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MSC Malaysia's Shared Services and Outsourcing (SSO) Cluster Bringing the Industry to the Next Level

Moving up the value chain by concentrating on Knowledge Process Outsourcing services
and building local outsourcers

Kuala Lumpur, 30 July 2013 – MSC Malaysia's 'best year' momentum continues with its Shared Services and Outsourcing (SSO) Cluster rolling in RM10.4 billion in revenue in 2012, a 14% jump from 2011. Moving forward in 2013, the SSO cluster reinforced its strategy at a business update press conference today. This involves moving Malaysia's SSO industry up the value chain by concentrating on high value Knowledge Process Outsourcing (KPO) services, keeping in line with Malaysia's transformation into a sustainable, highly-competitive, high-value and high-income developed nation by 2020.

With its complete IT and outsourcing infrastructure as well as an increasingly competitive and skilful workforce, Malaysia has consecutively been ranked the world's third SSO destination by the global management consulting firm AT Kearney since 2004, after India and China. As a driving force of this success, it is no surprise that the MSC Malaysia SSO cluster contributed RM5.8 billion to the nation's GDP in 2012, up 32% from 2011. The cluster also saw a whopping 57% increase in new job creation with over 7,300 new jobs created in 2012, bringing the cumulative number of jobs to 65,800 since MSC Malaysia's inception in 1996.

Speaking at the press conference, Datuk Badlisham Ghazali, Multimedia Development Corporation's (MDeC) Chief Executive Officer said, "The Shared Services and Outsourcing cluster's performance is a mark of the great strides that Malaysia continues to make in the SSO industry. Malaysia offers a unique value proposition especially to foreign investors as the nation churns out over 90,000 multilingual and capable graduates annually, while providing current and potential investors with world class infrastructure, competitive costs of business operations and a safe haven with low occurrence of natural disasters. Additionally, Malaysia is also one of the few countries in the world to provide extensive government support to drive this industry and MDeC is honoured to have been the pioneering force in getting the industry off the ground in 2002".

The key contributors to the cluster's revenue were the following top three industries: Banking, Financial Services and Insurance (BFSI), Oil and Gas and ICT (Information, Communications & Technology). The

BFSI industry recorded RM2.26 billion in revenue while the Oil and Gas and ICT industries contributed RM2.45 billion and RM3.66 billion in revenue in 2012. The remaining industries that contributed to the SSO industry also include the Logistics and Transportation industry as well as the Pharmaceuticals and Healthcare industry.

“There is a huge potential for the global SSO industry in the future. Gartner reported that the worldwide Business Process Outsourcing (BPO) services are expected to grow from USD\$126 billion (RM402.8 billion) in 2010 to USD\$162 billion (RM517.9) in 2015; while the worldwide Information Technology Outsourcing (ITO) services are expected to grow from USD\$225 billion (RM719.3 billion) in 2010 to USD\$281 billion (RM898.4 billion) in 2015. Evalueserve, on the other hand estimated the global KPO services to grow from USD\$8.9 billion (RM28.6 billion) in 2010 to USD\$ 17 billion (RM54.7 billion) in 2014. These projections bode well for Malaysia and sets the right tone for our short term goals for 2013 while also offering great insights into and ultimately, achieving our 2020 aspirations,” added Datuk Badlisham.

Having made a mark in the ITO and BPO sector of the industry, MDeC is set to drive the industry’s next phase of development and subsequently move Malaysia up the value chain with its focus on the high yield KPO sector. This will be done by encouraging existing investments to take up KPO-type of activities, attracting new investments in KPO-type of services as well as grow and further develop niche areas – such as expanding Engineering & Design services to the Oil & Gas industry and beyond.

The cluster also aims to facilitate the growth of local outsourcers under the Entry Point Projects 2 (EPP2) programme. This will be done by benchmarking local EPP2 companies against the International Association of Outsourcing Professionals (IAOP) global standards, providing incentives and initiatives to allow smaller local players to flourish, such as the *InnoSource* programme which facilitates market expansion in terms of funding needs such as private equity and venture capitals, and the *SCORE+* Acceleration programme to nurture local companies with respect to growth, market expansion, market access and promoting industry dialogue.

Michael Warren, Vice President of Shared Services and Outsourcing, MDeC, added, “As we continue to move away from the generic call center business, we are looking to upskill or reskill our professionals, particularly in finance and IT industries to reach the higher level of experience and knowledge required in carrying out KPO services. The current talent development programmes in the pipeline such as the MSC Malaysia MyProCert-Strategic Reform Initiatives (SRI) programme and BFSI Training Programme are key training initiatives that will help us achieve this aim.”

In addition to training and benchmarking programmes, the SSO cluster will also establish partnerships for knowledge development centres, leveraging on MDeC’s networks in the United States, Europe, Japan and Singapore and working with Outsourcing Malaysia and partners such as Gartner to increase Malaysia’s presence abroad.

In 2012, the MSC Malaysia SSO cluster received more than 30 new investments, including foreign direct investments from companies such as Amway Business Services Asia Pacific Sdn Bhd, BT Global

Technology (M) Sdn Bhd, and Xchanging Malaysia Sdn Bhd, as well as key domestic investments such as Brandt International Sdn Bhd, Pulse Group Sdn Bhd, and MyTelehaus Sdn Bhd.

Moving forward, deepening focus at newer avenues and embracing emerging technologies are some of the growth strategies adopted to enable MSC Malaysia's SSO companies to thrive in key markets. MDeC is confident of continued growth and believes that there will be even more opportunities for MSC Malaysia's SSO industry in the future.

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About MDeC, MSC Malaysia & Digital Malaysia

The Multimedia Development Corporation (MDeC) was incorporated in 1996 to strategically drive the Malaysian Government on legislation, policies and standards for ICT and multimedia operations as well as to oversee the development of the Malaysian Multimedia Super Corridor (now MSC Malaysia). MSC Malaysia became the platform to nurture the growth of Malaysian Small and Medium Enterprises (SMEs) in the IT industry whilst attracting participation from global ICT companies to invest and develop cutting-edge digital and creative solutions in Malaysia.

In 2011, 15 years after the introduction and successful implementation of MSC Malaysia, MDeC's mandate was broadened by the Prime Minister to include driving Malaysia's transition towards a developed digital economy by 2020 through Digital Malaysia. Following this, in 2012, Digital Malaysia was officially unveiled as the national transformation programme to achieve this aim.

Founded on three strategic thrusts, Digital Malaysia is a natural progression to harness the building blocks already laid by MSC Malaysia. It will drive wealth creation, stimulate efficiency and enhance quality-of-life by harnessing and building upon Malaysia's varied ICT initiatives, resulting in a nation that connects and empowers government, businesses and citizens through a vibrant and demand-focused digital ecosystem.