BUSINESS SENTIMENT
2016/2017

A PERSPECTIVE FROM MALAYSIAN EXECUTIVES
The Malaysian Business Sentiment Survey 2016/17 provides insights into the challenges faced and actions taken by Malaysian firms from the vantage point of practices and opinions expressed by CEOs and senior managers. Views of the business community provide an important compass point on the pressing global, regional and local business issues and how Malaysian firms fare in addressing them. Building on previous surveys, the Malaysian Business Sentiment Survey 2016/17 reports on how Malaysian companies are navigating turbulent and uncertain times to build platforms for competitive success.

The Malaysian Business Sentiment Survey 2016/17 provides insights into market conditions and consumer sentiment, assesses the impact of emerging technologies on the nature and pattern of competition, evaluates the regulatory environment and its implications for trade, and identifies the range of capabilities needed for Malaysian firms to transition to high value added economy. The report captures the prevailing mood in Malaysian businesses and the directions firms are likely to take into the future as the realities of an uncertain global environment begin to gain traction in the form of concrete impacts.

The multidisciplinary research platform Global Asia in the 21st Century (GA21) of Monash University Malaysia values its partnership with CPA Australia in the Malaysian Business Sentiment Survey. We are grateful for their support and commitment towards the project. I would also like to take this opportunity to thank all the respondents for their time and valuable insights. Last but not least, I would like to express my gratitude to the researchers from Monash University Malaysia and their counterparts in CPA Australia who have dedicated their time and energy to make the report a reality.

Professor Pervaiz Ahmed
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Foreword

CPA Australia is proud of its longstanding relationship with Monash University Malaysia as part of its public presence in the Asia Pacific region. This is our third collaboration with the University on the Malaysian Business Sentiment that initially started as the Malaysian CEO Survey. We see this as an opportunity to engage with the University and connect with the business community in a meaningful way to add value.

Our two organisations have a shared view on the changing business environment and the pivotal role played by business leaders who operate in a complex, uncertain and interconnected world. The survey has enabled senior leaders to reflect on key strategies and issues that have an impact on their businesses’ ability to create value over the short, medium and long term. In turn, the report recognises the impact of the external environment on companies and gives us a window into decision making in a way that is both compelling and accessible and allows us to clearly see both the challenges and opportunities that businesses face.

As a global membership organisation with more than 160,000 members across 118 countries with more than 25,000 members working in senior leadership positions, we recognise the size and influence of CPA Australia benefit our members by increasing the relevance and profile of their designation in the market place. Our heritage straddles over 130 years of experience and influence across diverse markets and our membership includes Monash alumni playing influential roles in various sectors of business, the public sector and academia as they manoeuvre through a challenging economic environment. The path ahead is strewn with obstacles but by adapting, evolving and innovating, businesses can achieve their vision and goals through perseverance.

We foresee the Malaysian Business Sentiment going from strength to strength with each passing year and I’d like to take this opportunity to thank Monash University Malaysia, in particular, Professor Dr Mahendhiran Nair, for his patience and support in giving us the opportunity to work alongside the University to provide tangible input into the report.

Priya Terumalay FCPA
Country Head – Malaysia
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Executive Summary

Malaysian CEOs and senior managers envisage a challenging global business environment over the next 12 months due to economic uncertainties in developed countries, political uncertainties in the European Union and possible ‘inward-looking’ trade policies by the Trump government in the US. Nonetheless, they are cautiously optimistic about the domestic business climate due to the Malaysian government’s Keynesian-type policies to stimulate the domestic economy through various cash transfer programs, infrastructure development projects; and, strategies to increase the inflow of foreign direct investments under the 11th Malaysia Plan.

The CEOs and senior managers note that the global, regional and domestic business environments have become more competitive and will continue to do so over the next 12 months, powered by the forces of globalization, liberalization, regionalization and digitization. They opined that to raise global competitiveness of the Malaysian corporate sector, greater efforts are needed to achieve the following:

- increase the adoption of information and communication technology (ICT) and Industry 4.0 among firms; and
- develop more effective strategies to nurture and retain creative talent in Malaysia.

This will enable firms to:

- attain greater operational efficiency
- enhance corporate governance
- expand their reach for resources, talent, networks and markets; and
- improve the richness of products and services.
Snapshot of Survey Data

85% of businesses believe digital technology can increase operational efficiency.

63% of businesses ranked enhancing graduate employability as the top area universities should focus on developing.

70% of businesses ranked proactively managing the business environment through strategic foresight and thinking as the most important capability to cultivate for tomorrow’s CEOs.

63% of businesses ranked mobile technologies for customer engagement as their most strategically important digital technology followed by the Internet of Things (53%).

70% of businesses ranked critical thinking skills as the top educational requirement to enhance business development and competitiveness.

60% of businesses believed that their sales priority should be focused on existing products or services instead of seeking new markets for the next 12 months.

69% of businesses reported cost of doing business as the most important issue that would impact their business prospects over the next 12 months followed by weakening of the Ringgit (42%).

58% of businesses were confident about their prospects.

63% of businesses ranked government commitment in implementing green initiatives as the most important activity in creating a green and sustainable environment.

54% of businesses ranked knowing customers’ problems through customer relationships and feedback as their top contributor to innovation followed by depth of specialist knowledge and skills of people (50%).
54% of businesses would like to spend more time on cost management over the next 12 months, followed by seeking new markets (48%) and developing business relationships (34%).

51% of businesses believe that the business environment will worsen over the next 12 months.

Businesses were split evenly (50%) over their focus on operational efficiencies and growth.

Nearly 1 in 2 (50%) predict that it is likely their business will compete in a new industry sector over the next 3 years.

Nearly 1 in 2 (49%) believe that there is a balance: both more opportunities and more threats now compared to 3 years ago.

43% of businesses consider South East Asia to be their most important regional market, followed by East Asia (26%).

43% of businesses are partnering with business networks, clusters, or trade organizations.

40% of businesses described themselves to be engaged in improving the quality of an existing product or service and making it better.

40% of businesses have more than 50% of their revenue coming from products or services introduced in the past 3 years.

39% of businesses indicated that the government is a significant buyer of their products.

26% of businesses cite access to new customers as their main reason for entering collaborations.

23% of businesses believe that they will face significant competition from the information technology & communication sector (ICT).
Research Findings
Global uncertainties impact business sentiments

Q1 In your opinion, do you think the business environment over the next 12 months will:

- Change to much better (6%)
- Change to be a little better (12%)
- Remain unchanged (15%)
- Change to be a little worse (36%)
- Change to be much worse (15%)
- Don’t know (16%)

Figure 1: Business environment over the next 12 months
Base: N = 214 respondents
Source: Monash Malaysia 2016/2017 Malaysian Business Sentiment Survey

Approximately 51% of the CEOs and senior managers thought that the business environment is expected to worsen (36% had stated that the business environment will slightly worsen and 15% stated that it will get much worse). Around 6% of the CEOs and senior managers expressed optimism that the environment is likely to get much better; while 12% believed that the environment will get a little better. In addition, 15% of the respondents informed that the environment is not likely to change.

In general, CEOs and senior managers seem to be pessimistic about the business climate. This is attributed to a number of factors:
- dampened global demand;
- BREXIT and potential further fracturing of the European Union;
- a domestic focused United States (US) under the Trump Administration; and
- US withdrawal from the Trans-Pacific Partnership.
Cautious optimism on domestic economy amidst global uncertainty

Q2 How confident are you about your company’s business prospect for the next 12 months?

Though most of the CEOs and senior managers were of the view that the business environment is not likely to improve over the next 12 months, a majority (58%) were very confident or somewhat confident about their business prospects. 13% were somewhat unconfident and only 2% were very unconfident of their business prospects. A fair percentage (about 28% of the respondents) were neither confident nor unconfident of their company’s business prospects.

The general optimism in the business prospects of the country is due in some extent to increased government initiatives to stimulate the domestic economy through increased infrastructure investment programs, increased domestic consumption due to the various cash transfers and increased foreign direct investment into corridor development programs under the 11th Malaysia Plan and the 2017 Budget.
Managing costs amidst weakening currency and global uncertainty

Q3 Thinking about the next 12 months, which of the following issues are you most concerned with and will impact on your business prospects? (Please rank your TOP THREE (3) only, where 1 is the issue you are most concerned with, 2 is the second issue you are most concerned with and 3 is the third issue you are most concerned with).

The major issues that concern businesses over the next 12 months are the increasing cost of doing business (69%), followed by the weakening Malaysian currency (42%) and global economic uncertainty (34%).

The biggest issue that concerns firms is increasing cost of business, which will have a major impact on bottom-line of firms. The second major issue is the weakening Malaysian currency, which will severely impact firms that are dependent on import goods for their production process. A weakened currency will reduce firms’ profit margins. The third concern cited by respondents relates to global economic uncertainties due to one or more of the following events:

- BREXIT and its negative spillover impact on the economies within the European Union;
- a domestic focused Trump government in the United States that may ignite trade wars with major economic players in the region; and
- US withdrawal from the Trans Pacific Partnership, which may curtail trade within the Asia-Pacific region.
Managing cost, seeking new markets and developing strategic partnerships

Q4 Over the next 12 months, which of the following THREE (3) would you like to spend more time and resources on? (Please select THREE (3) only):

- Cost management: 54%
- Seeking new markets: 48%
- Developing business relationships: 34%
- New product development: 30%
- Marketing and branding: 25%

The survey shows that, over the next 12 months, firms’ top priority will be to focus on managing their costs (54%). This is followed by seeking new markets (48%), which will enable firms to diversify their risks given the domestic market is increasingly becoming competitive and traditional markets are experiencing a slowdown. The third priority will be to nurture and develop strategic business relationships (34%) that will enrich firms’ production processes and business reach. This will enable firms to not only improve operational efficiencies, but also benefit from network externalities.
Growth Opportunities or Threats?

The Business environment is fraught with threats, but the challenging environment also presents new growth opportunities

Q5 In your opinion, are there more growth opportunities/threats for your company now than there were 3 years ago?

![Figure 5: Change in growth opportunities or threats](Base: N = 177 respondents
Source: Monash Malaysia 2016/2017 Malaysian Business Sentiment Survey)

49% of the respondents are of the view that while the current business environment has more threats than three years ago; under this challenging environment, there are new opportunities for firms to expand their businesses. Close to 25% of the respondents are of the view that there are more threats than opportunities for them (more minor and major threats). While 23% expressed that there are more opportunities for firms at present than three years ago (more minor and major opportunities).

In general, the CEOs and senior managers are of the view that a more open economic environment will erode domestic firms’ market share, but firms that are outward looking will benefit by expanding their business footprints in international markets.
Important Market Growth Opportunities

ASEAN and Asia-Pacific are the new engines of growth

Q6 Which regional markets, excluding your domestic market, do you consider most important for your company’s overall growth in the next 3 years? (You may select more than ONE (1) regional market.)

Among the respondents’ regional choices, South East Asia is ranked the main market firms will focus on in their growth strategy over the next 3 years. Close to 43% of the firms surveyed state that their focus is on expanding in the ASEAN markets. Around 26% state that they will expand in the East Asian region. On the other hand, 21% of the CEOs and senior managers state that they do not have an international strategy and are primarily focused on the domestic market. 16% of the respondents state that Western Europe, the Middle East and Northern Africa are important for their growth strategy.
Balancing operational efficiency with growth strategy

Q7 Which is more important to your company’s overall wellbeing?

50% of CEOs and senior managers responded that operational efficiency is important for the firm’s wellbeing. The remaining 50% of the respondents state that growth strategy is a key catalyst for the overall wellbeing of the firm. These results are not surprising, as dampened global demand and increasing competition in the domestic market are forcing firms to pursue dual strategies of expanding their market opportunities (growth strategy), while at the same time ensuring that they are efficient and lean in their operations.
Significance of Government as a Buyer

Government is a major buyer, but firms are more dependent on domestic private consumers and international markets

Q8 How significant or insignificant is the government as a buyer to your business?

More than one third of respondents (39%) informed that the government as a buyer is important for their business. On the other hand, around one third of the respondents (36%) informed that the government as a buyer does not have a significant impact on their business. About 25% were ambivalent (responded as neither significant nor insignificant) to government as a buyer to their business operations. Hence, the analysis suggests that while government is an important buyer in the domestic market, firms are more dependent on private consumers and international markets for expanding their revenue base.
Expansion to new sources of growth

Q9 Over the next three years, how likely is it that your company will compete in new industry sector(s) other than the current one?

Close to 48% of the respondents stated that their firms will very likely or somewhat likely compete in new industry sectors over the next three years. This is promising, as it suggests that these firms are likely to expand their operations to other complementing industries, enabling them to increase their market opportunities and diversify their economic risks.

Around 24% state that they are somewhat unlikely or very unlikely to compete in new industry sector(s) other than the current industry, 28% of the firms are unsure if they will expand their operations into other industries or remain in the same industry sector.
Technology intensifying competition

Q10 From which industry or industries outside of your own do you think significant competitors are likely to emerge? (Please tick maximum of TWO (2) sectors that may become a source of competition into the future. If you are unsure, please tick the “don’t know” box).

![Source of Competition](image)

The most likely industry the respondents think competitors will emerge for their businesses are from the information technology & communication (ICT) industry (23%). This is not surprising as CEOs and senior managers are of the view that wide use of ICT among firms will intensify competition for incumbent players. The use of ICT has also lowered the cost of market entry, resulting in new start-ups that have eroded market share of incumbent firms in the industry.

The second industry, where more competitors are expected to emerge from is the retail and wholesale sector (20%). This industry is also undergoing rapid changes powered by ICT and e-commerce initiatives, where domestic consumers can purchase products using online portals that provide cheaper and better quality service. Firms that are slow to migrate to the digital economy will experience major challenges holding on to their clientele resulting in a lower market reach.

The third industry that significant competitors are expected to emerge from is the manufacturing industry (electrical and electronics) (14%). This industry has been increasingly embracing Industry 4.0, which incorporates cyber-physical systems that enable firms to seamlessly integrate diverse production processes, continuously monitor and regularly refine all segments of their value chain and supply networks. As more firms across the globe adopt these processes, competition for both domestic and international market share will intensify. This poses a major risk for local players, especially firms that are slow to implement these processes.
Convergence of technology platforms drive competitiveness

Q11 In order for your company to remain competitive, which of the following digital technologies is strategically important? [Please rank the TOP THREE (3), with 1 being the most important, 2 the next most important and 3 being the third most important. If digital technologies are not relevant for your business, please indicate “1” in the box “Not applicable”.

The top digital technology identified as important to remain competitive by respondents is mobile technologies for customer engagement (63%). This is followed by Internet of Things, and data mining and analysis tools (53%). The third most popular technology that is identified for enhancing the competitiveness of firms is socially enabled business processes (41%).

Empirical analysis suggests that firms recognize the importance of these key technologies in enabling firms to expand their reach for markets, talent and other important resources that will enable them to enhance their competitiveness.
Digital technology powering efficiency, market intelligence and network externalities

Q12 To what extent are digital technologies creating value for your organization in the following areas? Please indicate accordingly. Note: If these are not used or not relevant, please select “No value”.

85% of the CEOs and senior managers responded that operational efficiency is the most important reason for creating value using digital technology. This is followed by Analytics (84%) and external collaboration (83%). Other areas in which digital technology creates value is fostering stronger internal collaboration (82%) and enhancing customer experience (80%).

The above results suggest that CEOs and senior managers are of the view that digital technologies enable firms to enhance their operational efficiency. It also assists firms to obtain strategic market information that help them make informed decisions. Digital architecture also provides a platform for firms to establish partnerships and linkages that transcend space and time.
Strategic Foresighting and Thinking

Q13 In your opinion, what are the FIVE (5) most important capabilities that tomorrow’s CEOs must cultivate in their companies? Please rank, where 1 is most important, 2 is next most important, 3 is third most important, 4 is fourth most important and 5 is fifth most important.

Based on the survey, 70% of the CEOs and senior managers responded that the most important ability to cultivate to stay competitive in the future is the ability to proactively manage the business using strategic foresight and thinking. This is followed by: the ability to deal with change by creating an agile and adaptive organisation (64%); highly competitive, focused and highly efficient organisation (63%); creating a culture of innovation (51%); and acquisition and retention of talent with deep specialist skills and knowledge (49%).

The above analysis suggests that CEOs and senior managers are of the view that to stay competitive in the future, firms should invest in capabilities that will enable them to undertake strategic thinking, foresighting and putting in place a management structure that is agile, adaptable and efficient.
Key strategic partnerships and networks

Q14 Are you currently engaged with or considering engaging with any of the following types of partners through joint ventures, strategic alliances or informal collaborations? [You may select more than ONE (1)]

Collaborations with external partners are critical for firms’ success in enhancing market reach, productivity and competitiveness. 43% of the CEOs and senior managers surveyed identified business networks, clusters or trade associations as the partners they would most likely work with via joint ventures, strategic alliances or other informal collaborations. This is followed by suppliers (38%) followed by customers (30%) as external partners for contributing to business development.
Strategic partnerships driving market reach, innovation and technology diffusion

Q15 Which of the following is the main reason for collaborating in joint ventures, strategic alliances or informal collaborations?

The main reason for establishing joint ventures, strategic alliances or informal collaboration among firms is to access new customers (26%). The second reason is to strengthen innovation capabilities through technology and knowledge transfer (22%). This is followed by access to new and emerging technology and access to new markets (18%). Around 16% of the firms indicated that they do not engage in any joint ventures, strategic alliances and informal collaborations.
Driving incremental innovation

Q16 Which of the following best describes your company?

Based on the survey results, close to 40% of the CEOs and senior managers responded that their firms improved the performance of an existing product. Around 30% indicated that their firms reduced the cost of an existing product using efficient manufacturing methods. 20% of the firms reduced the price of their products via effective negotiation with suppliers and distributors. 10% of the firms were highly innovative in producing products or services that were not in the market.

The above analysis suggests that a majority of firms pursue incremental innovation, which primarily focuses on making existing products/services perform better, reducing costs of production and ensuring prices are globally competitive.
Focus on developing existing products/services, but seek new markets

Q17 Please indicate what you think your sales priority will be for the next 12 months.

The survey results show that 60% of the respondents reported that their sales priority over the next 12 months will be to concentrate on existing products/services as well as seek new markets. 16% of the respondents indicated that their priority over the next 12 months will be to concentrate on existing products/services for existing markets. 13% stated that their priority will be to develop new products/services for existing markets. Finally, 11% have stated that their firms will develop new products/services for new markets.

The analysis suggests that a majority of firms will focus on strengthening their range of existing products/services by improving operational efficiency and expand to new markets where they have competitive advantage. The expansion to new markets will enable firms to pursue greater economies of scale and diversify their economic risks.
Problem solving, continuous improvement and leadership drivers of innovation

Q18 What are the TOP THREE (3) contributors to your company’s ability to innovate? (Please rank, where 1 is the most important or biggest contributor, 2 is next most important contributor and 3 is the third most important contributor. If your company does not innovate, please indicate “1” on the box “Not applicable”.)

![Bar chart showing top contributors to ability to innovate.]

Firms realize that innovation is a key catalyst for enhancing competitiveness in the new economy. The CEOs and senior managers highlight that the biggest driver of innovation for their firms is knowing and solving problems of their customers (54%). Access to information on customers’ needs, efficient customer relationships and putting in place efficient feedback mechanisms are critical strategic tools for enhancing innovative capacity of firms.

The second factor for innovation is the depth of talent within the organization (50%). Firms with specialist and creative talent will be able to translate innovative endeavors into improving productive efficiency within the firm and enhancing product market development.

The other key factors that contribute towards enhancing innovative capacity of firms are: ethos of quality control and continuous improvements; and a visionary leadership that nurtures and fosters a culture of innovation (37%).
New product development is a key source of economic growth

Q19 What portion of your revenue comes from products or services you introduced in the past 3 years?

![Pie chart showing revenue distribution from new products and services.]

From the survey, 23% of the CEOs and senior managers informed that more than 75% of their revenue comes from new products and services introduced in the past 3 years. Around 17% state that 51% to 74% of their revenue comes from new offerings introduced three years ago. 23% of the CEOs and senior managers state that their revenue from new offerings was between 25% and 50%. Finally, 37% state that revenue from these new products/services is less than 25%.

In summary, 40% of the firms stated that more than half their revenue came from new products and services introduced into the market in the past 3 years. This suggests that a significant proportion of firms in Malaysia are innovative in introducing new products and services to the market to ensure that they remain competitive. This is not surprising as increasing globalization and trade liberalization policies have resulted in the entry of new products and services into the domestic market, eroding competitiveness of firms in Malaysia that do not keep pace with new products and services. The problem is further exacerbated by diffusion of new technology and innovation that are shortening production cycles of products and services. This has also resulted in the entry of newer models of products and services into the markets at a much faster pace. To keep pace with the intensity of competition, firms in Malaysia are also stepping up their game and introducing new products and services into the market.
Government is a major driver of environmental sustainability

Q20 In your opinion, what are the TOP THREE (3) activities needed to create a green and sustainable environment. (Please rank, where 1 is most important, 2 is next most important and 3 is third most important.)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Most Important</th>
<th>Next Most Important</th>
<th>Third Most Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government commitment in implementing green initiatives</td>
<td>26%</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>Integrating sustainability into core business operations</td>
<td>18%</td>
<td>19%</td>
<td>11%</td>
</tr>
<tr>
<td>Innovative alternatives to counter over reliance on non-renewable resources</td>
<td>19%</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>Stricter environmental laws and enforcement of those laws</td>
<td>11%</td>
<td>13%</td>
<td>20%</td>
</tr>
<tr>
<td>Increased investment in securing future resources for future usage</td>
<td>13%</td>
<td>3%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Figure 20: Top activities to create green and sustainable environment
Base: N = 160 respondents
Source: Monash Malaysia 2016/2017 Malaysian Business Sentiment Survey

Environmental sustainability of a nation is closely tied to environmentally sustainable operations put in place by the various economic agents in the economy. Based on the survey, the top driver for creating a green and environmentally sustainable environment is the government’s commitment in implementing green initiatives (63%). This is followed by integrating environmentally-friendly practices into the firm’s business operations (48%) and availability of innovative alternatives that wean industries away from environmentally harmful practices and use of non-renewable resources (45%).

In summary, government policies, practices, regulations and incentives for adherence to best environmental standards and recourse for non-compliance to these standards are critical in ensuring environmentally sustainable initiatives gain traction within an economy.
Role of Malaysian Universities in Business Development

Graduate employability, industry-relevant R&D and training

Q21 In your opinion, what are the TOP THREE (3) areas that Malaysian Universities should focus on developing into the future? (Please rank, where 1 is most important, 2 is next most important and 3 is third most important.)

<table>
<thead>
<tr>
<th>Area</th>
<th>Most Important</th>
<th>Second Most Important</th>
<th>Third Most Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancing graduates employability</td>
<td>40%</td>
<td>8%</td>
<td>15%</td>
</tr>
<tr>
<td>Aligning their R&amp;D activities with the needs of business</td>
<td>16%</td>
<td>19%</td>
<td>26%</td>
</tr>
<tr>
<td>Developing training programs for industry</td>
<td>17%</td>
<td>28%</td>
<td>14%</td>
</tr>
<tr>
<td>Developing global R&amp;D network</td>
<td>8%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Commercializing R&amp;D activities</td>
<td>4%</td>
<td>17%</td>
<td>8%</td>
</tr>
</tbody>
</table>

The CEOs and senior managers who participated in the survey were of the view that Malaysian universities play an important role in enhancing corporate sector wealth creation opportunities. However, they believe the top three primary focus areas of universities should be to enhance graduate employability (63%), followed by ensuring the R&D initiatives undertaken by universities meet the needs of industry (61%) and universities develop training programs that are relevant and benefit industry (59%).

The above comments by industry captains suggest that strong linkages between universities and the corporate sector (‘triple-helix’) will improve graduate employability. They are considered to be an importance source of R&D and innovation for industry, and a key platform for continuous training and upgrading of skills for the Malaysian workforce.
Key competencies: critical thinking, proficiency in English and highly motivated

Q22 What are the TOP THREE (3) educationally based requirements to enhance business development and competitiveness into the future? (Please rank, with 1 being highest concern, 2 is the second most important concern and 3 is the third most important.)

Creative, highly articulate and self-motivated graduates are important for enhancing innovative capacity of firms in a competitive global economy. 70% of the CEOs and senior managers expressed that the top key competence required for the new economy is critical thinking. 55% of them state that proficiency in English language (both written and spoken) is important for the corporate sector to be competitive globally. Good command of English language is critical for the internationalization strategy of firms, given English is the ‘lingua-franca’ of the global business community. It also enables graduates to keep pace with new innovations and discoveries that are often documented in journals and publications written in English. 38% of them state that graduates who possess strong self-initiative qualities and are highly motivated contribute to the enhancement of business development and competitiveness of firms.
Based on content analysis, face-to-face interviews and findings of this survey, seven main themes emerged. They are outlined below.

1. Managing uncertainties in global markets
   The global economy over the past 12 months has been uncertain due to several major global events, which include the vote for the UK to leave the European Union (Brexit), and the US election result and the US withdrawal from the Trans-Pacific Partnership Agreement. The uncertainties are envisaged to persist over the next 12 months with continued political uncertainty in Europe. Concerns of further fracturing of the EU will have an adverse impact on the economic climate in the EU and global markets. Should this further fracturing of the EU occur, this is expected to create negative economic shocks that should reverberate to the Malaysian economy, one of the most open developing countries.

   Demand conditions and the investment climate in Malaysia are also expected to be dampened over the next 12 months if President Trump continues to back a ‘domestic focused foreign and trade policy’ agenda.

2. Managing cost amidst weakening currency
   Lower global demand for products and services will have an adverse impact on small open economies such as Malaysia. This will result in a weaker currency. Firms over the next 12 months will focus on managing costs by reducing imports, sourcing supply and resources from Malaysia and using better technology to improve operational efficiency.

3. Leveraging opportunities within the domestic economy
   Firms are cautiously optimistic of the domestic business environment due to increased support from the government to stimulate domestic demand through various cash transfer programs, large infrastructure development projects and strategies to increase foreign direct investments into the country under the 11th Malaysia Plan. These Keynesian fiscal stimulus initiatives are envisaged to be a ‘silver lining’ for firms operating under a challenging and uncertain global economy.

4. Increase diffusion of the digital economy and Industry 4.0
   CEOs and senior managers are of the view that for firms to be competitive, they will have to embrace the digital economy and Industry 4.0; which will enable them to extend their reach for talent, resources, market intelligence, networks and markets. The digital economy will also enable firms to attain greater operational efficiency, market agility; and, enable them to pursue greater economies of scale and economies of scope.
5. **Nurturing talent for a creative economy**

CEOs and senior managers highlighted the importance of universities nurturing talent that will enable firms to enhance their innovative capacity, process improvement and product development. In this context, universities should take action to ensure that skills set, graduate attributes, research and development activities and training programs are aligned to the needs of industry. Senior leaders of the firms also expressed that competitiveness of the workforce in the future will be dependent on a strong supply of a creative workforce with a strong command in English language. A creative and highly motivated workforce is important to push the boundaries of knowledge and translate new innovations into value propositions for the corporate sector. The latter is critical to move industries up the global innovation value chain.

6. **Expanding footprint to regional markets**

Firms are of the view that with the opening up of new markets in the region, competition in the domestic economy will be intensive over the next 3 years. The overall growth strategy for firms will depend on their ability to extend their footprints into regional markets that are robust and dynamic. CEOs and senior managers informed that their focus over the next three years will be to expand their market reach to the ASEAN and East Asian regions, where income levels and quality of life are showing positive signs of progress.

7. **Government as major driver of environmental sustainability**

Government has a dual role of ensuring environmental sustainability and economic development. As a major service provider for the economy, the government plays a key role in ensuring core business operations take into consideration environmental best practices and alternate innovative approaches are used to counter over-reliance on non-renewable resources. Second, the government needs to ensure that strong environmental regulations and incentives are in place to foster greater adherence to global best practices and standards by the corporate sector operating in Malaysia and overseas.
Cross-sectional spectrum of industries

The study provides an overview of business sentiments across a wide spectrum of the nation’s economy. The respondents were selected from various industries and across a diverse range of businesses.

A total of 214 online questionnaire survey forms were completed. From the survey, 25% of the companies reported estimated gross revenue of less than RM20 million. 49% reported revenue between RM20 million and RM 500 million. 8% reported revenue above RM 500 million and 18% preferred not to report their gross revenue.

Figure 23: Company’s estimated gross revenue for the next 12 months
Base: N = 159 respondents
Source: Monash Malaysia 2016/2017 Malaysian Business Sentiment Survey
31% of the respondents predicted higher gross revenue over the next 12 months compared to the previous 12 months. 38% reported gross revenue to remain the same over the two sample periods. 21% expected the revenue to be lower and 9% reported that they “don’t know”. These results are consistent with the results obtained in question 2.

Figure 24: Prospects on estimated gross revenue for the next 12 months
Base: N = 159 respondents
Source: Monash Malaysia 2016/2017 Malaysian Business Sentiment Survey

Around 31% of the employers in the sample hired fewer than 75 employees, 27% between 75 and 200 employees, 20% employed between 201 and 500 employees, 9% employed between 501 and 1000 employees and 13% employed more than 1000 employees.

Figure 25: Number of full time employees
Base: N = 159 respondents
Source: Monash Malaysia 2016/2017 Malaysian Business Sentiment Survey
The ownership structure of firms shows that 35% are privately owned, 14% are family owned businesses, 38% are public listed firms, 5% are government linked organizations, 8% are foreign owned firms and 1% are other types of firms.
Mixed methods approach

This study used a mixed method approach to capture the underlying sentiments of CEOs and senior managers in Malaysia. A three stage approach was used to assess the sentiments of corporate sector leaders in Malaysia.

Phase 1: Scoping and content analysis
This stage employs scoping and content analysis involving sourcing secondary data from press releases, media reports and commentaries from other stakeholders. While the themes identified were neither comprehensive nor definitive; they however, assisted the researchers in identifying relevant, contemporary and contextual themes. These themes are captured in the Appendix.

Phase 2: Face-to-face interviews
This stage involves face-to-face interviews with industry captains from diverse industry groupings. From the interviews, an inductive interpretative analysis was undertaken to obtain key insights on the business environment and strategies undertaken by firms in their respective industries to navigate the business environment. These interviews provided the basis for the development of the questionnaire. This stage involves face-to-face interviews with industry captains from diverse industry groupings.

Phase 3: Online survey
An online survey was undertaken using a questionnaire designed by the research team. The questionnaire was administered by IPSOS (a research consultancy company) and the respondents were chosen from a wide range of industries, covering top level employees. The respondents include managers, Chief Executive Officers/Presidents, Chief Financial Officers, Chief Operation Officers and Managing Directors/Managing Partners.

The questionnaires was administered in both English and Bahasa Malaysia. Items in the questionnaire were randomized (i.e., items did not appear in the same sequence) to minimize response bias.
## Appendix: Key Themes from Content Analysis

### Businesses in 2016/2017

<table>
<thead>
<tr>
<th>Category</th>
<th>Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer Sentiment</strong></td>
<td>- Dampened global demand</td>
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<td></td>
<td>- Cautious domestic consumer spending</td>
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<tr>
<td><strong>Economy</strong></td>
<td>- Intensive competition from regional players</td>
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<td>- Economic uncertainties in advanced countries</td>
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<td>- Technology diffusion</td>
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<td>- Digital economy</td>
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<td></td>
<td>- Industry 4.0</td>
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<td><strong>International Trade</strong></td>
<td>- ASEAN Free Trade</td>
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<td>- Trans-Pacific Partnership Agreement</td>
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<td></td>
<td>- ‘Inward-looking’ US trade policies (more protectionist policies)</td>
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<tr>
<td><strong>Nature and Environment</strong></td>
<td>- Global environmental practices and standards</td>
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<td></td>
<td>- Constraints on non-renewable energy and resources</td>
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<td></td>
<td>- Global warming and regional haze</td>
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<td><strong>Public Policy</strong></td>
<td>- 11th Malaysia Plan (Infrastructure Development Plan)</td>
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<td></td>
<td>- Cash Transfer (BRIMS)</td>
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<td>- Innovation driven economy</td>
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<td>- High income economy – Entry Point Projects &amp; NKEA</td>
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<td></td>
<td>- Regional corridors</td>
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<td>- Bumiputra Economic Agenda</td>
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<td><strong>Governance</strong></td>
<td>- Greater transparency in government procurement</td>
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<td>- Adherence to global best practice in corporate governance</td>
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<td></td>
<td>- More independent and effective governance institutions</td>
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<td><strong>Talent</strong></td>
<td>- Creative workforce</td>
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<td></td>
<td>- Brain drain</td>
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<td></td>
<td>- Graduate employability – industry relevant skills</td>
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<td></td>
<td>- English language proficiency</td>
</tr>
</tbody>
</table>
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