25.3	355.1	27.6	31.7	2.0%	9.2%	14.8%

Source: DOSM

29. Imports of global services and professional services grew by a CAGR of 2.0 per cent, from RM19.3 billion (2006) to RM25.3 billion (2020).
30. In 2021, imports grew by 9.2 per cent to RM27.6 billion. Subsequently, in 2022, imports grew further by 14.8 per cent to RM31.7 billion.
31. Factors that contributed to the growth of imports include the recovery of the global economy after the COVID-19 pandemic, which led to an increase in demand for global and professional services.

<sup>5</sup> Compound annual growth rate

<sup>6</sup> Includes professional and management consulting services, architectural, engineering and other technical and trade-related and other business services under the category of other business services; Data from 2006 to 2009 is estimated from DOSM statistics under the category of other business services

<sup>7</sup> Includes professional and management consulting services, architectural, engineering and other technical and trade-related and other business services under the other business services category; Data from 2006 to 2009 is estimated from DOSM statistics under the category of other business services

## Value-added

32. The industry's value-added (GDP) is recorded below (2006 to 2022) in Table 9.6.

**Table 9.6: Value-added of Global Services and Professional Services**

Item	IMP3		2021	2022	2006-2020	2020-2021	2021-2022
	2006	2020			CAGR	Annual Growth	
<b>Value-added<sup>8</sup> (RM billion)</b>	18.4	30.0	28.3	33.1	3.6%	-5.9%	56.5%

Source: DOSM

33. During the IMP3 period, the industry's GDP contribution has grown by a CAGR of 3.6 per cent from RM18.4 billion (2006) to RM30.0 billion (2020).
34. In 2021, the industry's GDP declined by 5.9 per cent to RM28.3 billion.
35. Subsequently, in 2022, the industry's GDP grew by 56.5 per cent to RM33.1 billion.
36. The growth of the industry's GDP contribution was largely contributed by:
- the growth of the Malaysian economy;
  - the development of the services sector;
  - the rise of Malaysia as a regional hub for services; and
  - Malaysia's strategic location and well-developed infrastructure which made it an attractive destination for foreign companies that provide services to the ASEAN region.

## Employment

37. The industry's employment (2019 to 2022) is tabulated in Table 9.7 below.

**Table 9.7: Employment in Global Services and Professional Services Industry**

Item	IMP3		2021	2022	2019-2020
	2019	2020			CAGR
<b>Employment<sup>9</sup> (persons)</b>	377,200	358,000	341,100	352,800	-2.2%

Source: DOSM

38. Employment in the industry declined by a CAGR of 2.2 per cent from 377,200 (2019) to 352,800 (2021).
39. The COVID-19 pandemic restricted economic activities, as many businesses were impacted and forced to scale down operations. This led to a decrease in demand for professional services.
40. From 2015 to 2022, a total of 5,049 high-value jobs<sup>10</sup> were created from approved PH projects, of which 4,148 are Malaysians.

<sup>8</sup> Value-added is measured by the GDP of the industry; 2006 GDP data is based on constant 2005 prices and includes professional, computer and others, while 2020 to 2022 data are based on constant 2015 prices and includes professional, scientific and technical services. Estimated from DOSM statistics under the category of business services

<sup>9</sup> This employment data includes architectural; engineering; land & quantity surveying; accounting; legal; advertising; management consultancy and market research; veterinary and other professionals. Due to the change in methodology for employment statistics tabulation in 2019, industry's employment breakdown from 2006 to 2018 is not available

<sup>10</sup> High-value jobs' are jobs paid a basic monthly salary of at least RM5,000.00

## Labour Productivity

41. The industry's labour productivity (2019 to 2022) is tabulated below (Table 9.8).

**Table 9.8: Labour Productivity of Global Services and Professional Services**

Item	IMP3		2021	2022	2019-2020
	2019	2020			CAGR
Labour Productivity <sup>11</sup> (RM)	86,718	83,913	82,905	93,903	2.7%

Source: DOSM

42. The industry's labour productivity increased by a CAGR of 2.7 per cent from RM86,718 (2019) to RM93,903 (2022).
43. The increase in labour productivity is largely driven by a number of factors, predominantly capital investment, the adoption of digital technologies such as artificial intelligence (AI), as well as good digital infrastructure.

## Institutional Support

### Professional Service Productivity Nexus (PSPN)

44. PSPN plays a crucial role in boosting the productivity and competitiveness of the industry.
45. The RMKe-12 highlights the significance of technological innovation and service modernisation for efficient service delivery.
46. It is imperative for professional services providers to strengthen their value proposition and embrace technologies to improve productivity.
47. As the service industry becomes a key economic driver, staying competitive and productive is essential.
48. The PSPN is dedicated to support this transition and ensure the industry's continuous growth and success.

<sup>11</sup> Annual labour productivity is derived from value added per employment

## SECTION 3 TRENDS AND OPPORTUNITIES

49. The global services and professional services market size is expected to reach RM148.7 trillion<sup>12</sup> and RM7.6 trillion<sup>13</sup> respectively by 2030.<sup>14</sup> The factors contributing to this growth include:
- i. increasing demand for services as businesses increasingly outsource activities in non-core functions to service providers;
  - ii. growth of the Digital Economy which creates new opportunities for service providers due to the reliance on digital services; and
  - iii. rise of emerging technologies which creates demand for big data analytics (BDA), Internet of Things (IoT) and AI, resulting in the increased complexity of the business environment.
50. This prospective growth has created opportunities for Malaysia to expand and strengthen the local industry, enabling it to remain competitive globally.
51. The future trends and opportunities for global services and professional services include:
- i. digitalisation and emerging technologies;
  - ii. modularisation and virtual firms; and
  - iii. global workforce and gig economy.

### Digitalisation and Emerging Technologies

52. Moving forward, there will be fundamental changes as more companies embrace emerging technologies in order to adapt to the constantly evolving global business environment.
53. Digitalisation requires companies to improve supply chain solutions which integrates the production and delivery of goods to meet customer demands. This effort aims to improve the speed and quality of services.
54. With the rapid advancement of digitalisation, companies will encounter vast opportunities to explore emerging technologies such as BDA, cloud computing, AI, blockchain and the IoT.
55. These technologies present new avenues for conducting business and foster greater collaboration in the realm of technology.
56. These activities will give rise to financial technology (fintech) and intelligent automation, which is an integration of AI and robotic process automation (RPA).
57. AI enables insight-driven analytics, decision-making and personnel management while RPA automates processes and reduces human participation.
58. By having a strong and cohesive technology ecosystem, Malaysia can effectively demonstrate its role as a pivotal technology hub – elevating its prominence in the global market and attract global technology companies or establish a new generation of start-ups.
59. Refer to Action Plan 6 (AP6) in Section 5 for strategies and action plans related to digitalisation and emerging technologies. Refer to Action Plan 1 (AP1) in Section 5 for strategies and action plans related to addressing new consumption patterns.

<sup>12</sup> USD33.2 trillion, converted based on exchange rate USD1.0 to RM4.48

<sup>13</sup> USD1.7 trillion, converted based on exchange rate USD1.0 to RM4.48

<sup>14</sup> Source: Grand View Research and Markets and MarketsandMarkets

## Modularisation and Virtual Firms

60. Modularisation is an innovative approach where services are divided into separate components and sold individually, rather than being bundled together.
61. This allows customers to choose and purchase only the specific components they require, providing flexibility and customisation options. By embracing modularisation, businesses can cater to the diverse needs of their customers and adapt to changing market demands.
62. Modularisation enhances flexibility, scalability and cost-efficiency in service delivery – enabling firms to assemble a tailored solution for each client's unique needs.
63. Apart from modularisation, the concept of virtual firms has gained prominence in the modern business landscape.
64. Virtual firms are organisations that employ contract employees, leveraging on cloud infrastructure to operate with minimal physical offices.
65. This model enables businesses to access a global talent pool, reduce overhead costs, access specialised expertise regardless of geographical boundaries and enhance operational flexibility.
66. With the ability to tap into remote talent and utilising cloud-based technologies, virtual firms can achieve scalability and operational agility.
67. Refer to:
  - i. Action Plan 1 (AP1) in Section 5 for strategies and action plans related to industry transition into higher value-added activities; and
  - ii. Action Plan 3 (AP3) in Section 5 for strategies and action plans related to internationalisation of local companies.

## Global Workforce and Gig Economy

68. Since the COVID-19 pandemic, companies are shifting towards remote and resilient as well as flexible global workforce hub models as a response to the transformative effects of the pandemic.
69. Companies worldwide are changing their business models, anticipating that a considerable portion of its workforce will operate remotely in the future.
70. There is an increasing number of MNC seeking to establish global services hubs in offshore cities. With presence across various time zones, services can be delivered to regional customers with greater efficiency and effectiveness.
71. Simultaneously, this setup enables the new generation of talent to operate from any location through a remote working setup, providing flexibility and freedom.
72. MNC are setting up in-house global hubs to centralize front-end professional services, such as accounting, auditing, consulting, engineering and legal.
73. Malaysia's strategic location in the heart of Southeast Asia offers a significant value proposition for MNC to establish their operations in this region.
74. Apart from the global workforce trend, the freelance economy is on the rise.
75. The freelance economy is a dynamic free market system characterised by temporary positions and the hiring of independent professional workers for short-term commitments.
76. Approximately 26.0 per cent (4.0 million) of Malaysian workers, or a quarter of the total Malaysian workforce, are categorised as freelance workers in 2020.

77. Instead of traditional permanent employment, organisations engage with freelancers, contractors or freelance workers to fulfil specific roles or projects. This flexible workforce arrangement offers benefits such as cost-effectiveness, access to specialised skills and agility in responding to fluctuating demands.
78. The freelance economy has transformed the employment landscape, creating opportunities for both businesses and individuals seeking flexible work arrangements.
79. Refer to Action Plan 9 (AP9) and AP6 in Section 5 for strategies and action plans related to global workforce and gig economy.

## SECTION 4 CHALLENGES

### Talent

80. There is a shortage of skilled professionals in Malaysia. This is compounded by limited access to global talent with strong knowledge and experience. The limited availability of talents who can spearhead digital adoption for businesses creates a gap in driving technological advancements in the industry.
81. Apart from that, the lack of training providers in new areas such as Environmental, Social and Governance (ESG) and sustainability restricts opportunities for the upskilling and reskilling of the workforce in the industry.
82. To support Malaysia's aspirations to be a global services hub, it is essential for the country to have the capability to attract and retain international technology professionals who possess a combination of technical, creative and problem-solving skills for new roles.
83. These skills are highly sought after for various in-demand positions that offer high income, high value and knowledge-based work that meets future trends.
84. The talent pool would benefit from further development of specialised skills, ensuring a greater availability of qualified individuals to meet the industry's demands.
85. Addressing these challenges requires initiatives to attract and develop a skilled workforce through comprehensive training programmes and creating avenues for knowledge transfer and talent development.
86. Refer to AP9 in Section 5 for strategies and action plans related to attracting and retaining high skilled talent.

### Digital Infrastructure

87. The key to creating a favourable environment for digitalisation lies in establishing and maintaining top-notch digital infrastructure and connectivity.
88. Malaysia's embrace of the digital transformation will serve as the groundwork for future innovations that can uplift its economic competitiveness and technological advancements globally.
89. By expediting the adoption of 5G connectivity and cloud storage, Malaysia can foster an environment that embraces digitalisation. This offers several advantages, including:
  - i. improving productivity;
  - ii. providing higher profit margin to companies; and
  - iii. reducing the dependency on low-skilled foreign labour.
90. Refer to Action Plan 7 (AP7) in Section 5 for strategies and action plans related to digital infrastructure.



## Competitiveness and Market Entry

91. Malaysian professional service providers have the potential to assume a bigger role in large-scale projects abroad, but are facing challenges in terms of scale and have limited understanding of market entry strategies and brand positioning. This hinders their ability to attract international clients and expand into regional markets.
92. The heavy reliance on imported professional services, especially in mega projects where architectural and engineering services are scarce, further impacts the competitiveness of the Malaysian professional services industry.
93. To overcome these challenges, Malaysian professional service providers need to familiarise themselves with the structures and regulations of other countries to ensure conformity to international standards.
94. Apart from that, the services sector needs to be further liberalised to provide more market access for foreign firms to participate in the local market to drive competition and innovation.
95. Refer to Action Plan 2 (AP2), AP3, Action Plan 4 (AP4) and AP5 in Section 5 for strategies and action plans related to enhancing the competitiveness of professional services providers, improving market access and internationalisation of local companies.

## Regulatory Framework and Compliance

96. The absence of an institutional framework for the holistic development of professional services impedes the industry's growth potential due to regulatory inconsistencies, which can lead to interpretation issues between entities.
97. The complexity associated with Government regulations poses challenges for businesses operating in the industry. Government regulations that apply to the professional services industry are complex and can be difficult for businesses to understand.
98. Apart from that, the limited investment in ESG by many professional service providers puts them at a competitive disadvantage, as ESG is becoming increasingly important to businesses and consumers. Investing in ESG initiatives can help reduce environmental impact while improving social responsibility and governance practices.
99. To foster a conducive environment for growth and investment, it is crucial to establish clear and consistent regulations, promote coordination among industry stakeholders and provide clarity on compliance requirements.
100. Refer to Action Plan 8 (AP8) in Section 5 for strategies and action plans related to regulatory framework and compliance.

## SECTION 5 STRATEGIES AND ACTION PLANS

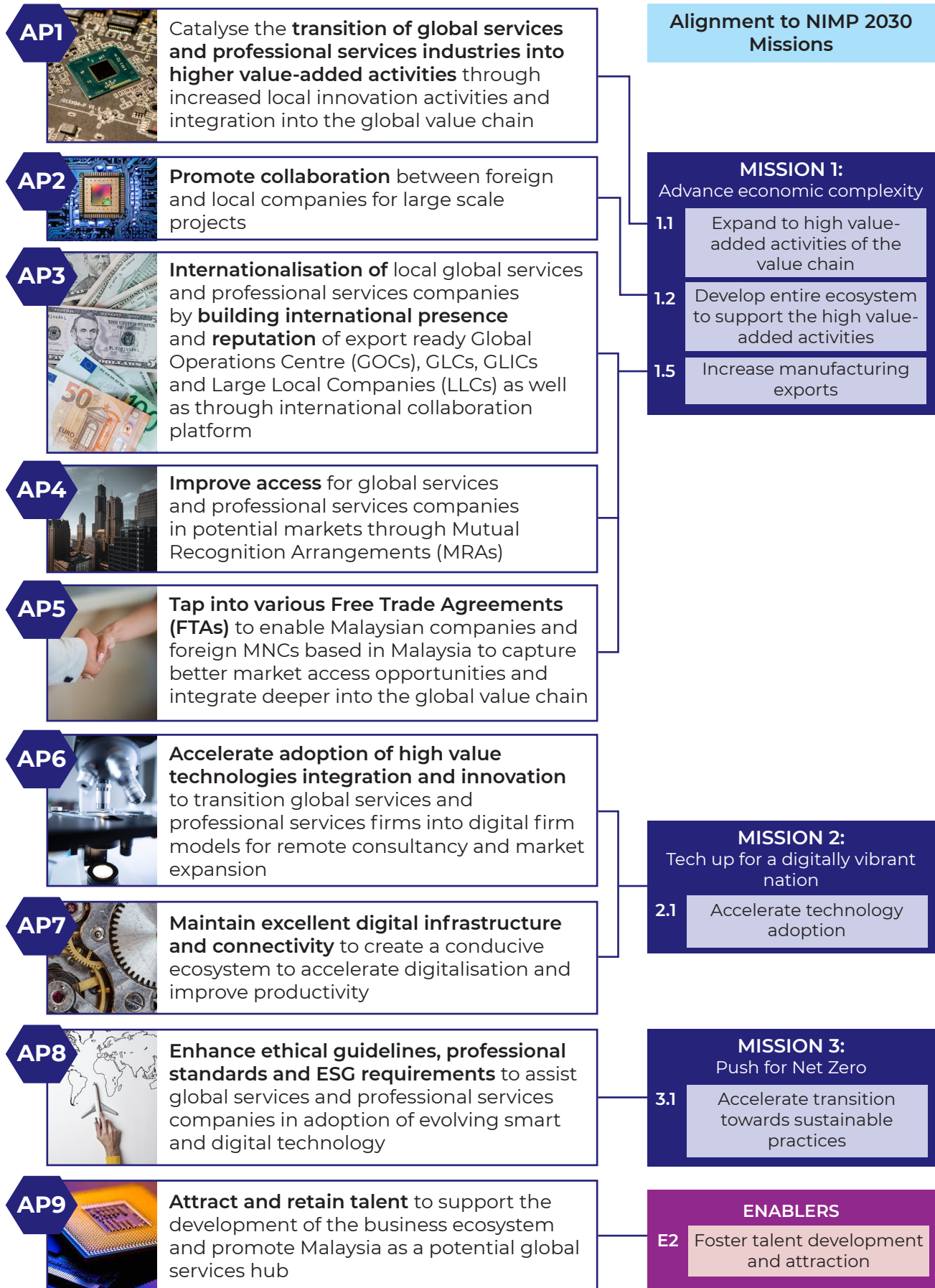
### NIMP 2030 Focus

101. During the period of the NIMP 2030, the industry focus includes:
- i. elevating the industry by fostering local innovation, integrating into the global value chain and enhancing international presence;
  - ii. delivering necessary digital infrastructure and connectivity, creating an ecosystem that accelerates digitalisation and enhances productivity;
  - iii. enhancing ethical guidelines, professional standards and ESG requirements; and
  - iv. attracting and retaining talent.

### Action Plans

102. Strategies and Action Plans relating to the NIMP 2030's Missions and Enablers are applicable to this industry (Figure 9.2).

Figure 9.2: Strategies and Action Plans for Global Services and Professional Services Industry



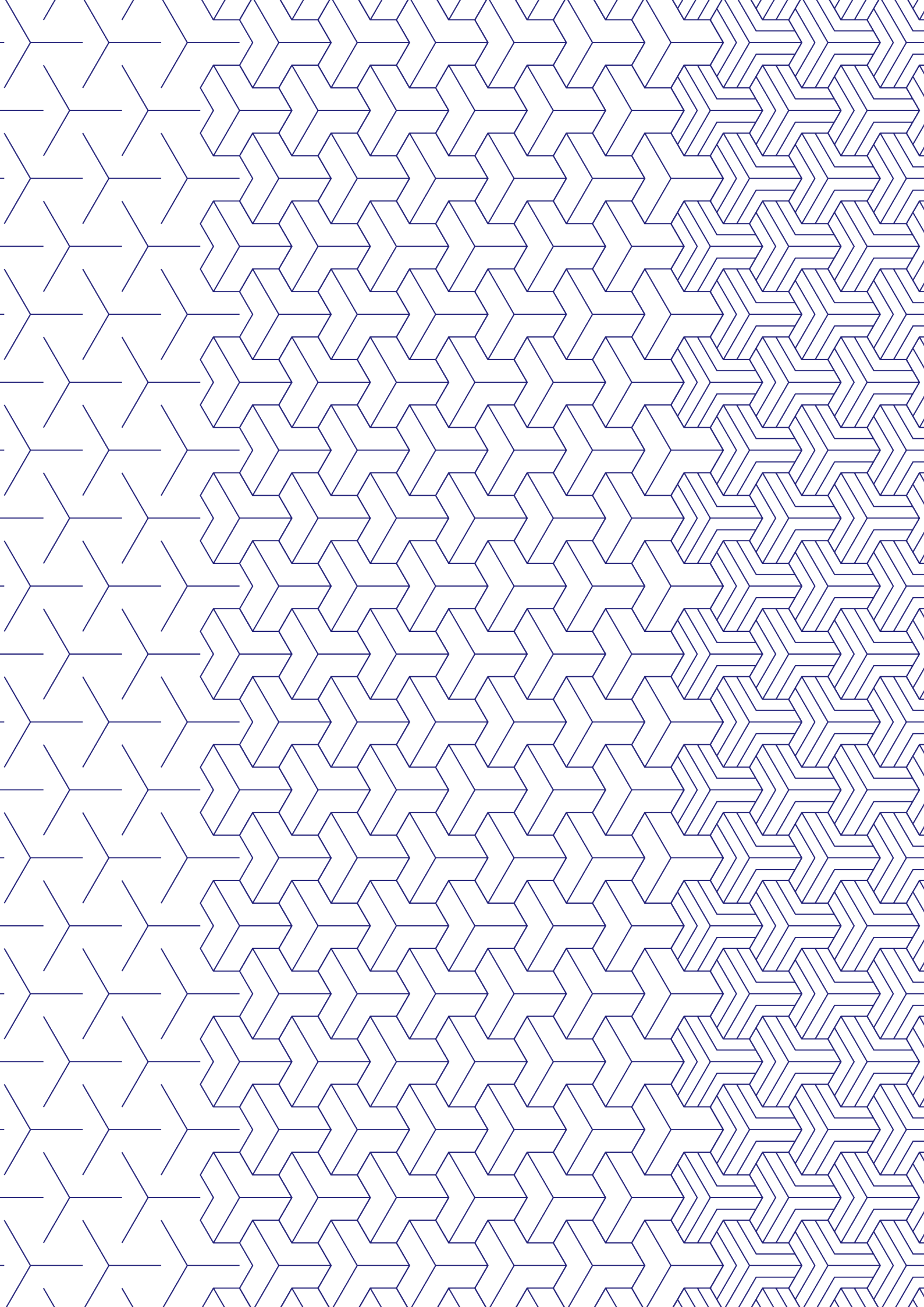
## APPENDIX 1 INCENTIVES

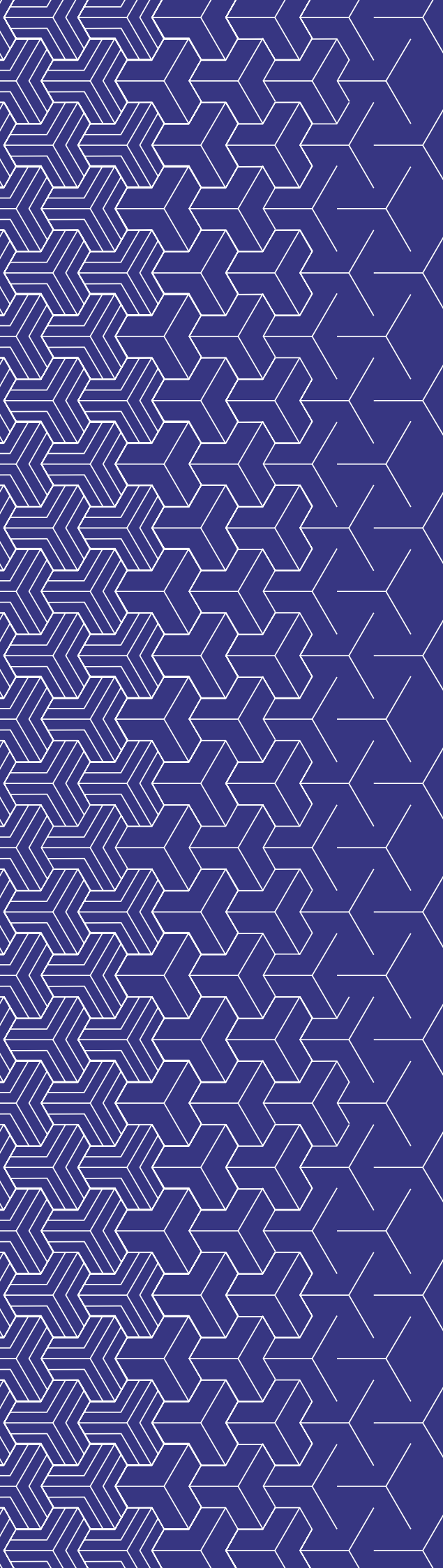
There are a few incentives offered for key players of global services and professional services industry, these include the following:

Incentives	Agency
Digital Global Business Services (DGBS)	Malaysian Digital Economy Corporation (MDEC)









e ISBN 978-967-0020-17-4



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