

CAPACITY BUILDING FOR THE MALAYSIAN PROFESSIONAL SERVICE SECTOR IN THE WTO ENVIRONMENT

1. *Globalization and the Global Economic Crisis*

- 1.1 Globalization has been embraced and sustained world-wide by an appreciation among policy makers that open, liberal and rules-based international business practices would improve the efficiency of the global economy and in turn, lead to an enhanced quality of life for the people. The contemporary vision of the new global economy embraces the promotion of a free trade environment that encourages trade across national borders of goods and services, the transfer of intellectual property, and the unregulated flow of capital. Globalization has also opened the door to new investment opportunities and acted as a catalyst for employment growth.
- 1.2 Malaysia has benefitted from globalization by consistently achieving high economic growth from the export of manufactured products and services as well as from foreign direct investments (FDIs). It is for this reason that the current global economic crisis has had a negative impact on the Malaysian economy. What started as a U.S. subprime mortgage crisis, fast became a developed country banking crisis, and has now become a full-fledged global economic meltdown. The impact of the meltdown on nations varies, with the developed west taking the brunt of the impact, while Asia's giants, China and India, are expected to maintain positive growth albeit at a slightly dented rate.
- 1.3 Malaysia, too, has not been spared from this since its economy is very closely tied to the global economy, as a large part of what the country produced is exported. Among the measures taken by Malaysia to reduce the impact of the global economic crisis is to strengthen the domestic market. Since, neither the consumers nor the companies could be expected to spur growth in the perceived weakening market, the Government will have to play the major role in boosting domestic demand through increased spending. A stimulus package amounting to USD2 billion (RM7billion) has been introduced in November 2008 and a second stimulus package is expected to be announced soon.
- 1.4 The Government has also decided to liberalize the services sector to strengthen the country's trade and investment. The professional services sector will be fully liberalized by 2012. To face the challenges related to

liberalization, the Government has also decided to create a Service Sector Capacity Development Fund (SSCDF) with an initial allocation of USD28.6 million (RM100) million to Malaysian Investment Development Authority (MIDA) for the purpose of accelerating capacity building for the services sector to enhance its competitiveness to a global level.

2. *Metamorphosis of Malaysia's professional service providers: From a global construction backwater to a global exporter of construction professional services in 30 years.*

2.1 In the 70's, Malaysia relied heavily on foreign expertise to design roads and other infrastructures, as well as buildings. Through partnerships and local involvements that enabled technology transfer, Malaysian construction industry players had gained the experience, knowledge and expertise to design and build projects of diverse scopes and sizes. In the 2000's Malaysian service providers were not only designing and building her longest world-class highway, the North-South Highway connecting Singapore to Thailand, Malaysians were delivering world-renowned projects such as the world's tallest twin tower, KLCC; developing one of the world's outstanding airport, the KLIA; building the world's first bi-functional SMART Tunnel, overcoming transportation problem by building Light Rail Transit, and even developing the world-class greenfield ecopolis called Putrajaya, the administrative capital of Malaysia, which is the icon that was purely the collective handiwork of Malaysia's construction and professional service providers from inception, to construction, to operations.

2.2 Malaysia has developed her skyline and icons using her own home-grown resources, a successful policy that can now be shared with other client countries. These are the very same expertise and skills that are being exported across Malaysia's borders. Out of the 3100 professional services companies registered with the relevant Boards in Malaysia, PSDC's records has shown that 91 Professional Services Firms had been or are currently involved in 363 overseas projects in 55 countries, 200 of which are on-going. It is noteworthy that a number of Malaysian construction service providers have secured numerous projects in highly competitive markets such as Singapore, proving their world-class competitiveness since they are competing with firms from all over the world. 33 of the exporting professional firms are from the engineering discipline, 29 are architectural, 19 surveyors, 3 planners, 5 multi-disciplinary practices (MDP) and 2 Project Management

Companies (PMC). In addition, 191 companies have indicated that they are export-ready and are keen to venture into the international arena.

- 2.3 Malaysia has developed the full complements of experts and supporting services in the construction industry and is ready to export them to provide total solution to the ever burgeoning challenges imposed on project proponents. They include urban and city planners, architects, interior decorators, engineers, quantity, building and land surveyors, environmentalist, safety officers, valuers, contractors, financiers, and lawyers. Malaysian strengths, among others are the experience and expertise in developing green-field projects, from inception, conceptualization, feasibility study, detailed design and procurement to construction, operation and maintenance as well as other supporting services including financing and legal.
- 2.4 Among the favourable comments by clients that differentiate Malaysian service providers in foreign lands from their contemporaries are their passion for their work, their work culture that puts responsibility above personal interest, their trustworthiness, the desire to excel and obsession to provide service beyond client's expectation, high problem-solving skills and selfless dedication to client's interest. Further, these values come with professional expertise at par with the best. These are the brand features of Malaysian service providers.

3. *The Professional Services Development Corporation, PSDC*

- 3.1 In 2002, twenty-two (22) professional boards and associations, led by the Board of Engineers Malaysia had prepared a Memorandum entitled "Challenges Faced by the Professional Services Industry as a Result of Globalization & Liberalization". The key recommendations to the Government spelled out in the memorandum include the deferment of liberalization, the need for capacity building as well as assistance and support for the export of professional service providers and the establishment of a body to coordinate and implement all necessary programs for the development of the professional services sector.
- 3.2 In response to the latter, PSDC was established by the Government in 2002 with the major role of developing and enhancing the capacity and capability of Malaysian professionals and professional services firms to global competitiveness. In fulfilling this role, PSDC's key activities include capacity

and capability programs, marketing Malaysian professional services firms to the global market, providing the platform for sharing and disseminating of relevant information as well as networking among firms, and bridging the professionals and professional services firms with the Government towards creating conducive business environment for the growth of the professional services industry. PSDC is a government-company; 100% owned by the Ministry of Finance and strategically placed under the Ministry of Works.

4. *Positioning PSDC as the Leader of Capacity Building of Professional Services in Malaysia*

- 4.1 The global economy is expected to pick up in 2010. In Malaysia, many service providers consider this slowdown as much a setback as a necessary cooling period. Malaysian service providers are using this lull in global economy to build capacity, brush up on technical know-how and sharpening expertise in relevant areas to capitalize on the expected recovery in 2010, to make it an economic springboard from a position of advantage. The government's decision to introduce the Service Sector Capacity Development Fund (SSCDF) therefore, is a timely and appropriate move and very much welcomed by Malaysian service providers.
- 4.2 Since its establishment, PSDC has been implementing programs to develop the capacity and capability of the professional services industry. The initiatives include the enhancement of knowledge, expertise and skills through training, the promotion of international certification, and the facilitation and promotion of consolidation among firms and the formation of multi-disciplinary professional services.
- 4.3 In line with the stipulated roles, PSDC is the right agency to be the leader for capacity and capability building of the professional services sector. As such, it has been proposed by PSDC to MIDA that a portion of the Service Sector Capacity Development Fund (SSCDF) be allocated and channelled to PSDC to accelerate the capacity and capability development of the professional services sector.
- 4.4 Currently, there are various training program undertaken by private training providers, professional associations and boards and government agencies such as Malaysian Productivity Centre, MPC, MATRADE, Public Works Department (JKR) and IKRAM. Positioning PSDC as a leader of capacity

building for the professional services sector would entails coordinating, organizing and enhancing these trainings. PSDC will gather information on all training currently available for professional service firms and professionals and analyse to determine:-

- a) The gaps or training areas necessary but not currently available, where PSDC will fill the gap by taking it up;
- b) The training modules available, so that PSDC is able to package these modules into a comprehensive development program for professional service firms and professionals;
- c) Promote those relevant and appropriate training already available to professional service firms and professionals

4.5 Capacity and Capability Development of professionals and professional service firms will be undertaken by PSDC based on needs to enhance their effectiveness. PSDC shall commission a Training Needs Analysis (TNA) study to determine the scopes of capacity building to focus and embark on. In addition, PSDC has collaborated with SMIDEC, an agency entrusted to develop Malaysian Small and Medium Enterprises (SMEs), to develop SCORE ratings for the professional service sector. The ratings to be done on companies shall be the basis for development programs for them.

4.6 Companies who have ventured abroad are generally more competitive, more capable and better resourced than domestic-market players. This implies that domestic-market Professional service providers would have to enhance their capability and capacity before they are able to internationalize. Internationalization, therefore, by acting as a pulling force, is a means to accelerate capacity building. As such, PSDC would place greater emphasis on preparing Professional service providers to be global players and also, to market them overseas.

5. *PSDC's Capacity Building Programs*

5.1 The capacity and capability building program undertaken by PSDC cover the following scopes :-

5.1.1 Promote Enhancement of Skills and Knowledge

PSDC plays a key role in facilitating and conducting training covering relevant topics which include technical, financial, marketing, management and

communication. These are basic elements for companies to develop in order to enhance their competitiveness.

In addition, PSDC promotes and facilitates training and development of professionals and professional services firms for them to develop sources of competitive advantage so that they will be become the preferred firms among foreign clients. Among others, this initiative aims to develop specialists in relevant areas particularly those that will or recently have become important, which include sustainability and facilities management. In addition, PSDC shall strengthen areas where Malaysian professionals are highly competitive due to our past experiences such as master planning and conceptual design. These are expertise developed through implementing Greenfield projects such as the Putrajaya Administrative Centre and KL International Airport. Not many professional services firms in other countries have the opportunity to be involved in such mega, Greenfield projects, thus giving Malaysian firms an advantage in these areas in the global market.

5.1.2 Promote International Accreditation and Certification

PSDC promotes international accreditation and certification, such as ISO, Project Management Professional (PMP), Value Management and 6-sigma among professionals and professional services firms to enhance their recognition and reputation particularly in the global market.

5.1.3 Promotion of Technology and ICT

The advent of ICT has led to rapid changes in the professional service industry. Business is no longer run the same way, as new discoveries of improved ICT enabled processes emerge. In tandem with the rising significance of ICT in the professional service industry, PSDC conducts ICT awareness programmes to educate local professionals on the importance of ICT in their professions. In addition, PSDC identifies potential ICT usage in the professional service industry to keep local players on par with successful international players. PSDC also plays an advocacy role to the Government in its effort to encourage local professional service providers to embrace ICT. For example, PSDC will facilitate the professional service providers in getting financial assistance/incentives for the purchase of ICT hardware or software.

5.1.4 Training for Internationalization

PSDC conducts awareness seminars on the importance and necessity of venturing abroad in this era of liberalization among professional service providers. Training on relevant topics related to internationalization such as

strategic management for the global market and international marketing for professional service firms shall also be conducted by PSDC.

5.1.5 Graduate Placement Program

With the cooperation and collaboration of professional service firms, PSDC has trained unemployed graduates in the various disciplines to enhance their employability. The training program is a mixture between classroom lecturing with site placements and practical training. In a pilot program undertaken by PSDC last year, 13 out of 19 graduates that were trained had gained employment right after they completed the training.

6. *Strategic Alliances, Networking and Partnerships*

- 6.1 To enhance the technical and financial capability and capacity of professional service providers, the best approach would be for companies with complementary strength to cooperate and work together either in the form of mergers or strategic alliances, and network structures. In relation to this, PSDC promotes the creation of multi-disciplinary practices (MDP), which are companies with diversified disciplines such as architectural, engineering and surveying, thus able to offer a total design package to local and foreign clients. Besides enhancing competitiveness, this approach is in tandem with the growing preference of some if not most clients for total solutions encompassing conceptual, detailed design, construction, operation and maintenance rather than piece-meal, fragmented ones.
- 6.2 The networking and effective collaboration in the form of strategic alliances among specialists is indeed an appropriate strategy as it allows companies to enhance their capacities and capabilities but minimised the risks associated with high overhead. By having relevant information on Malaysian professional service providers, PSDC is strategically positioned to provide the platform and facilitate strategic alliances and networking among Malaysian professional service providers as well as with professional service providers from other countries to undertake projects in respective countries or in third countries.

7. Conclusions

- 7.1 It is crucial for Malaysian professional service providers to enhance their capacities and capabilities to face the challenges that liberalization brings. In addition, Malaysian professional service providers have to appropriately and strategically position themselves to capitalize on the expected economic recovery in the future. In view of its establishment and stipulated roles, PSDC is the appropriate organization to be the leader for capacity building for Malaysian professional service providers. Besides training and development of Malaysian professionals and professional service providers, PSDC provides the platform for strategic alliances and is the centre for export of Malaysian professional services. PSDC will continue its effort to enhance the Malaysian professional services sector to global competitiveness.