Global Business Services Malaysia Strategy 2022-2027
Mid-Term Report

Malaysia As a High-Value Digital Global Business Services Hub

30th October 2025

An Initiative by

Digital Global Business Services Council (GBS Malaysia)

PIKOM The National ICT Association Of Malaysia

GBS MALAYSIA DIGITAL GLOBAL BUSINESS SERVICES COUNCIL

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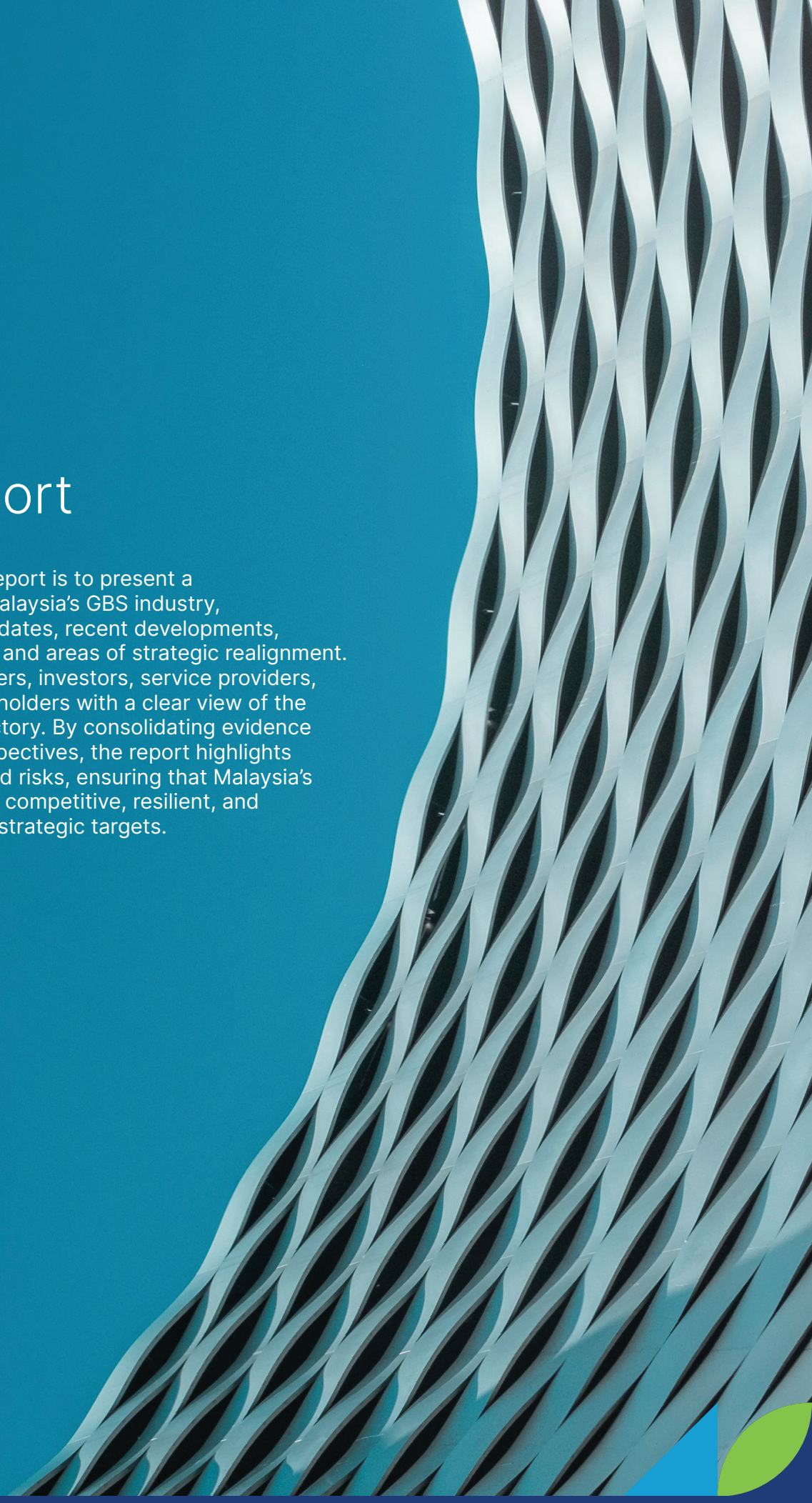
About
This Report

The purpose of this report is to present a mid-term review of Malaysia's GBS industry, capturing industry updates, recent developments, emerging challenges, and areas of strategic realignment. It provides policymakers, investors, service providers, and ecosystem stakeholders with a clear view of the sector's current trajectory. By consolidating evidence and stakeholder perspectives, the report highlights both opportunities and risks, ensuring that Malaysia's GBS industry remains competitive, resilient, and aligned with its 2027 strategic targets.



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Acknowledgement

We thank UNM's long-term industry partner, PIKOM and GBS Malaysia for enabling this industry-academia-government research. Our gratitude extends to the GBS thought leaders, interview participants, government agencies and our dedicated research team for their invaluable contributions. Let's work together to create a meaningful impact by shaping the sustainable future of Malaysia's GBS industry.

In Collaboration With

About us

Founded in 1986, **PIKOM (Persatuan Industri Komputer dan Multimedia Malaysia)** is the National Tech Association of Malaysia, representing the country's vibrant and fast-growing technology industry. With over 2,000 member companies contributing more than 80% of Malaysia's Digital Economy output, PIKOM plays a central role in advancing national digital transformation. As a non-profit organisation governed by an elected Council, it drives innovation, industry growth, and global competitiveness. PIKOM champions initiatives that foster collaboration, nurture talent, and enhance Malaysia's digital capabilities, positioning the nation as a regional technology powerhouse and a leading contributor to the global digital economy.

Digital Global Business Services Council Malaysia (GBS Malaysia) is a chapter of PIKOM – The National Tech Association of Malaysia. Established in 2006 as Outsourcing Malaysia, the council aims to position Malaysia as a leading High-Value Digital GBS Hub. Driven by senior industry leaders and working closely with government agencies and academia, GBS Malaysia focuses on talent development, innovation, and industry competitiveness. It supports the growth of global business services through strategic initiatives, capability building, and knowledge sharing, ensuring Malaysia remains a preferred destination for digital and technology-driven business solutions across regional and international markets.

Established in 1996, the **Malaysia Digital Economy Corporation (MDEC)** operates under the Ministry of Digital as the lead agency driving Malaysia's digital transformation. Through its Malaysia Digital initiative, MDEC builds a robust, inclusive, and future-ready digital economy. Guided by *Agility, Flexibility, and Relevance*, it fosters industry growth, empowers tech companies, and ensures equitable access to digital tools and skills for all Malaysians. As the nation advances toward its AI Nation 2030 vision, MDEC plays a pivotal role by integrating AI across industries, developing digital talent, and cultivating a trusted ecosystem that positions Malaysia as a global digital leader.

The **University of Nottingham Malaysia (UNM)**, established in 2000, was the first British university to open a campus outside the UK. Celebrating 25 years in 2025, UNM ranks among the world's top 100 and the UK's top 20 universities in the QS World University Rankings 2026. Its degrees, accredited by the QAA and MQA, are identical to those awarded in the UK. Located on a 48-hectare campus in Semenyih near Kuala Lumpur, UNM offers world-class facilities and a vibrant international community of over 4,000 students from 74 countries. With more than 70 programmes across Arts and Social Sciences, and Science and Engineering, students benefit from crosscampus exchanges with the UK and China, gaining global exposure and internationally recognised qualifications.

Foreword

Message by
Chief Executive Officer (MDEC)

Embracing the Future with Purpose and Momentum

Over the past three years, Malaysia's GBS ecosystem has advanced rapidly - with the number of active companies more than doubling, investments increasing fivefold, and nationwide industry expansion. These gains reflect strong collaboration between government, industry, and academia, supported by PIKOM and GBS Malaysia. The sector is now evolving into digital and generative models, powered by AI, automation, RPA, and analytics, aligning with Malaysia's AI Nation agenda. Continuous innovation and talent development remain core, ensuring Malaysians stay ahead in intelligent automation. Through robust public–private partnerships, MDEC and its partners strengthen Malaysia's position as a trusted digital hub, driving sustainable growth, innovation, and global competitiveness.

Anuar Fariz Fadzil

Chief Executive Officer, MDEC
Malaysia Digital Economy Corporation (MDEC)

Message by
PIKOM Chairman

Policy Leadership and Digital Ecosystem

The growth trajectory of the GBS industry is inseparable from Malaysia's digital transformation agenda. Anchored by the establishment of the Ministry of Digital and the introduction of the Malaysia Digital initiative, we have built a policy ecosystem that connects technology, people, and governance under a unified vision. The introduction of enabling frameworks - from the Cyber Security Bill to the Global Services Hub incentive and the forthcoming AI governance roadmap - reflects Malaysia's readiness to lead with both innovation and responsibility. This mid-term review showcases the strength of cross-ministerial collaboration, guided by the belief that digitalisation is not merely an economic driver, but a societal enabler that empowers every corridor, every business, and every community to participate in the nation's growth story.

Adj. Practice Professor Alex Liew

PIKOM Chairman
The National ICT Association of Malaysia (PIKOM)

Message by
GBS Malaysia Chair

National Vision and Global Context

Over the past three years, Malaysia's transformation into a regional digital and services powerhouse has accelerated with remarkable clarity of purpose. Our nation's strategy to position itself as a leading Global Business Services (GBS) hub has unfolded against the backdrop of shifting global supply chains, rapid technological convergence, and rising expectations for sustainable, knowledge-driven growth. In this context, Malaysia stands as a compelling exampleof how a developing economy can evolve beyond efficiency-based models to lead through talent, innovation, and inclusivity. This report reflects the outcome of that national ambition - translating digital readiness and policy foresight into measurable progress, strategic investment, and the creation of high-value opportunities that strengthen Malaysia's competitiveness in the global economy.

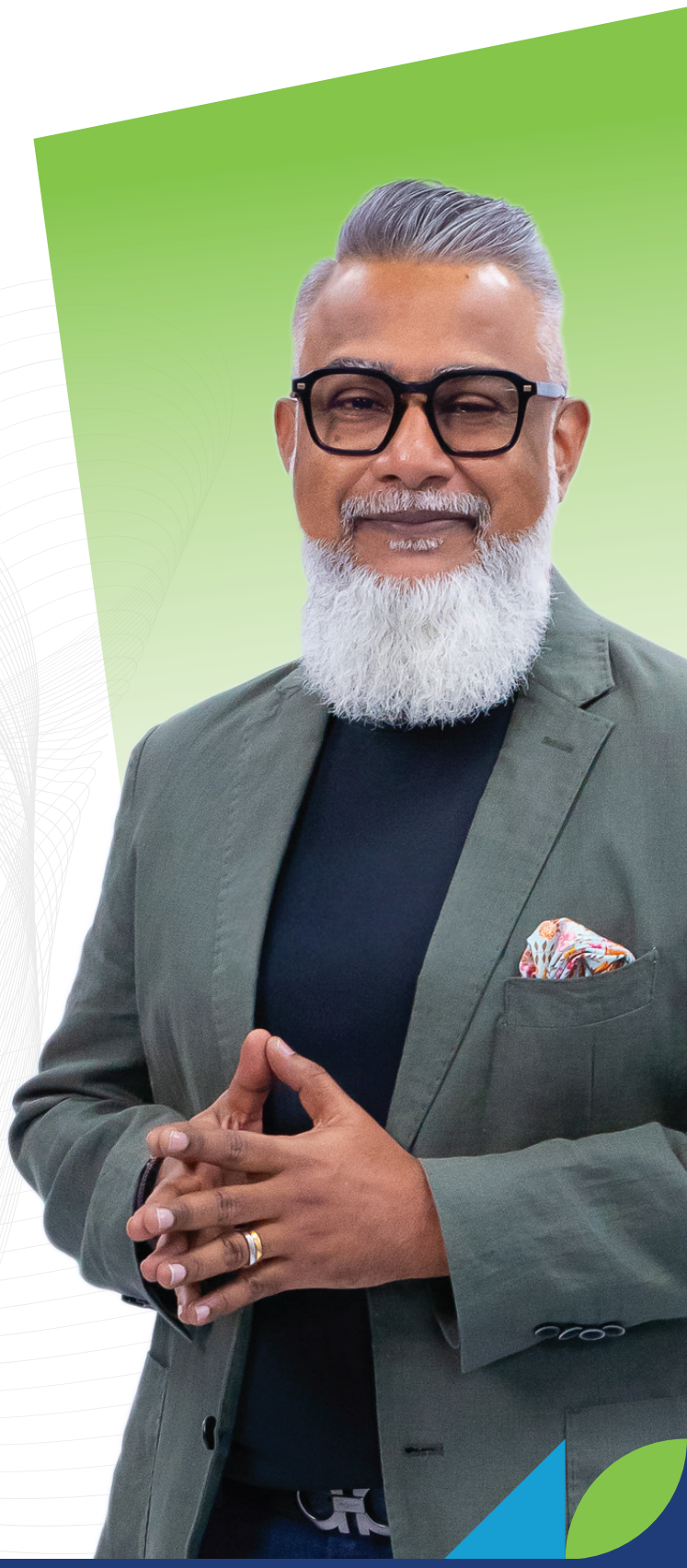
Anthony Raja Devadoss

GBS Malaysia Chair
Digital Global Business Services Council Malaysia (GBS Malaysia)

Message by
GBS Malaysia Research Chair

Knowledge, Collaboration, and the Road Ahead

As we look beyond 2025, this mid-term review underscores a critical truth - Malaysia's future as a global business services hub will depend on how effectively we integrate knowledge, technology, and human capital into a cohesive, future-ready ecosystem. The academia, industry, and policymakers must continue to work hand-in-hand to deepen research, nurture digital fluency, and translate innovation into practice. The report's insights point clearly to a next phase focused on skills acceleration, regional inclusivity, and responsible AI integration. The mid-term report represents more than just a milestone - it is a shared commitment to sustaining progress, bridging remaining gaps, and positioning Malaysia as a model for value-driven and inclusive digital transformation across ASEAN and beyond.



Raymond Davadass
GBS Malaysia Research Chair
Digital Global Business Services Council Malaysia (GBS Malaysia)

Message by
Research Lead

The Empirical Outlook

As the research lead for this mid-term review, the findings demonstrate that Malaysia's GBS industry is undergoing a profound transformation. The data reveal not only a quantitative leap in investments and company formations but also a qualitative shift toward higher-value services, regional clustering, and a workforce evolving into strategic partners. This dual progress reflects a powerful alignment of national capability with global opportunity. Our analysis further highlights critical areas for action: talent retention, regional inclusivity, and the rapid integration of AI. These are not abstract challenges but empirical realities that demand targeted responses. The "Way Forward" outlined in this report translates research into a strategic action plan - calling for deeper collaboration between academia, industry, and government to close skill gaps, enhance infrastructure, and refine policies. By strengthening this feedback loop, Malaysia can solidify its position not merely as a leading GBS hub, but as a global centre of excellence, innovation, and inclusive growth.

Assoc. Professor Dr. Mandy Sim

Institute of Work, Organisation and Wellbeing
University of Nottingham Malaysia (UNM)

GBS Malaysia Research Committee Members

Raymond Davadass

GBS Malaysia Research Chair & Treasurer
PIKOM Council Member
Founder & CEO, Daythree Digital Berhad

Founder and CEO of Daythree Digital Berhad, a public company listed on Bursa Malaysia. Raymond specializes in providing strategic management direction, particularly in the field of digital transformation strategy and management. He holds a Master of Business Administration majoring in Strategy & Planning, and is a Chartered Accountant, registered with CPA Australia and Malaysian Institute of Accountants. Raymond is the author of several articles and research papers. He was twice selected by peers in the industry as 'Best Thought Leader' in 2017 and once again in 2019 – an award reserved for recognizing leadership aimed at external positioning of the individual's competencies in delivering value.

Anthony Raja Devadoss

GBS Malaysia Chair & PIKOM Secretary
Country Managing Director, Korn Ferry Malaysia

Anthony brings over 25 years of global experience in executive advisory, HR transformation, outsourcing, and leadership development across multiple sectors, including technology, business services, energy, finance, and healthcare. As the leader of Korn Ferry's operations in Malaysia and part of the Global Technology Markets team, he oversees business growth, organizational strategy, and talent innovation, helping clients align human capital with business objectives. Beyond his corporate responsibilities, Anthony is actively shaping Malaysia's Digital and Global Business Services (GBS) landscape through his leadership roles at PIKOM and GBS Malaysia. He has experience working across Asia Pacific, Europe, Middle East and the Americas in areas of talent strategy, organizational effectiveness, and human capital innovation, and has contributed to the development of organizations in various regions.

Adj. Practice Professor Cheah Kok Hoong

GBS Malaysia Chairman Emeritus
CEO of Cognitive Digital Sdn Bhd, Executive Chairman of SteerQuest,
Chairman of SQV International and President of ESG Association of Malaysia

Cheah Kok Hoong is a visionary business leader and ESG pioneer with over 30 years of experience in digital transformation, venture capital, and strategic growth across manufacturing and services sectors. He has extensive expertise in business development, M&A, and process engineering, and is widely recognised for driving the advancement of Malaysia's ICT industry both locally and regionally. Cheah currently serves as Executive Chairman of SteerQuest, CEO of Cognitive Digital, and Chairman of SQV International, where he leads ESG and digital economy initiatives across ASEAN. As President of the ESG Association of Malaysia, he contributes actively to national policy and regional sustainability efforts. He also serves as an Adjunct Practice Professor at Sunway University, mentoring the next generation of digital and ESG leaders.

Woon Tai Hai

GBS Malaysia Advisor
Independent Non-Executive Director, Takaful Ikhlas General Berhad

Woon has over 35 years of experience spanning financial services, IT, and management consulting. He held senior leadership roles as Partner at KPMG Malaysia and Executive Director at BDO Malaysia, following 11 years in Australia's banking and finance sector. He holds an MBA, a Postgraduate Diploma in Accounting and Finance, and a B.Sc. in Computer Science from UTS and UNSW. An active industry advocate, he has advised PIKOM since 2014 after serving as Chairman (2011–2013) and currently chairs its Research and Oversight Committees. He led the AI Ethics and Governance Policy for Malaysia's tech industry (2024, updated 2025) and contributed to the National AI Framework. Mr. Woon serves as Independent Non-Executive Director at Takaful Ikhlas General Berhad and as Industry Advisor to UTAR's Faculty of ICT.

Phil Captain

GBS Malaysia Advisor
Principal & Partner, PMC Team

Phil Captain is a global business leader with extensive experience taking ideas from concept to strategy and full-scale execution. Known for his focus on "how to win the game," he has worked with major multinationals and successfully built his own ventures spanning IT, hospitality, automotive services, and retail. A results-driven strategist, Phil excels at improving profitability through operational efficiency, cost optimisation, and revenue growth. He is recognised for his forward-thinking approach, guiding companies to embrace innovation and develop new products and solutions ahead of market trends. With a deep understanding of emerging technologies, Phil helps organisations harness them for quantum productivity gains and long-term competitiveness. His entrepreneurial mindset and hands-on leadership make him a catalyst for sustainable growth and business transformation.

Executive Summary

Since the launch of the GBS Malaysia Strategy in 2022, the industry has undergone a period of remarkable expansion and transformation. The number of GBS companies grew to 749 in the first half of 2025, up from 449 in 2021. Investment inflows surged, increasing 13.5 times from RM 0.73 billion in 2021 to RM 9.87 billion in 2024, underscoring a phase of massive, resilient, and rapid-scale expansion. This growth is complemented by the creation of 36,626 jobs as of mid-2025, with the GBS industry accounting for 35% of all jobs created by MD companies since 2021. The industry has also diversified geographically by maturity: Selangor, Kuala Lumpur, and Penang have solidified their status as advanced hubs; Johor is accelerating its progress; and regions like Perak, Pahang, Sabah, and Sarawak are positioned for further development. National talent pipelines, supported by initiatives such as the MD Workforce, GLOW, and MyDigitalMaker programmes, continue to supply skilled workers to the ecosystem. Meanwhile, infrastructure readiness has been strengthened by world-class 5G deployment and significant foreign investment in data centres.

This foundational growth has been strategically reinforced by proactive policy and governance, elevating Malaysia to a leading global position. Policy momentum accelerated with the establishment of the Ministry of Digital, the introduction of new AI initiatives, and regulatory reforms including the PDPA amendment and the Cyber Security Bill. New tax incentives under the Global Services Hub framework and foreign talent facilitation schemes like eXpats and DE Rantau further signal a robust enabling environment. These concerted efforts have yielded exceptional outcomes: GBS revenue is estimated to reach RM28.14 billion in 2025, and Malaysia has maintained its position as the 3rd most attractive destination in the Global Services Location Index since the index's inception in 2004. The country also consistently places 2nd or 3rd in ASEAN for digital competitiveness, innovation, and FDI confidence.

To secure this momentum and solidify Malaysia's status as a global GBS hub, the following actions are recommended. In talent, launching targeted "Skills Sprint" initiatives to address AI and analytics gaps and expanding regional pipelines are crucial. For infrastructure, the focus should be on accelerating digital readiness in secondary corridors and establishing a national GBS digital sandbox. Policy must streamline visa and incentive processes while implementing a dynamic AI governance framework. Ultimately, strengthening ecosystem collaboration through a GBS Transformation Council will be key to positioning Malaysia as a global centre of excellence in multilingual analytics, ESG-linked services, and AI-driven process management.

Introduction

What are **GBS Companies?**

GBS industry is made up of companies that manage centralised and integrated service delivery models that encompass shared services, knowledge-based and business process outsourcing services, and centres of excellence for multiple business units located in geographically dispersed locations (Malaysia Digital Industry Report, 2021 - H1 2022).

Global services hub – A locally incorporated company that uses Malaysia as a base for conducting its regional or global business operations to manage, control, and support its key functions including management of risks, decision making, strategic business activities such as research and design, marketing, supply chain management, and consolidation of shared services functions. (MIDA, 2024).

GBS includes companies that manage centralised and integrated service delivery models for multiple business units located in geographically dispersed locations. GBS encompasses three main categories – business process outsourcing (BPO), information technology outsourcing (ITO) and knowledge process outsourcing (KPO) (MITI, 2023).

Global services include the development of global technology centres and single-family office management companies. Other strategic sectors not included: the national sports industry and the mainstreaming of Science, Technology, and Innovation (STI) development (13th Malaysia Plan, 2026 to 2030).

In short, **Global Business Services (GBS) companies are characterized by centralized, integrated service delivery models supporting internal stakeholders or external clients across geographically dispersed locations.** These models encompass one of or a combination of the following: shared services, business process services, information technology services, knowledge process services, and centres of excellence, enabling streamlined, higher-value operations from a base in Malaysia.

Global Business Services (GBS) companies are characterized by centralized, integrated service delivery models supporting internal stakeholders or external clients across geographically dispersed locations.

Methodology

The research employed a mixed-methods approach, involving quantitative and qualitative data to offer comprehensive and in-depth findings. The process begun with systematic literature review, identifying industry reports, government publications, relevant statistics, academic journals, and market intelligence to establish a foundational understanding of the Malaysian GBS industry.

This was followed by semi-structured interviews with GBS industry leaders, key corridors spokesperson, and GBS companies through purposive sampling via PIKOM's and MDEC's recommendation and facilitation for industry representation. The triangulated findings ensure the report delivers both broad industry perspectives and deep, actionable insights. The final version of the report involved collaborative efforts from industry, association, academia, and government.

Malaysia Digital

Malaysia Digital (MD) is an MDEC initiative that rebrands and enhances the former Multimedia Super Corridor (MSC) Malaysia program, designed to drive the nation's digital economy. This initiative aims to encourage and attract companies, talents, and investments, while enabling Malaysian businesses and citizens to play a leading part in the global digital revolution and digital economy. It is also in line with the aspirations of the 13th Malaysia Plan (2026 to 2030).

The 13th Malaysia Plan (2026 to 2030) consists of 3 dimensions, 4 pillars and 10 priorities of economic complexity to realise the goals of the MADANI Economy.

Digital GBS is one of the high growth high value industries and high-impact strategic sectors identified in 13th Malaysia Plan, contributing to economic growth through the development and adoption of advanced technologies based on AI.

By 2030,
Malaysia aims to achieve high-income nation status, rank among the world's top 30 economies andimprove its performance across key international indices. This vision supports the MADANI Economy framework, focusing on inclusive growth, improved living standards and strong governance.

OBJECTIVES

The 13MP will build upon the MADANI Economy framework to achieve the objectives of:

01 **Raising the ceiling** through faster economic growth

02 **Strengthening governance** through better public service delivery

03 **Raising the floor** by improving living standards

DIMENSIONS

The 13MP, themed 'Reshaping Development', aims to drive socio-economic progress through three key dimensions:

01 A high-income and sustainable nation

02 A quality and inclusive living

03 A sustainable environment

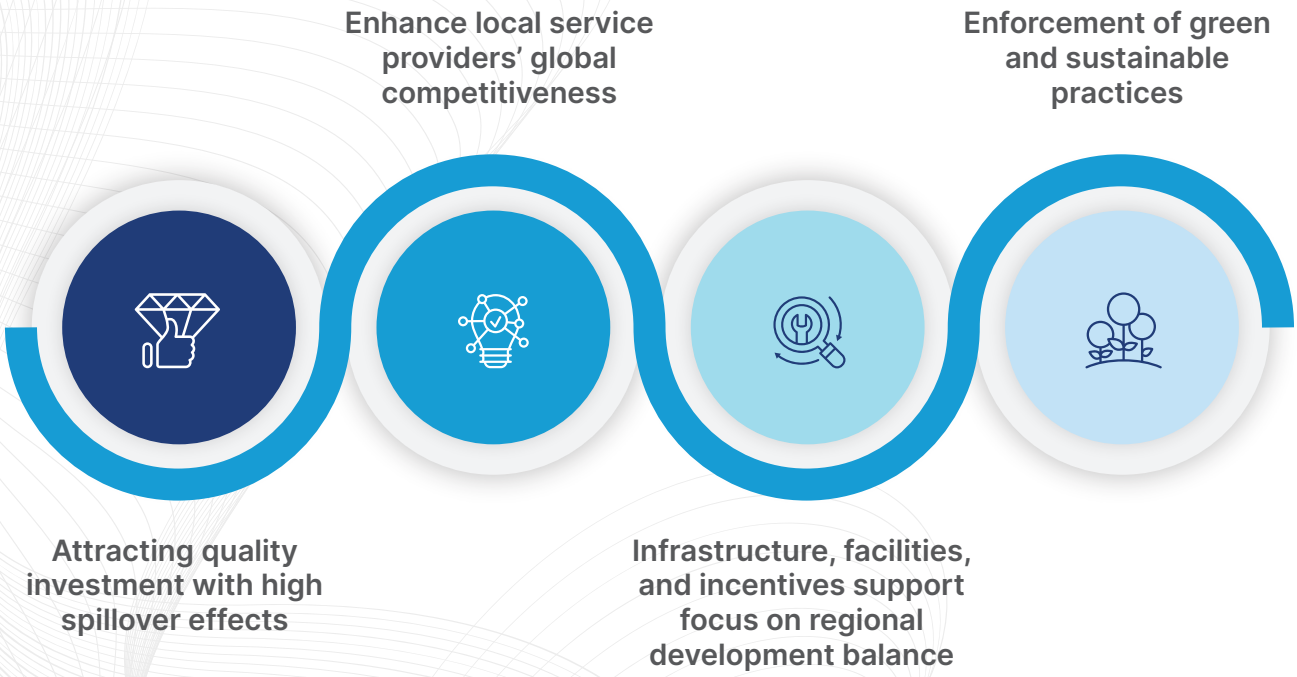
PILLARS

The development of the 13MP is based on four pillars:

Increase economic agility	Increase social mobility	Accelerate the implementation of the public service reform agenda	Improve the people's wellbeing and environmental sustainability
1. Boosting growth in high-growth high-value (HGHV) industries and high-impact strategic sectors 2. Strengthening the green economy 3. Empowering the blue economy 4. Strengthening food security 5. Strengthening the R&D&C&I* ecosystem 6. Increasing national productivity and competitiveness 7. Strengthening flood mitigation and adaptation 8. Improving public transport infrastructure availability 9. Scaling up MSMEs** 10. Empowering the social economy	1. Reforming education 2. Reforming the labour market 3. Strengthening inclusive development from a multi-dimensional perspective 4. Improving the socioeconomic levels of target groups 5. Balancing regional economic progress and strengthening rural development	1. Improving government service delivery based on ILTIZAM principles 2. Accelerate Gov Tech towards public service renewal 3. Strengthening good governance 4. Reforming project and fiscal management 5. Strengthening the social economy ecosystem to mainstream the third sector***	1. Nation-building 2. Preparing for an ageing nation 3. Reforming healthcare 4. Reforming housing 5. Strengthening security and defence 6. Preserving environmental health 7. Improving disaster management

* R&D&C&I: Research, Development, Commercialisation and Innovation
** MSMEs: Micro, Small and Medium Enterprises
*** The third sector, also known as the voluntary, community or non-profit sector,

Strategies to reinvigorating GBS includes:



Malaysia Digital is the engine that accelerates the growth of the digital ecosystem within the nine (9) promoted sectors and drives digital adoption and opportunities in the digital economy via the Malaysia Digital Catalytic Programmes and other competitive offerings.
The 9 promoted sectors are:

Digital Agriculture
Leveraging technology to enhance agricultural productivity and sustainability.

Digital Services
Enabling service-based industries to adopt digital solutions for efficiency and scalability.

Digital Cities
Promoting smart city initiatives for better urban living and governance.

Digital Health
Advancing healthcare through digital tools, telemedicine, and health tech innovations.

Digital Finance
Supporting fintech and digital financial services to improve financial inclusion.

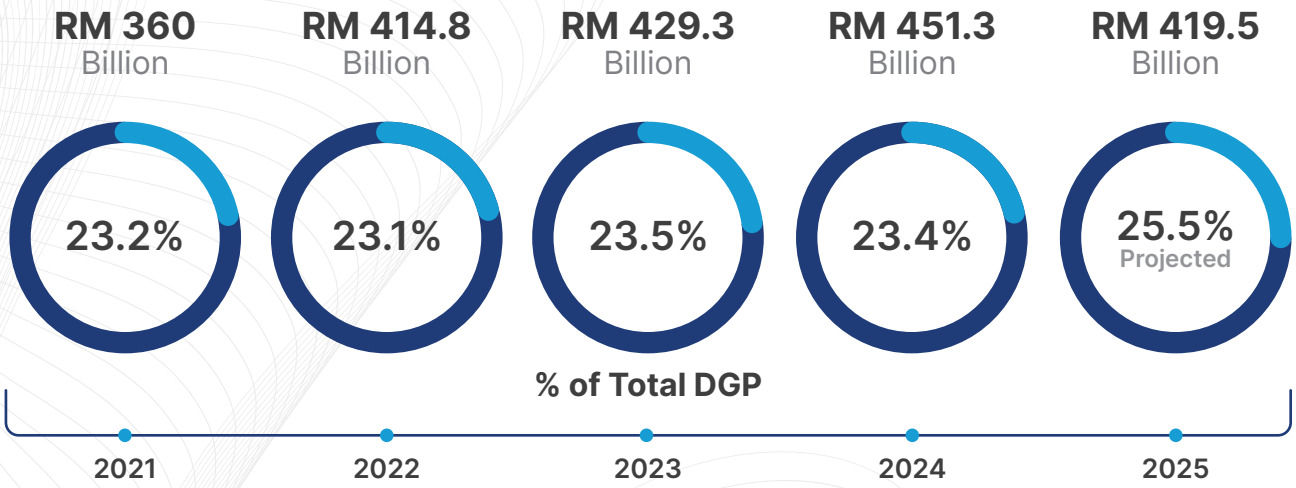
Digital Trade
Facilitating e-commerce and cross-border digital trade.

Digital Content
Encouraging the creation and distribution of digital media, entertainment, and educational content.

Digital Tourism
Enhancing the tourism experience through digital platforms and services.

Islamic Digital Economy
Developing Shariah-compliant digital products and services.

Malaysia Digital Economy



Source: DOSM (2023, 2024, 2025)
Note: GDP 2025 is based on Q2 estimates.

In terms of sectoral performance, the Services sector remained the main impetus for economic growth the 1st quarter of 2025. By 2030, Malaysia aims to achieve high-income nation status, fuelled by a GDP growth rate of 4.5% to 5.5% per annum for the period of the 13th Malaysia Plan, spanning from 2026 to 2030. Digital economy growth is expected to accelerate and account for 30% of Malaysia's GDP by 2030. The ASEAN digital economy is predicted to reach US$ 1 trillion by 2030, and potentially reach US$2 trillion with Digital Economy Framework Agreement (DEFA). These national ambitions directly enhance Malaysia's value proposition for Global Business Services (GBS), as the sector's growth will be fuelled by the same digital economy expansion and skilled talent pool driving the country's overall GDP targets.

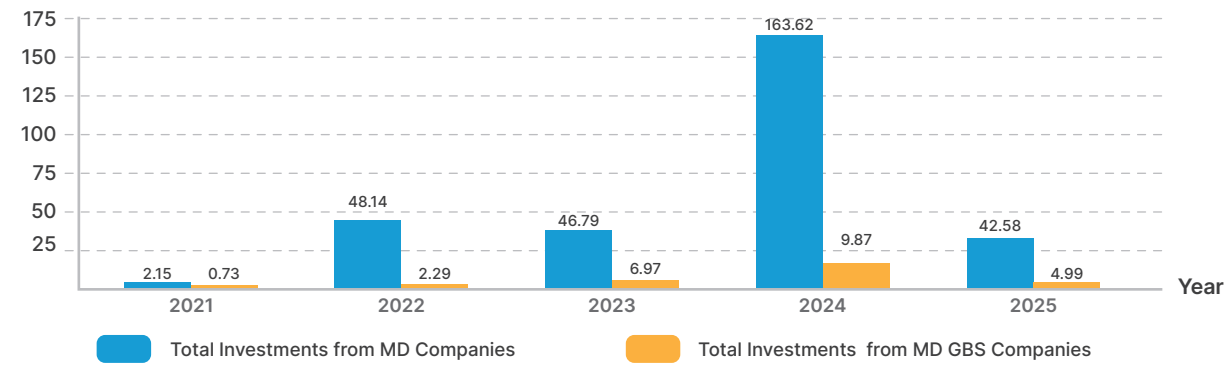
Malaysia Digital Investment Strategic Goals (2021 to 2025 H1)

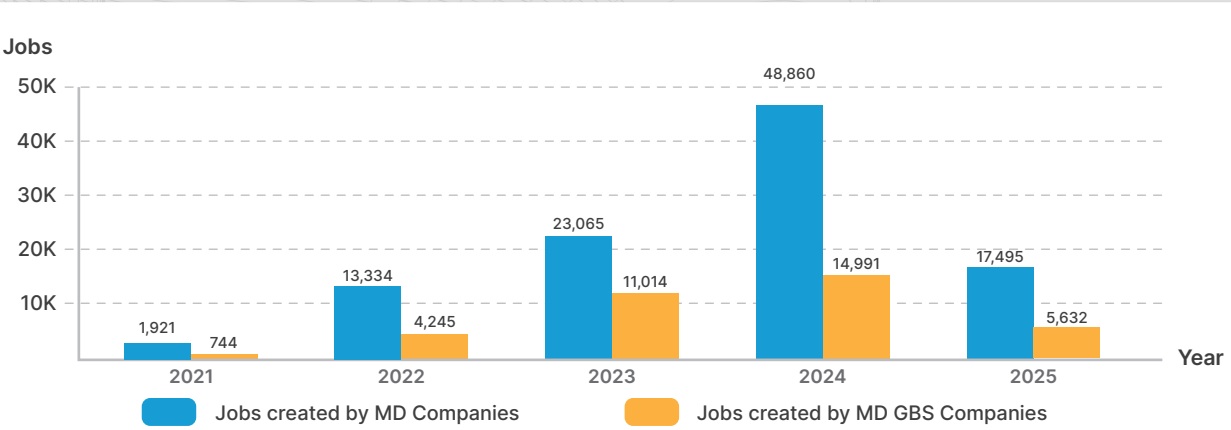
Target	Present
RM 50 billion Investment	**RM 303.28** billion Investment
50,000 jobs Jobs Creation	**104,675** jobs Jobs Creation

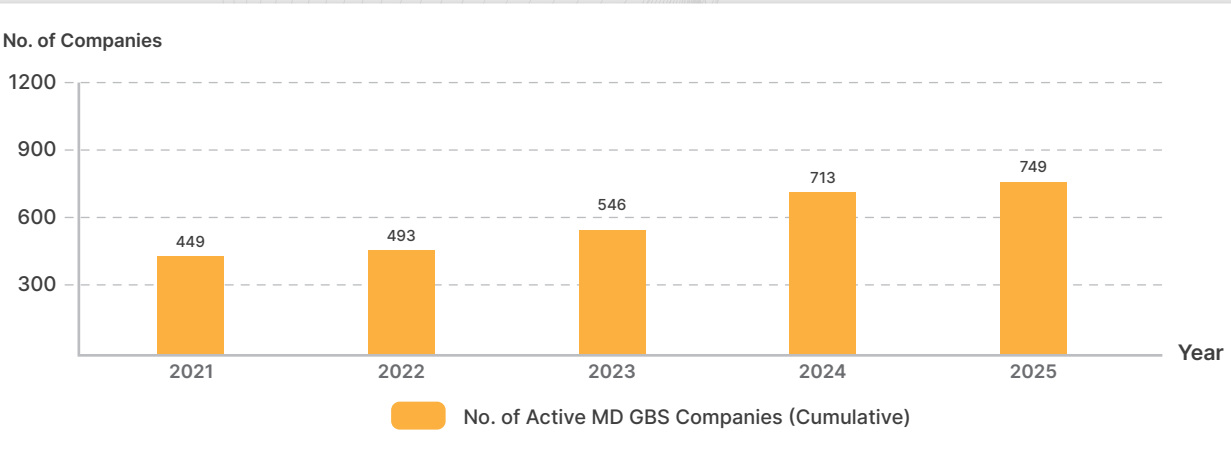
Source: MDEC

GBS Development in Malaysia

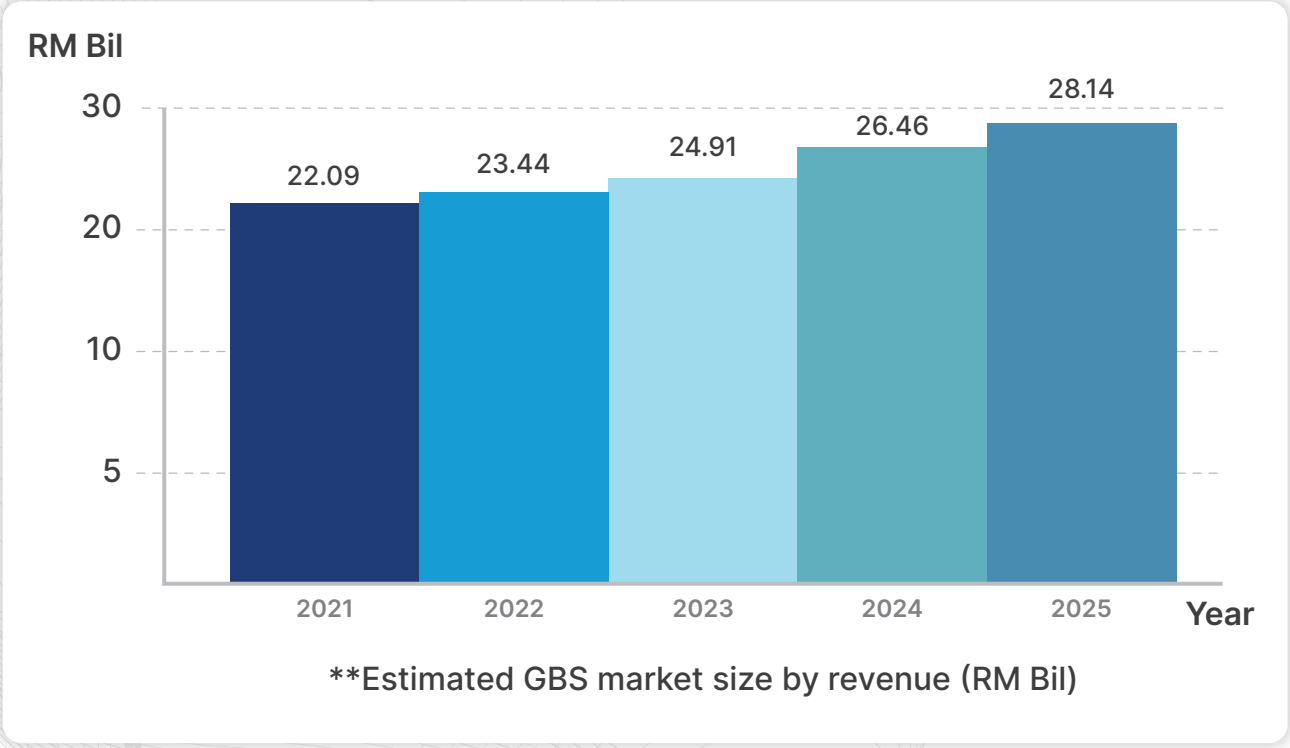
The Malaysian Digital GBS Industry







Note: All tracked data are based on MD companies by MDEC. Conversion rate is 1US$ to RM4.2. 2025 is up to first half of the year only.
*MSC status company until July 2022, MD status thereafter
**GBS Malaysia Strategy 2022 to 2027, GBS PIKOM



**Estimated GBS market size by revenue (RM Bil)

Note: All tracked data are based on MD companies by MDEC. Conversion rate is 1US$ to RM4.2. 2025 is up to first half of the year only.
*MSC status company until July 2022, MD status thereafter
**GBS Malaysia Strategy 2022 to 2027, GBS PIKOM

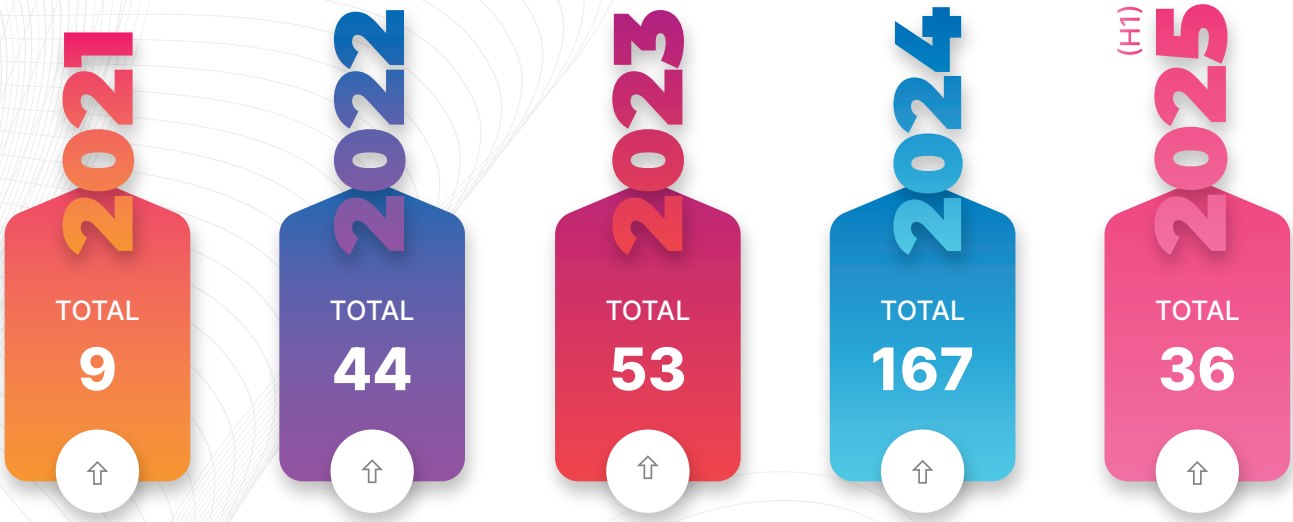
The number of GBS companies in Malaysia has grown to 749, a 66.8% increase since 2021.

Investment from GBS companies grew 13.5 times from RM 0.73 billion in 2021 to RM 9.87 billion in 2024, indicating a period of massive, resilient, and rapid-scale expansion.

As of mid-2025, GBS companies had created 36,626 jobs, accounting for 35% of all jobs created by MD companies since 2021. At its peak in 2024, this figure reached 47.8%.

Revenue per employee is expected to increase, attributable to automation and AI adoption.

New GBS Companies: Country of Origin



2021		2022		2023		2024		(H1) 2025	
Asia Ex- Msia	4	Malaysia	23	Malaysia	22	Malaysia	94	Malaysia	22
America	2	Asia Ex- Msia	7	Asia Ex- Msia	12	Asia Ex- Msia	46	Asia Ex- Msia	10
Europe	3	America	7	America	11	America	12	Europe	4
		Europe	6	Europe	7	Europe	12		
		ANZ+ Pacific	1	ANZ+ Pacific	1	ANZ+ Pacific	3		

Grand Total
New GBS Companies: Country of Origin | **309**

Note: 2025 is up to first half of the year only.

1 **Dominant and Accelerating Growth from Malaysia:**
The number of Malaysian-origin GBS companies has quadrupled, rising from 23 in 2021 to 94 in 2024.

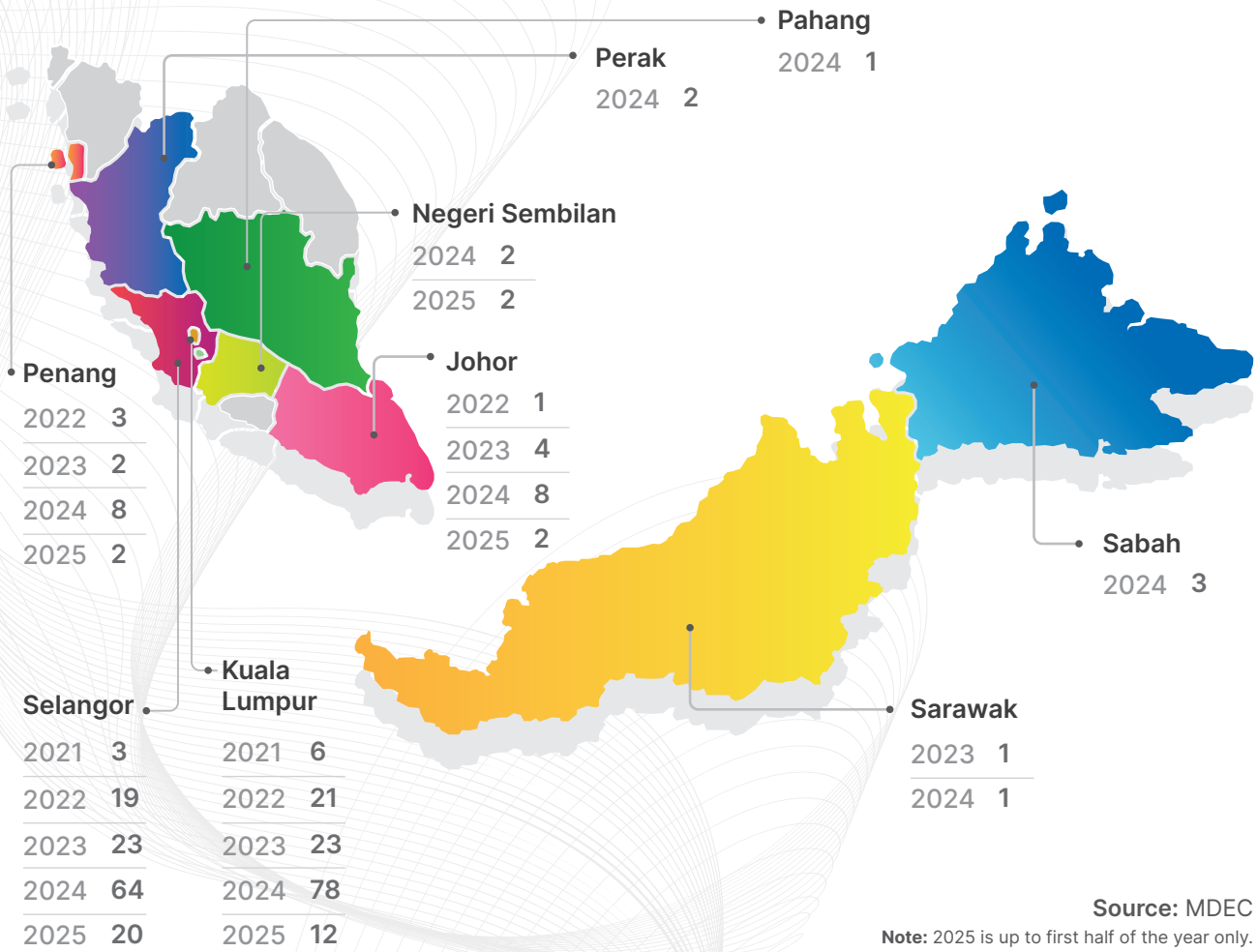
2 **Asia is the Primary Regional Powerhouse:**
When combining Malaysia with the rest of Asia ("Asia ex-Msia"), Asian companies consistently represent the majority

3 **Significant and Growing Interest from the Americas:**
Companies from the Americas show strong and consistent growth (from 2 to 12) from 2021 to 2024, indicating that Malaysia has successfully attracted strategic investment from key Western markets

4 **Remarkable Overall Industry Expansion:**
The market has seen phenomenal cumulative growth, expanding from a total 9 new companies in 2021 to 309 in the first half of 2025

5 **Market Consolidation and Potential Strategic Shift:**
The data for the first half of 2025 shows a dramatic slowdown in new companies from the Americas and Europe compared to 2024's peak. This suggests that the market may be consolidating, with future growth potentially shifting towards scaling existing investments rather than attracting new market entrants.

New GBS Companies Location in Malaysia



Source: MDEC

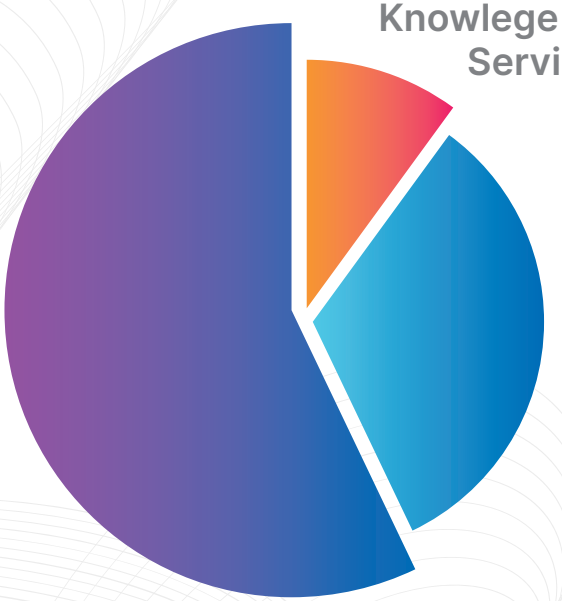
Note: 2025 is up to first half of the year only.

1 **Concentration in the Central Corridor (Klang Valley):**
The combined states of Selangor and Kuala Lumpur consistently account for the vast majority (87%) of all new GBS companies from 2021 to the first half of 2025. This solidifies the Klang Valley's status as the undisputed, dominant hubs for the GBS industry due to its infrastructure, talent pool, and connectivity.

2 **Strategic Rise of Penang and Johor:**
Penang as an established tech/electronics hub, and Johor benefits from proximity to Singapore, strategic geographic diversification beyond the Klang Valley.

3 **Nationwide Diversification:**
Starting from only 2 locations in 2021, new GBS companies have now been established in 12 locations including Sarawak, Sabah, Negeri Sembilan, Pahang, and Perak. This indicates a successful policy in encouraging inclusive growth and spreading economic opportunities across the country, in line with the 13th Malaysia Plan (2026 –2030).

GBS segments in Malaysia



Information Technology Services

Transactional-type IT and IT-related functions such as programming, technical support, desktop and server support, network and security systems.

Knowledge Process Services

Value-added processes are highly complex and require the talent of professionals with widespread educational backing.

Business Process Services

Transactional-type internal (back-office) business functions (human resources or finance and accounting) and front office functions which include customer-related services.

Source: MDEC

GBS Malaysia's Pillars of Strength

1

Talent & Skills Development

National Graduates Talent Pipelines
Premier Digital Tech Institutions (PDTI) programme
Workforce Digital Upskilling and Reskilling
National Youth Digital Talent Pipelines

2

Malaysia Infrastructure

Infrastructure and Digital Readiness
Data Centres and Generative AI

3

Government and Ministerial AI Leadership

4

Government Support in Foreign Tech Talent Facilitation

5

Government Incentives and Tax Exemption

6

Regulatory Improvements

Talent & Skills Development

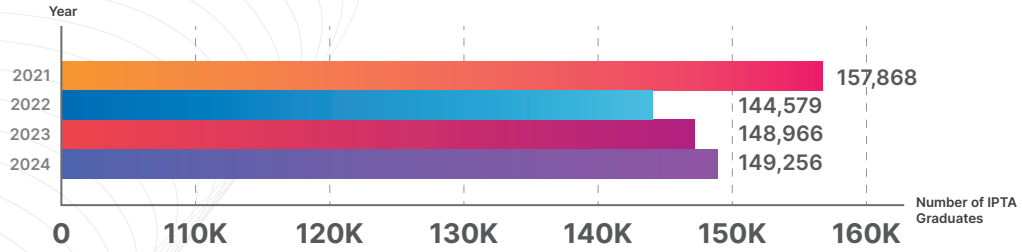
Malaysia's GBS industry is underpinned by significant strategic advantages, primarily its multilingual, service-oriented workforce and a higher education system producing steady streams of graduates annually although with a slight downward trend. The core talent pipelines remain robust through national upskilling initiatives like the MD Workforce and GLOW programmes, which have already upskilled tens of thousands in critical digital fields.

Furthermore, foundational pipelines are being secured by elevating TVET as an equal educational pathway and through youth initiatives like MyDigitalMaker, which is cultivating digital skills from primary and secondary school levels to ensure a future-ready talent pool. Success hinges on the GBS industry's deep collaboration with these national efforts to bridge the immediate gap and future-proof the talent pipelines.

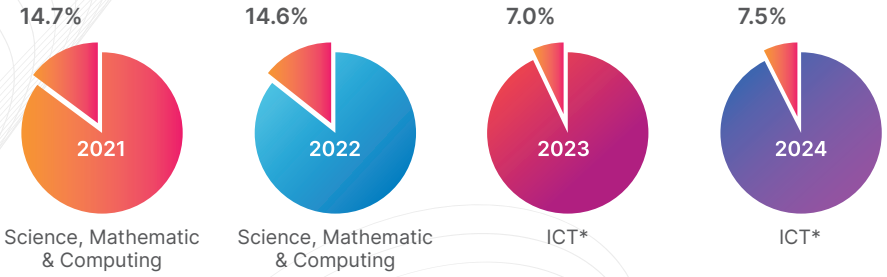
1. Malaysia's bilingual, culturally diverse workforce continues to be a cornerstone strength, enabling seamless collaboration across global markets.
2. Strong adaptability and service-oriented work culture is another competitive edge demonstrated through successful automation and AI integration into workflows.
3. Corporate academies and internal leadership pipelines were highlighted as successful mechanisms for futureproofing the workforce.
4. GBS employees increasingly viewing themselves as strategic partners rather than operational support staff.
5. Younger employees value flexibility, purpose-driven roles, and continuous learning, while older cohorts prioritize stability and institutional loyalty.

National Graduates Talent Pipelines

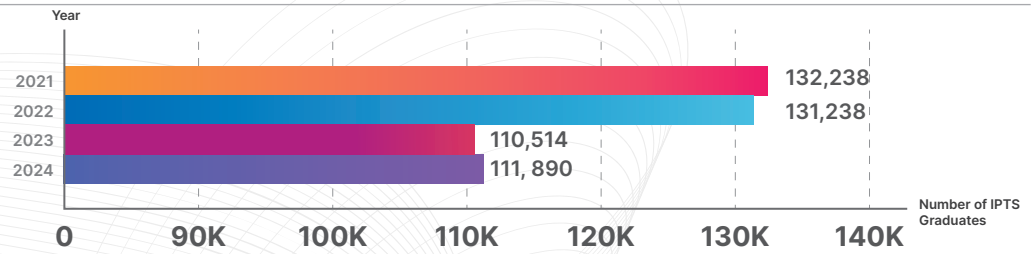
Number of IPTA Graduates



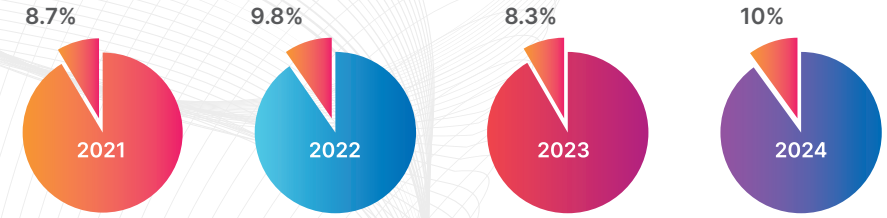
% IPTA graduates are digital talents*



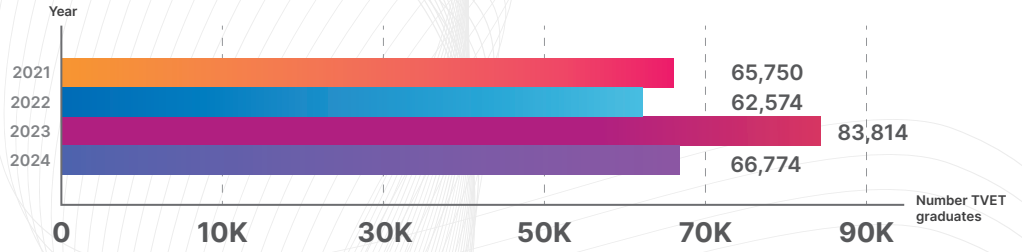
Number of IPTS Graduates



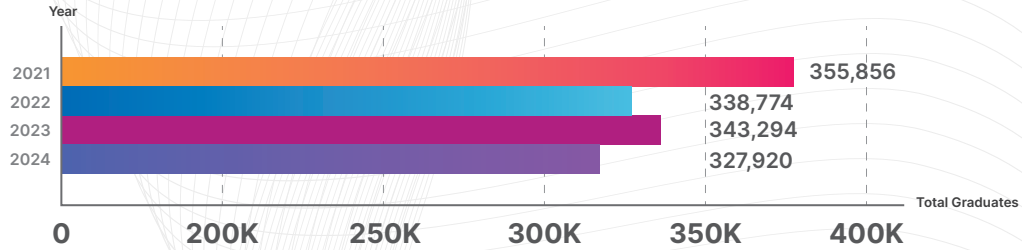
% IPTS graduates are digital talents*



Number TVET graduates



Total Graduates



Source: DOSM, Labour Report (2023, 2024, 2025).

* The definition of "digital talent" appears to have changed. Pre-2023, it included the broader fields of "Science, Mathematics & Computing." From 2023 onwards, it narrowed specifically to "ICT."

1

National talent pipelines produced an average of 341,500 thousand graduates annually from public universities (IPTA), private universities (IPTS), and TVET institutions between 2021 and 2024. However, the numbers showed a slight year-on-year decrease, a trend that corresponds to a decline in the population aged 17 to 19.

2

The proportion of digital talents graduated from public universities IPTA was 7.5% whereas private universities (IPTS) was 10% in 2024, demonstrating an increasing trend to fulfil the job market demand. This will add to more than 357,414 digital talents already in the workforce.

3

From 2026 to 2030, TVET will be positioned as an equal pathway to the national higher education system, with enhanced public-private collaboration in technology, AI and curriculum development that can lead to 95.6% TVET graduates get employment within 6 months as stipulated in the 13th Malaysia Plan.

4

In 2025, more than half (53.56%) school graduates opt for TVET as their career pathway attributable to the National TVET Policy 2030, the UP_TVET platform, TVET Big Data System and TVET Madani. In Budget 2026, RM7.9 billion is set aside for technical and vocational education and training or TVET, up from RM7.5 billion.

5

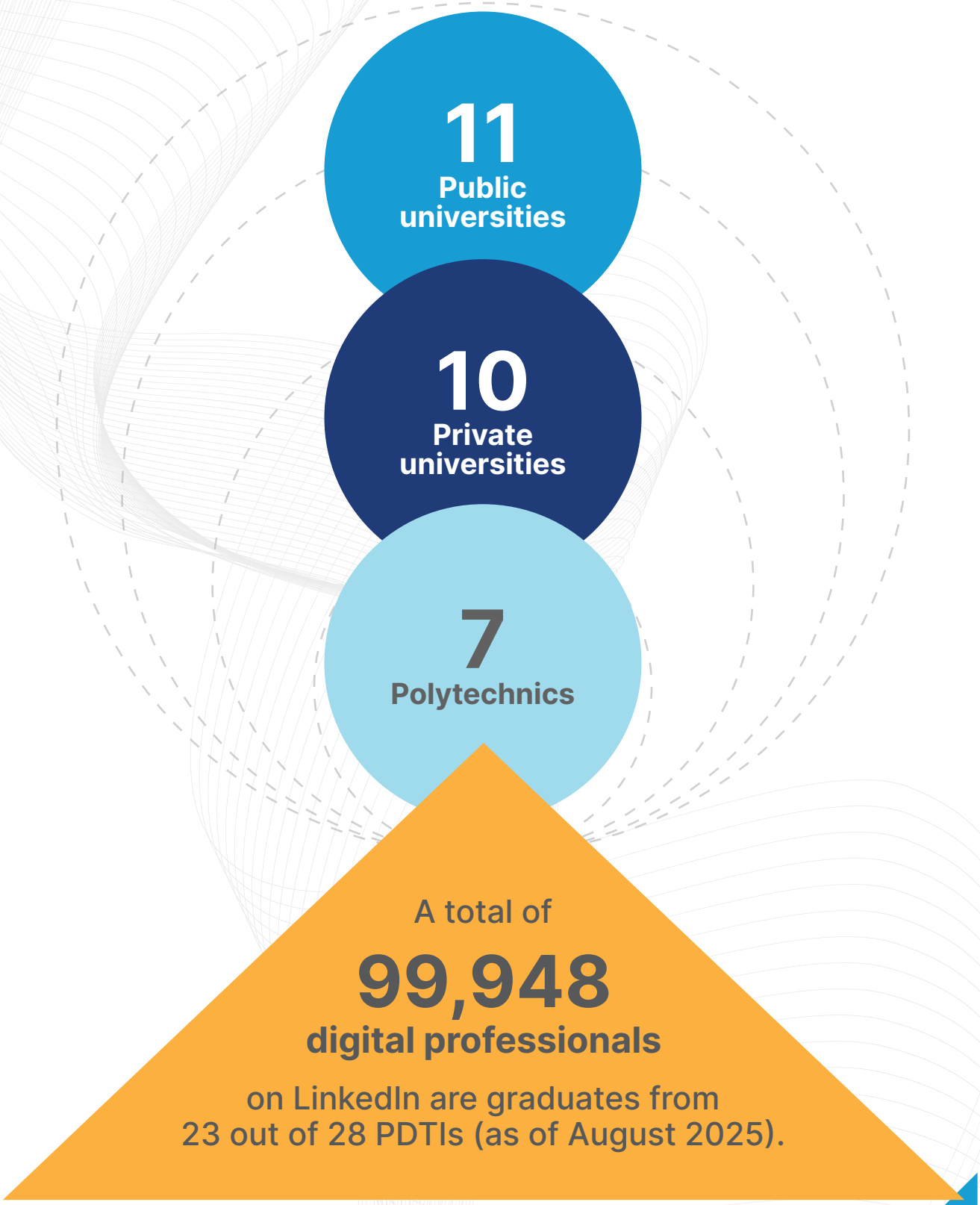
The MY AI NEXUS programme, aims to propel Malaysia into a leadership position in AI, by fostering collaboration and innovation across sectors uniting renowned AI experts, academic institutions, industry leaders, governmental bodies and stakeholders.

6

In 2025, more than half (53.56%) school graduates opt for TVET as their career pathway attributable to the National TVET Policy 2030, the UP_TVET platform, TVET Big Data System and TVET Madani.

Premier Digital Tech Institutions (PDTI) programme

Launched in 2017 in collaboration with the Ministry of Higher Education and industry experts aims to bridge the gap between industry demand and local talent supply, leading Malaysia to become the preferred hub for world-class digital businesses and talents.



Workforce Digital Upskilling and Reskilling

1. In 2021, 77 Digital GBS (Global Business Services) courses were introduced, focusing on high-demand areas like AI, cloud computing, and data analytics

2. The Malaysia Digital Workforce (MD Workforce) Movement had benefitted 52,907 individuals (as of Aug 2024), offering training in cybersecurity, data analytics, cloud computing and AI.

3. The Global Online Workforce (GLOW) programme incepted in 2016, is a national effort to upskill Malaysians as digital freelancers. GLOW has managed to train 73,198 individuals who managed to generate income of more than RM240 million combined.

4. MD Workforce Place & Train, is an ongoing effort to support available talents in the job market in securing jobs within the digital technology sector. It is also upskilling employees through job-relevant training, ensuring they gain the necessary qualifications and skills to thrive in the digital economy and excel in their roles. Employers who partner in this programme will receive salary and training incentives. This programme offers 3-month salary incentives of up to RM6,000 and training incentives of up to RM2,000 per approved participating employee.

5. TalentCorp's MyMAHIR platform equips Malaysians to navigate job market shifts from AI and the green economy by identifying at-risk roles and skill gaps. This effort is reinforced by the Sector-focused Future Skills Talent Council (FSTC) and NAICI, which aligns training with industry needs in key sectors. The ecosystem provides access to industry-co-designed, demand-driven upskilling programmes, ensuring a resilient and future-ready national workforce through targeted, relevant talent development.

6. Nation-wide digital skills enhancement and development via Saya Digital campaign building the broader and inclusive people ecosystem in the digital economy era.

National Youth Digital Talent Pipelines

MyDigitalMaker (MDM), a joint public-private-academia initiative launched in 2016, aims to transition Malaysian youth from digital users to digital creators, fostering skills in STEM, coding, IoT, AI, and digital innovation to meet future workforce demands, including the GBS industry. **As of 2024:**

2.5 million students impacted with coding, robotics, AI, and digital making capabilities. Student innovations are showcased annually at the MyDigitalMaker Fair with more than 15,000 visitors.

94 institutions integrated with MyDigitalMaker programmes, including 70 Digital Maker Hubs and 24 Champion Schools (e.g., Maker Labs, after-school coding clubs)

The "Digital Ninja" initiative groomed 607 young Malaysian tech talents, aged 11 to 16, in digital technology and entrepreneurship.

10,000 master teachers trained, and 369 Cikgu Juara Digital discovered to serve as an inspiration to other teachers around the country.

The strength in Malaysian talent has positioned the nation being:

Ranked 1st

in INSEAD Global Talent Competitiveness Index 2023 (Global ranking in Upper Middle-Income Group) among ASEAN countries.

Ranked 23rd

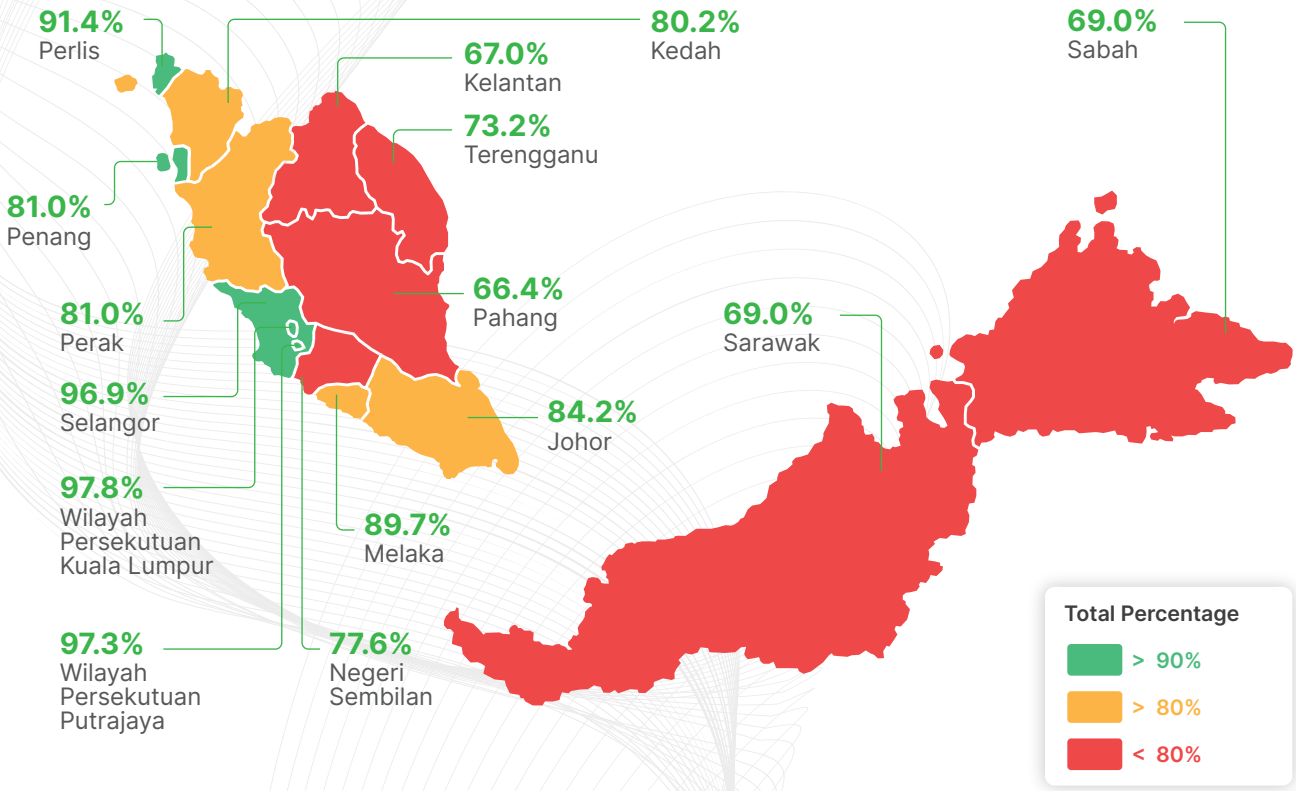
globally in the IMD World Digital Competitiveness Ranking 2025, reflecting its mid-tier position in digital talent readiness.

Malaysia Insfrastructure

Infrastructure and Digital Readines

Malaysia's 5G network is rated one of the leading networks in ASEAN for its consistent upload and download speeds. Malaysia is also recognized for its high digitization rates, with internet penetration at over 97 percent and mobile phone penetration at nearly 130 percent.

Implementation of 5G Technology by Digital Nasional Berhad (DNB)



Achievements 2024

18.2 Million
5G Users in Malaysia

7,485
5G sites successfully developed

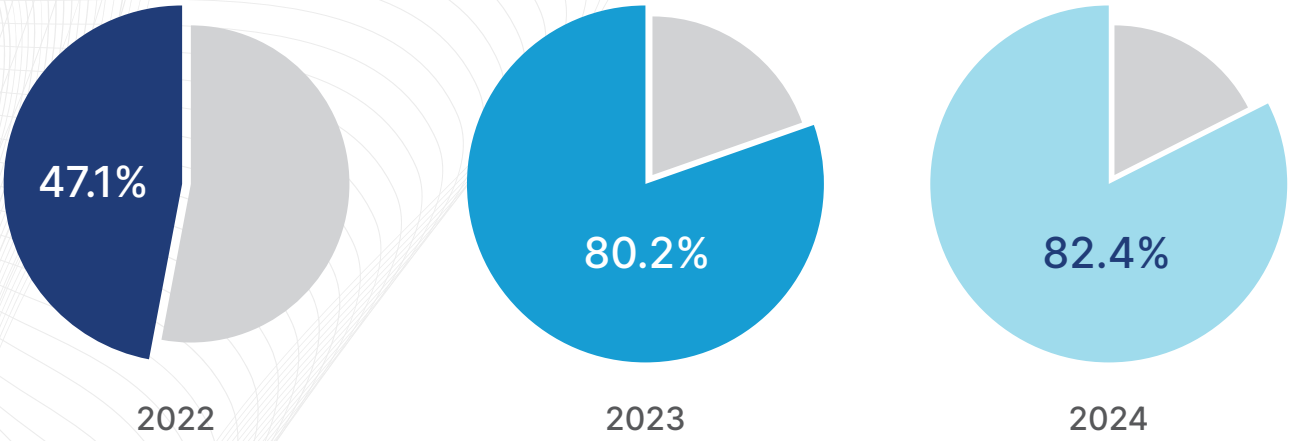
82.4%
5G Network in Malaysia

48.7%
Penetration Rate

49.6 Million
Total Subscriptions

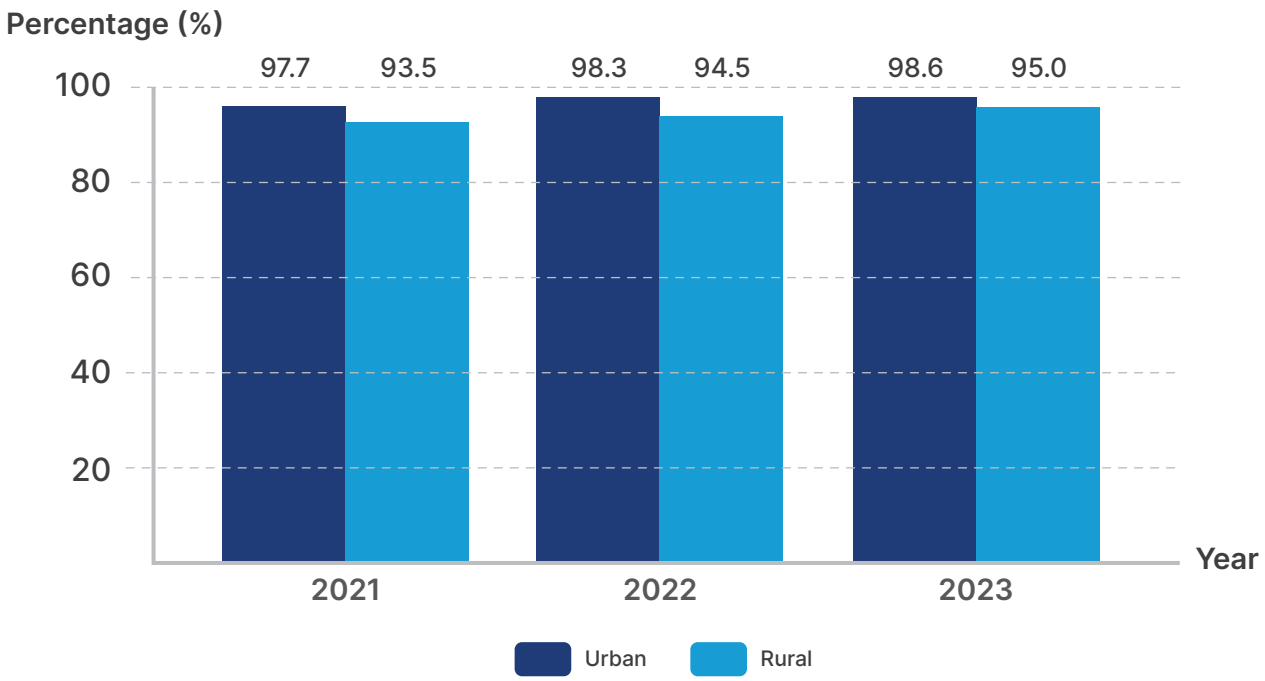
Source: Digital Facts (2025)

5G Mobile Coverage by percentage of population



Source: DOSM (2022, 2023, 2024)

Usage of Internet by Individual (2021,2022 & 2023)



Source: DOSM (2022, 2023, 2024)

- Internet usage by age group exceeded 95.0 per cent for all age groups except for the age group of 60 years and above which recorded a lower percentage at 86.9 per cent in 2023. Meanwhile, the highest Internet users were in the age group of 20 to 39 years (99.6%).
- Internet coverage in populated areas in Malaysia hits 98.82 per cent in July, 2025.
- Kuala Lumpur recorded the highest percentage of computer, internet, and web presence usage by establishments, at 99.8%, 99.6%, and 91.0% respectively. It is followed by Selangor, Penang, and Johor, which are key GBS-prominent states.

In Budget 2026, the following are the allocations to maintaining and enhancing Malaysia's infrastructure:

- Broadband coverage will expand to 2,700 new locations under the JENDELA 2 project with RM780 million.
- RM2 billion for Madani Submarine Cable Connection or Salam, to be developed by the Malaysian Communications and Multimedia Commission (MCMC); this 3,190km network will connect Sedili in Johor to key areas in Sarawak (Kuching and Sibu) and Sabah (Tuaran, Kudat, Pulau Banggi, Sandakan and Tawau).
- Southern Link Transmission Line project gets RM765 million allocation for enhancing grid reliability and stability in Sabah.
- Border infrastructure to be improved, including new road from Kalabakan, Sabah to Simanggaris, Indonesia, and upgrade of the Pasir Mas-Rantau Panjang railway line in Kelantan.
- The Inter-Terminal Transfer project between KLIA Terminal 1 and Terminal 2 will be implemented to enhance passenger connectivity.
- Airport upgrades in Penang, Sabah, and Sarawak get RM2.3 billion, to be completed by 2028
- RM3 billion ton replacing over 820km of ageing pipes across Johor, Melaka, Negeri Sembilan, Kelantan, Pahang and Selangor under the National Non-Revenue Water programme.
- RM2.5 billion for the maintenance of federal roads, including resurfacing potholes, installing streetlights in high-risk areas, and replacing road furniture. Over RM260 million for slope maintenance and repairs nationwide, including federal roads.
- RM5.6 billion in Malaysian Road Records Information System (MARRIS) grants allocated to states for the maintenance of state roads nationwide.
- MCMC allocates RM210 million to develop an Early Warning System for better disaster preparedness.

For more information, please refer to the Ministry of Finance's Official Website.

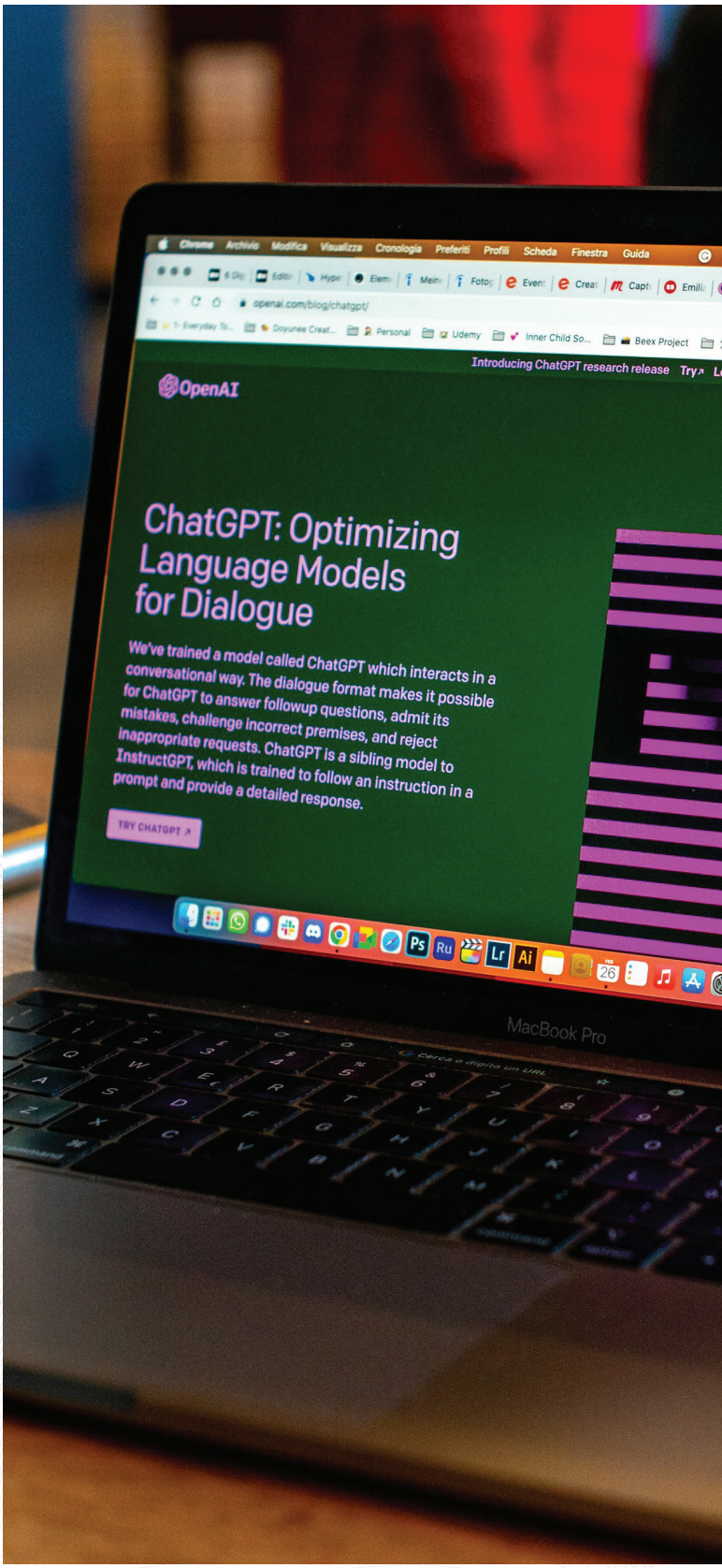
Data Centres and Generative AI

- Malaysia has been a key recipient of billions of dollars in investments for data centre infrastructure, with the United States, China, and Australia making significant investments. Notably, Google committed US$2 billion to build its first data centre and Google Cloud region at Elmina Business Park in Sungai Buloh, expected to deliver US$3.2 billion (RM 15.04 bil) in economic impact and 26 500 jobs by 2030.

- Total proposed digital-investment commitments from US firms (Google, AWS, Microsoft, Enovix) reached US$14.7 billion (RM 63.02 bil).

- This boom is fuelled by key advantages: political and economic stability, robust digital infrastructure including redundant subsea cables, competitive energy costs, and a favourable geographic location free from major natural disasters.

- Malaysia's data centre expansion, its push for green technology, and its national digital agenda are converging to create a powerful synergy. By building a sustainable digital infrastructure, Malaysia not only capitalizes on the immediate economic benefits but also future proofs its position as a responsible and competitive hub ready to power the next generation of technologies, including generative AI, within a robust and growing digital economy.



Government and Ministerial AI Leadership

- Early in 2021, the Malaysia Digital Economy Blueprint (MyDIGITAL) outlined the strategic steps needed for Malaysia to become a high-income nation and a leader in the digital economy. The blueprint aims to drive digitalization nationwide, particularly among SMEs, bridge the digital divide, support the technology sector, and foster a competitive digital economy.
- In December 2023, the Ministry of Digital was established with two departments and five agencies were placed under the ministry's purview—namely the National Digital Department (Jabatan Digital Negara, JDN) and the Department of Personal Data Protection (Jabatan Perlindungan Data Peribadi, JPDP); and the Malaysia Digital Economy Corporation (MDEC), MyDIGITAL Corporation, CyberSecurity Malaysia (CSM), Digital Nasional Berhad (DNB), and MYNIC Berhad (MYNIC).
- The Malaysian National AI Office (NAIO) was established on August 28, 2024, and officially launched on December 12, 2024. The office is a key initiative under the Ministry of Digital, aimed at driving Malaysia's AI capabilities and positioning the country as a regional leader in AI.
- Malaysia ranks 26th out of 36 countries in the Stanford HAI AI Index (2023). In the Oxford Insights Government AI Readiness Index 2024, it ranks 24th out of 193 countries, with a total score of 71.4 - well above the global average of 47.59.
- In September 2025, Malaysia is consolidating its key digital agencies such as Malaysia Digital Economy Corporation (MDEC), MYNIC Berhad (MYNIC), CyberSecurity Malaysia, Digital Nasional Bhd (DNB) and several others under one umbrella as part of its mission to become an Artificial Intelligence (AI) Nation by 2030, with a vision to strengthen the digital ecosystem, empower the economy and enhance citizens' quality of life.

- Malaysia to become a hub for generative AI, accelerating the AI related initiatives including the AI Technology Action Plan (2026-2030) as well as to expedite AI adoption in key economic areas sectors including GBS.
- The government allocated RM10 million for the National AI Office and RM600 million for R&D under Budget 2025.
- AI for Citizens, CyberSafe for Citizens, and the Executive Digital Leadership programmes were launched to train citizens and industry leaders.
- Malaysia prioritises efforts in safeguarding the National Critical Information Infrastructure (NCII), advancing cybersecurity and digital forensics through CyberSecurity Malaysia, CyberSecurity Collaboration Programme, and the National Cyber Security Agency.
- In Budget 2026, the New Industrial Master Plan (NIMP) Industrial Development Fund to allocate RM180 million to finance industrial development programmes in high-impact sectors, including pharmaceuticals, semiconductors, AI, digital, and sustainability.
- Regulatory stability is a key strength, providing investors with confidence in Malaysia's long-term GBS trajectory.

Government Support in Foreign Tech Talent Facilitation

Agency	Descriptions
eXpats	■ eXpats Service Centre was officially established in 2007 administered by Malaysia Digital Economy Corporation (MDEC) via Xpats Gateway. ■ eXpats Service Centre serves as a one-stop hub to process Employment Pass applications for Foreign Knowledge Workers (FKWs) in the digital and tech sectors under the Malaysia Digital (MD) initiative.
MTEP **Malaysia Tech Entrepreneur Programme (MTEP)**	■ Launched in 2017 and managed by MDEC for foreign tech entrepreneurs and investors to work or invest in tech industries. ■ Two types of Pass: ✓ 1-yr pass for New Entrepreneurs – Professional Visit Pass (PVP-MTE), renewable for another 1 year. After 2-years, can apply for Established Entrepreneur. ✓ 5-yr pass for Established Entrepreneurs (or Investors or Senior Management for C-suite or Head of Dept level in tech or venture capital business) - Residence Pass (RP-MTE), renewable for another 5 years.
DE RANTAU **DE Rantau Nomad Pass**	■ Launched October 2022 for qualified foreign (and local) digital nomads and remote workers. ■ Who can apply? - Tech talent/profession (with min. annual income USD24k) and Non-tech talent/profession (with min. annual income USD60k). ■ 1 type of Pass only: ✓ 3-12 months for Professional Visit Pass (Pass Lawatan Ikhtisas), renewable for another 12 months. Only valid in Peninsular Malaysia and Labuan (East Malaysia – normal tourist pass). ■ Part of the Malaysia Digital Catalytic Programmes: ✓ Where the Malaysian government, through MDEC, awards Malaysia Digital Status (MD) to companies that participate and undertakes any of Malaysia Digital's activities within the 9 promoted sectors. ■ After the 2-year period, talents can transition to MTEP or apply for Malaysia Digital status to continue residing and working in Malaysia.
Foreign Employment Passes by MDEC for MD Companies and ICT Company	■ Offers Employment Pass. ■ 3 categories of work permit that enables a foreign knowledge worker (FKW) to take up employment under a contract of service with an organisation in Malaysia.

Government Incentives and Tax Exemption

For Global Business Services (GBS) companies establishing or expanding their operations in Malaysia, navigating the landscape of government incentives is a crucial step. The choice often lies between two primary agencies: the Malaysia Digital Economy Corporation (MDEC) and the Malaysian Investment Development Authority (MIDA). A company can apply for incentives from either MDEC or MIDA, contingent upon fulfilling the distinct eligibility criteria set by each. MDEC's Malaysia Digital (MD) Status is tailored for tech-driven and digitally focused GBS companies, while MIDA's Investment Incentives are designed for larger-scale, strategic investments, including major GBS hubs and regional headquarters. Understanding the fundamental differences in their focus, eligibility, and benefits is essential for selecting the most advantageous pathway. Refer to Appendix 1

1. **Global Minimum Tax (GMT) -** Malaysia will implement a 15% minimum corporate tax rate in 2025 for MNCs with global revenue over €750 million, aligning with OECD BEPS Pillar Two.

2. **Global Services Hub (GS-Hub) Tax Incentive (2024–2027) -** Tiered tax rates: 5% or 10% for new and existing companies. 15% flat tax rate for up to three non-citizen C-suite executives earning RM35,000/month. Encourages high-value services like R&D, finance, marketing, and shared services .

3. **Foreign Exchange Policy (FEP) -** Flexible cross-border transactions. GBS companies can apply for additional flexibilities via Bank Negara Malaysia.

4. **Budget 2026** provides an additional 50% tax deduction for small and medium enterprises (SMEs) on expenses for certified training related to AI and cybersecurity. This will help accelerate the digital competitiveness of local GBS SMEs to moving up the value chain.

5. **The Outcome - Based Incentive Framework**, linking tax breaks to high-value jobs and balanced regional growth will be fully implemented in the manufacturing sector in the first quarter of 2026, followed by the services sector in the second quarter. (Ministry of Finance, 2025).

6. **Centralized policy initiatives**, such as GBS tax incentives, were seen as positive signals of government commitment in supporting the growth of the industry.

7. **MD Tax Incentive** - **New outcome-based tax incentive scheme**, offering eligible MD companies with Reduced Tax Rate (RTR) or Investment Tax Allowance (ITA), offered to eligible companies that undertake activity utilising any of the promoted technology enablers.

Regulatory Improvements

Regulatory updates

Personal Data Protection Act (PDPA) amendment: The planned PDPA amendment will significantly impact GBS companies in Malaysia by introducing a mandatory data breach notification mechanism, requiring a prompt report on security incidents. Stricter rules for cross-border data transfers compel reassessment and formalisation of international data flow agreements. The expanded definition of "personal data" and new obligations for data processors will directly increase GBS compliance requirement. This broadens the scope of regulated information and heightens accountability for GBS centres handling large data volumes. Malaysia's PDPA vs EU's GDPA. PDPA lacks extraterritorial scope, may also affect GBS companies handling cross-border data. Refer to Appendix 2

The Malaysia Omnibus Act: also known as the Data Sharing Bill, was passed in 2024 to facilitate data sharing between government agencies (with the potential to expand to state governments and local authorities) and streamline data governance. It aims to improve efficiency, security, and privacy in data management within the public sector. The Act is closely linked to the PADU database (Central Database Hub) and is a key part of the government's efforts to enhance data governance.

Cross-border Harmonised Standards: In 2021, Malaysia recognized the adoption of the ASEAN Data Management Framework (DMF) and the ASEAN Model Contractual Clauses for Cross Border Data Flows (MCCs), which aim to enable harmonized standards for data management and cross-border data flows within ASEAN. This alignment strengthens Malaysia's competitiveness as a trusted data processing hub by ensuring greater compliance efficiency and operational predictability across ASEAN. Consequently, it directly supports the growth of the GBS industry by enabling seamless data integration with regional and international clients.

The National Cyber Security Agency (NACSA): The enactment of the Cyber Security Bill 2024 establishes a stronger national framework, with NACSA as the central enforcement authority. This legislation will directly impact GBS companies by classifying their operations as part of the nation's critical information infrastructure, subjecting them to stricter security protocols. The formation of the high-level National Cyber Security Committee underscores the government's heightened focus on cyber threats, signalling a more rigorous regulatory environment. GBS companies must navigate stricter content governance rules concerning sensitive online material, adding a layer of digital responsibility.

Asean Business Entity status: As outlined in Budget 2026, the government will introduce this to public-listed companies with extensive market footprint in Asean, and mid-tier companies with the potential to expand operations.

Benchmarking Malaysia

Country/ Ranks	Global Services Location Index 2023 - AT Kearney	IMD World Competitiveness Ranking 2025 (and in ASEAN)	WIPO Global Innovation Index (GII) 2025 (and in ASEAN)	FDI Confidence Index 2025 (Emerging market rankings)
Malaysia	3	23 (2)	34 (2)	11
Singapore	14	2 (1)	5 (1)	-
India	1	45	40	5
China	2	10	12	1
Philippines	12	51 (5)	53 (5)	16
Indonesia	6	40 (4)	55 (6)	12
Vietnam	7	56 (6)	45 (4)	19
Thailand	9	30 (3)	43 (3)	10
Estonia	-	21	16	-

Note: All numbers in brackets are for **ASEAN** ranking. Numbers outside are **GLOBAL** ranking.

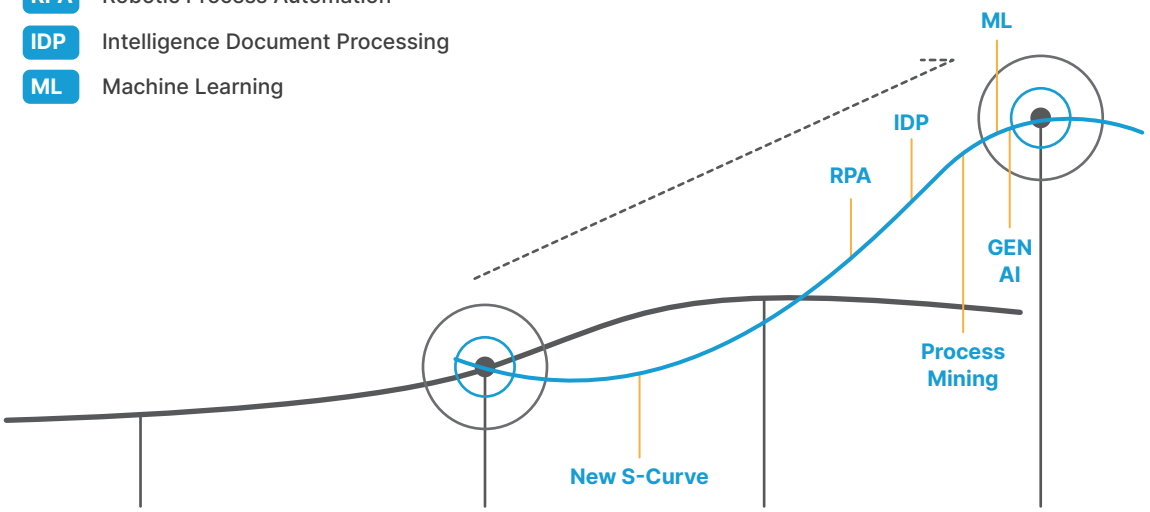
- **Premier Global Services Hub:** Malaysia continuously ranks 3rd globally in the Global Services Location Index, establishing it as a top-tier destination for outsourcing and business services, ahead of all its direct ASEAN competitors.
- **Consistent Regional Leader:** The country demonstrates balanced excellence, consistently securing 2nd or 3rd place within ASEAN across all indices (Digital Competitiveness, Innovation, and FDI Confidence), highlighting its all-around strength.
- **Superior Digital & Innovation Foundation:** With a strong global competitiveness (IMD #23 and aim to become top 12 by 2030) and innovation (GII #34) ranking, Malaysia possesses a more advanced digital infrastructure and skilled talent pool than regional rivals like Vietnam (#56 and #45) and the Philippines (#51 and #53).
- **Highly Attractive for Strategic FDI:** Malaysia's #11 ranking in the FDI Confidence Index positions it as a stable and attractive alternative for investors, offering a compelling blend of quality and scalability that bridges the gap between higher-cost and lower-development economies.
- **The "Goldilocks" of the Region:** The benchmark portrays Malaysia as the optimal middle-ground, more scalable and developed than Vietnam or the Philippines, and more stable and digitally competitive than Indonesia, while presenting a less complex environment than China or India.

Evolution of the GBS Industry

RPA Robotic Process Automation

IDP Intelligence Document Processing

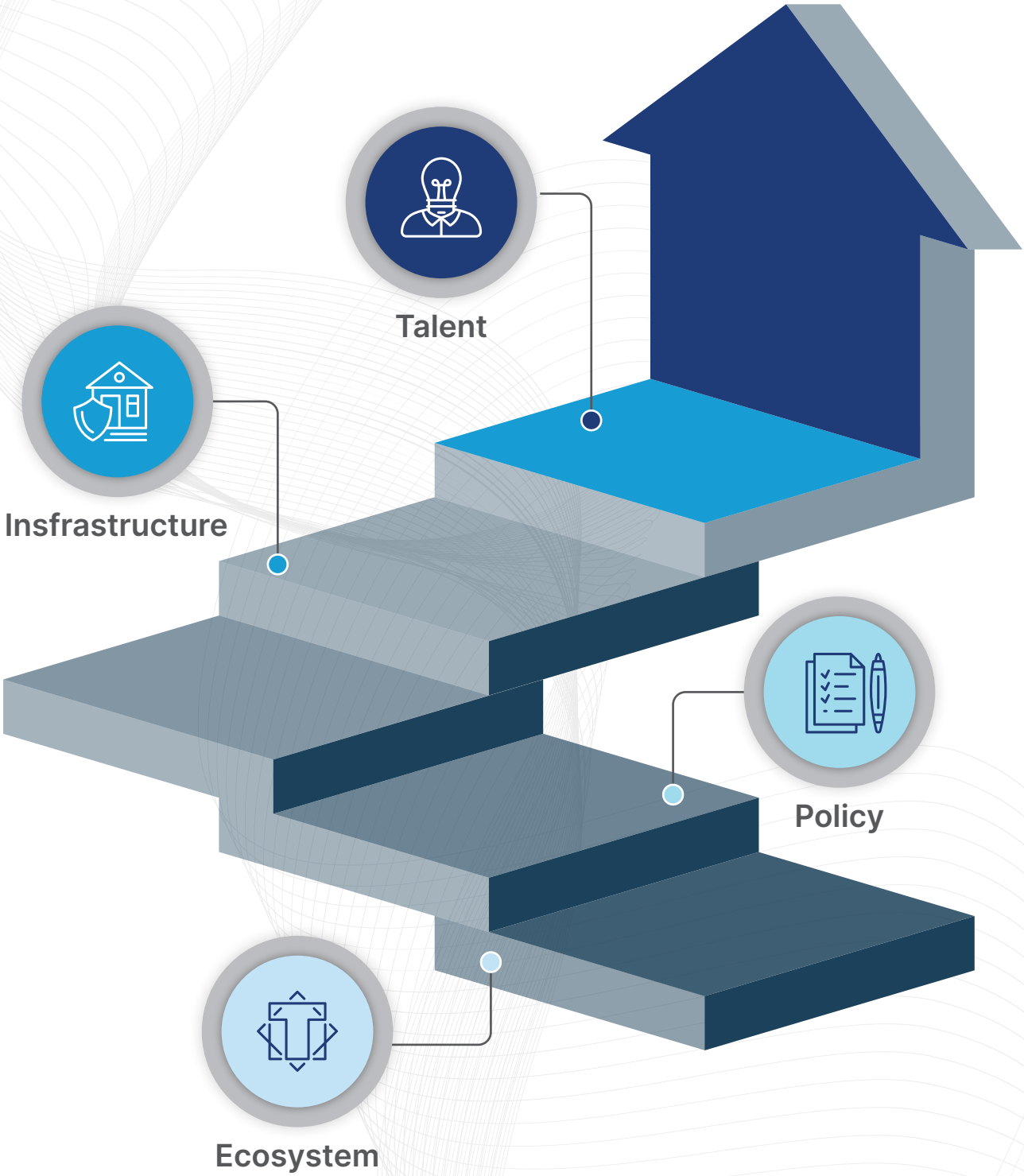
ML Machine Learning



Shared services and Outsourcing	GBS	Digital GBS	Generative GBS
Independent functional transactional services	Multi-functional. Multi-location, Scalability	End-to-end integrated digital service delivery, management, and process transformation	Intelligent automation, AI-driven decision makings and reporting

Model	Descriptions
Shared Services /Outsourcing	The shared services and outsourcing models originated from consolidating specific, transactional functions into dedicated units to achieve operational efficiency and cost reduction. Both models focus on standardizing processes and eliminating redundancies within functional silos. The key distinction lies in their operation: shared services are typically managed in-house, often on a local or regional basis, while outsourcing involves engaging an external provider. Ultimately, each model represents a foundational step in centralizing business support activities, enabling the core business units to thrive while driving organizational cost savings.
GBS (Global Business Services)	The GBS model expands by integrating multiple business functions into a unified, multi-location service delivery organization. It leverages global talent pools for scalability and moves beyond cost savings to focus on delivering greater value and improving service quality. This approach breaks down functional silos to enable the sharing of best practices and standardized processes on a global scale. Governed by a consistent framework, GBS represents a more strategic, integrated operating model deeply embedded within the enterprise.
Digital GBS	This model infuses technology to transform service delivery from discrete transactions to managing integrated, end-to-end digital processes. It leverages automation, analytics, and digital platforms to enhance efficiency, improve accuracy, and provide deeper insights. Digital GBS is characterized by its active role in process transformation and digital innovation, not just execution. The focus shifts to delivering seamless digital experiences and managing services through a centralized digital hub, acting as a catalyst for the organization's overall digital maturity.
Generative GBS	Generative GBS represents an intelligent, forward-looking evolution where AI and machine learning are central to operations. It employs intelligent automation for complex tasks and AI-driven analytics for predictive insights and automated decision-making. This model is defined by its capabilities in seamless intelligent automation, AI-driven decision-making, and reporting. It transforms GBS into an intelligent core of the enterprise, generating strategic value through high-level intelligent-driven autonomous operation and continuous learning.

GBS Challenges and Gaps in Malaysia



Talent

- Just like any other industry, talent attraction and retention of scarce and specialized talent continue to be a challenge.
- The management of the graduates' capabilities and alignment with the demands of emerging technologies is critical for GBS Malaysia to harness AI's potential and mitigate disruption.
- Talent development is primarily concentrated in the Klang Valley, creating a geographic disparity that limits the nationwide diffusion of skills and economic opportunity.
- Unclear career pathways to the C-suite in GBS and it needs to be addressed to attract and retain high quality talent.
- Roles impacted by AI, digital advancements, and ESG requirements demand reprioritisation, and transition planning through upskilling, reskilling, and strategic workforce training.

Insfrastructure

- Uneven distribution of infrastructure across regions. East Malaysia and secondary states lag in connectivity, logistics, and digital readiness, limiting their ability to participate fully in national GBS growth.
- Stakeholders consistently described digital transformation supported by infrastructure and talent are the engine driving Malaysia's GBS competitiveness.

Policy

- Policy needs greater alignment between industry and government priorities, emphasizing the importance of cohesive leadership.
- Navigating regulatory and administrative systems, including visas, tax incentives, and implementation timelines, poses a significant challenge, particularly for mid-tier companies with limited compliance resources.

Ecosystem

- Technological obsolescence and rapid innovation cycles could render current investments outdated without continuous upgrading while the GBS industry continues to evolve.
- While the regional diversity supports broad economic participation, a strategic challenge lies in accelerating the transition of more GBS operations into high-value, high-growth segments. This evolution is critical to strengthen Malaysia's global competitiveness within the rapidly evolving AI-driven GBS landscape.
- Regional competition from neighbouring countries seeking to capture GBS market share. Without sustained innovation, Malaysia risks being undercut by emerging players.

Way Forward for GBS Malaysia

To secure its position as a leading global hub, Malaysia's GBS industry must embark on a coordinated and decisive journey of transformation. The challenges identified, ranging from talent retention and infrastructure disparities to policy improvement, require a dual-track strategy: immediate, high-impact actions for the short term and foundational, structural changes for long-term, sustainable growth.

Short-Term

The immediate focus is on enhancing Malaysia's GBS global competitiveness, stabilizing the talent pool, and demonstrating a clear commitment to investors and the market through swift, executable initiatives.

Talent

- **Launch Public-Private "Skills Sprint" Partnerships:**
  Establish targeted, short-duration training programmes focused on AI, data analytics, and prompt engineering co-designed and co-delivered by industry players, academia, and training providers to ensure immediate relevance, leading to a rapid upskilling of the current workforce.

- **Activate Regional Talent Pipelines:**
  Initiate targeted outreach and inclusion programmes in East Malaysia and secondary states to tap into underrepresented groups. Partner with local universities and training providers to create foundational courses that build a more geographically diverse talent base.

- **Clear Career Pathways to the C-suite:**
  Establish national branding to position Malaysian talent as globally competitive. Clearly map out how roles are evolving with AI and how working in GBS can have career progression paths leading to the C-suite, making GBS the career of choice for talent attraction and retention.

- **Accelerate Digital Infrastructure Readiness in Secondary Corridors:**
  Conduct a rapid audit of digital connectivity and logistics gaps in East Malaysia and secondary states. Initiate public-private projects to enhance broadband infrastructure and co-working spaces, enabling these regions to participate in the national GBS ecosystem.

- **Establish a National GBS Digital Sandbox:**
  Create a cloud-based platform providing SMEs and mid-tier GBS companies with subsidized access to Gen AI tools, data analytics software, and automation technologies. This lowers the barrier to entry for adopting emerging technologies.

Policy

- **Streamline Visa and Incentive Processes:**
  Create a dedicated, fast-track visa approval channel for specialized foreign talent in critical AI and digital fields. Simultaneously, publish a clear, single-document guide to available tax incentives and grants to reduce bureaucratic inefficiencies.

- **Pilot State-Level Innovation Grants:**
  Partner with one or two state governments to launch competitive grants for GBS companies adopting AI and green technologies, fostering regional development and testing models for national rollout.

Long-Term

Long-term success depends on building a self-sustaining ecosystem that is resilient, innovative, and globally competitive.

Talent

- **Implement the Continuous National Talent Development Ecosystem:**
  Fully operationalize a national lifelong learning system. This includes individual learning accounts, a robust skills taxonomy, and micro-credentialing to ensure the workforce can continuously adapt.

- **Embed Industry-Academia Fusion:**
  In-line with the 13th Malaysia Plan, build a progressive and world-class education system that expands the demand-based learning model through deeper industry-academia collaboration to introduce the national GBS curriculum, emphasising skills certification and work-based learning experiences to enhance demand-supply match with the support from MOHE. This ensures a steady pipeline of graduates who are workforce-ready, with real-world experience embedded into their degrees.

- **Cultivate Global Leadership Niches:**
  Systematically develop Malaysia as a global centre of excellence for specialized domains such as multilingual analytics, AI-driven process management, ESG reporting and etc., moving the sector up the value chain.

- **A Strategy of Future-Proofing Talent:**
  This approach entails a long-term commitment to developing existing talent, aligning their skill progression with the GBS company's transformation up the value chain. This is crucial as AI adoption impacts entry-level and transactional roles. Continuous investment in people is fundamentally more robust and efficient than the reactive cycle of hiring and replacing talent when skill gaps emerge.

Policy

- **Enact a Dynamic AI Governance Framework:**
  Formalize and continuously update a comprehensive national policy for AI adoption in the GBS industry. This framework should promote innovation while ensuring ethical, secure, and accountable use of AI, building stakeholder confidence and mitigating risks.

- **Foster Synergistic GBS Development:**
  Establish a central coordinating body or Industry-led GBS Transformation Council to strategically align the development of different economic corridors and GBS initiatives. This will prevent duplication of effort, encourage specialization, and create a cohesive national GBS value proposition.

- **Transition Incentives towards High-Value Creation:**
  Review policy incentives from generic cost-saving attractions to those specifically rewarding high-impact, tech-driven value creation, ESG compliance, and intellectual property generation within the GBS industry.

Insfrastructure

- **Become a Regional Leader in Emerging Tech:**
  Make strategic, large-scale public and private investments in generative AI and block-chain infrastructure. Position Malaysia as a test-bed and governance leader for these technologies within the GBS context.

- **Execute a National Digital Infrastructure Expansion Plan:**
  Develop and fund a multi-year plan to ensure high-speed digital connectivity and state-of-the-art logistics are uniformly available across all regions, unlocking inclusive growth and establishing new, viable GBS hubs outside.

Sustaining the Malaysian GBS Ecosystem and Value proposition

Global Services is a priority area
Being earmarked as one of the accelerators for the Development of Strategic & High Impact Industries in the 12th Malaysia Plan (2021-2025) and continues to be regarded as one of the strategic high impact sectors in the 13th Malaysia Plan (2026-2030). GBS remains as one of the key economic transformation agents for the Malaysian digital economy aspiration.

Reimagining GBS
Gen AI is poised to take centre stage with 89% of executives saying their organizations are advancing Gen AI initiatives in 2025 compared to a mere 16% last year, making its integration an urgent priority (Hackett Group, 2025). 79% of Malaysian professionals anticipate role changes due to AI (MIDA, 2025). GBS leaders recognise this seismic shift, with a majority anticipating significant impacts on structured work and a substantial portion foreseeing changes in interactions. Looking ahead, the influence on unstructured work is expected to be fundamental. The message is clear, to remain competitive and effective, GBS leaders are at a critical crossroads.

Increase global competitiveness
Homegrown GBS companies are to expand globally through partnerships and moving up the value chain, aligning their future strategy with greater emphasis on compliance, green, and sustainability agenda (13th Malaysia Plan, 2026 – 2030) and contributing to the nation's aspiration to achieve net-zero greenhouse gas (GHG) emissions as early as 2050.

Exploring New Market Opportunities in Green
Transition: The evolving regulatory and technological landscape is creating powerful vectors for growth. GBS providers can capitalize on targeted niche specializations such as Legal Process Outsourcing (LPO) for legaltech, dedicated ESG reporting BPO, and digital health operations support. The global push for sustainability is not just a compliance challenge but a significant partnership opportunity. The tightening regulatory framework around emissions, waste, and climate is forcing enterprises to seek partners who can manage the resulting complexity. This creates a substantial new service line in Sustainability -as-a-Service, encompassing compliance management, green financing advisory, and the support of new, eco-friendly product and service ecosystems.

Evolving the Core

The vanguard of Malaysia's GBS industry is solidifying its role as strategic innovation partners for global enterprises. These mature entities are moving beyond traditional efficiency mandates to offer a differentiated portfolio of complex, high-value services - from advanced analytics to AI-driven solutions - all while integrating Environmental, Social, and Governance (ESG) priorities into their service delivery.
This progression is creating a rising tide that elevates capability standards across the entire national GBS landscape.

Expanding Footprints for Inclusive Growth

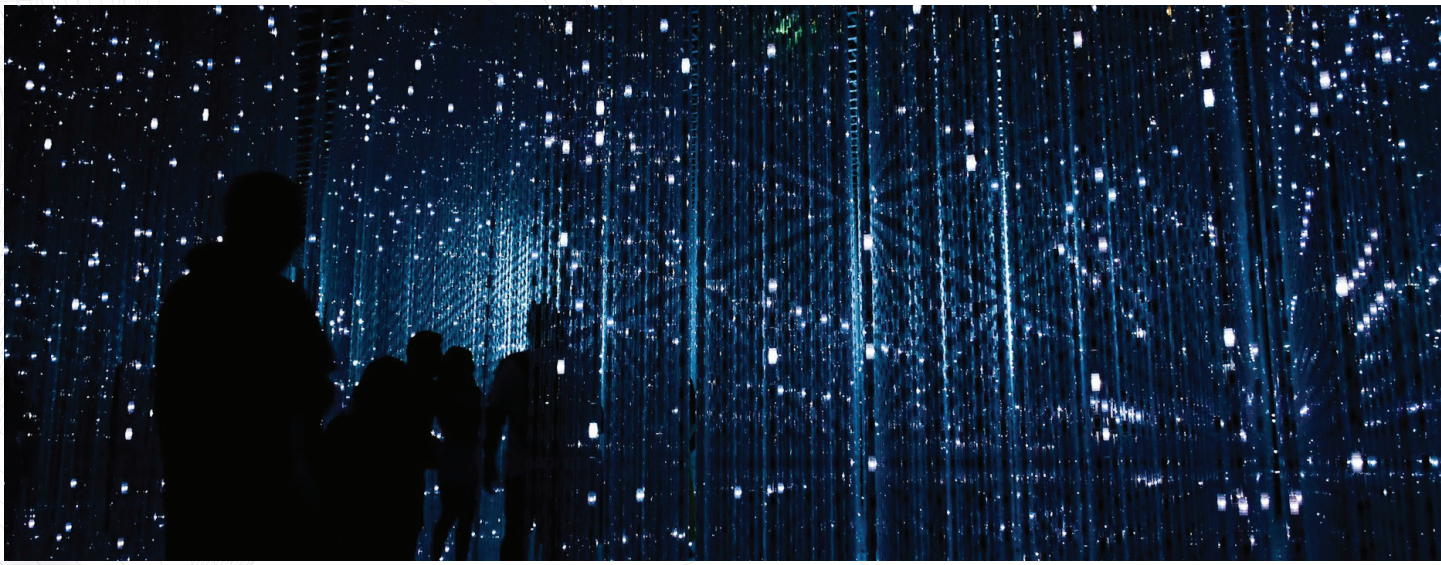
To unlock the next phase of growth and ensure balanced regional development, targeted strategy and investments in underserved corridors like East Malaysia present a significant opportunity. The implementation of a strategic "hub-and-spoke" model will enable the industry to bundle its top-tier capabilities by establishing primary hubs that will provide core innovation and leadership, while new, cost-effective spokes in emerging regions will deliver specialized services at lower costs. This integrated approach not only democratizes economic opportunity but also strengthens Malaysia's global GBS brand and proposition by showcasing its depth, resilience, and nationwide talent base.

High Value and Inclusive GBS Malaysia

The Global Business Services (GBS) industry in Malaysia stands at a pivotal juncture, poised for a new phase of growth that is both expansive and inclusive. This evolution is critically aligned with the national vision outlined in the 13th Malaysia Plan (2026-2030), which emphasises optimising the economic potential of less developed and rural areas to enhance regional development balance. Moving beyond the traditional concentration of economic activity, the future of Malaysia's GBS landscape requires a deliberate and strategic multi-tiered regional strategy.

GBS Malaysia Across Regions

	Maturity	Primary Strengths	Ideal For
Kuala Lumpur (KL)	Advanced	Unparalleled access to multilingual & specialised workforce; world-class infrastructure & connectivity; ecosystem collaboration & proximity.	Regional HQs & advanced GBS companies; innovation & policy leadership; strategic positioning as Malaysia's global hub.
Penang	Advanced	Engineering; electronics manufacturing, multilingual & skilled talent; AI integration & smart factories; industry–academia collaboration; semiconductor ecosystem.	IT shared services; specialized engineering & R&D support; global operations in tech-intensive sectors.
Selangor	Advanced	Diverse & experienced talent pool; tech-first strategy; sustainability & innovation focus; cost advantage & land availability vs. KL; developed industrial areas; digital infrastructure & connectivity.	Regional HQs & advanced GBS companies; Mid-sized GBS companies; ESG services specialization; national policy alignment; talent outreach.
Johor	Advancing	Strategic proximity and connectivity to Singapore; cost-competitive advantage; developing infrastructure & digital connectivity; access to a growing, skilled talent pool; unique benefits from the Johor-Singapore Special Economic Zone (JS-SEZ).	Nearshore & offshore GBS centres for Singaporean and international markets; logistics, BFSI, IT services, and healthcare support; companies leveraging JS-SEZ tax and trade benefits; regional shared services; pilot projects for scalable operations.



	Maturity	Primary Strengths	Ideal For
Pahang	Emerging	Lower operational & living costs; focus on developing TVET/STEM talent pipelines; strategic East Coast location; balancing regional economic development; proximity to key ports (Kuantan Port) and growing industrial areas.	Inclusive GBS pilot centres or captive units; back-office operations for agriculture, ecotourism, and logistics sectors; knowledge-based services supporting local industries; potential for enhanced state-level incentives.
Perak	Emerging	Lower costs & high quality of life; actively driving TVET/STEM talent pipeline; strategic central location; balancing regional economic development; proximity to electronics manufacturing hubs.	Inclusive, pilot GBS centres or captive units leveraging sectoral strengths in agriculture, logistics, automotive & manufacturing; knowledge-based services; potential enhanced incentives.
Sabah	Emerging	Lower costs, Statewide digital mandate; ESG-compliant, cloud-native infrastructure; environmental leadership; GBS activity is nascent but holds unique potential.	Centralised government services; inclusive GBS service delivery models; pilot GBS centres or captive units; niche BPO expansion leveraging tourism; pilot GBS centres or captive units; niche BPO expansion leveraging tourism; potential hub for Australian and East Asian markets; Potential to serve as GBS companies for large local industries (e.g., oil & gas, palm oil and agriculture).
Sarawak	Emerging	Lower costs, Statewide digital mandate; ESG-compliant, investments in infrastructure; ESG leadership; comfortable living environment; GBS activity is nascent but holds unique potential.	Centralised government services; inclusive GBS service delivery models; niche BPO expansion leveraging tourism; pilot GBS centres or captive units; potential hub for Australian and East Asian markets; Potential to serve as GBS companies for large local industries (e.g., oil & gas, palm oil and agriculture).

Penang

Penang demonstrates as an advanced hub for specific Engineering and R&D services, and tech-based GBS. Its strengths in engineering, electronics manufacturing, and a skilled talent pool are enhanced by AI integration and a robust semiconductor ecosystem. This makes it ideal for IT shared services, specialised engineering & R&D support, and global operations in tech-intensive sectors.

Perak

As an emerging GBS location, Perak's value proposition is built on lower costs, a high quality of life, and a strategic central location. It is actively developing its TVET/STEM talent pipeline. This makes it ideal for inclusive, pilot GBS centres or captive units that can leverage sectoral strengths in agriculture, logistics, automotive, and manufacturing.

Pahang

Pahang is an emerging GBS location. It offers lower costs and a developing talent pipeline under their Pahang Sprint 2030 blueprint. It is ideal for inclusive, pilot GBS centres or captive units supporting local industries like agriculture, ecotourism, automotive and logistics. This makes it a strategic choice for foundational investments in regional economic development.

Johor

Johor is strategically positioned as an ideal location for nearshore and offshore GBS companies, especially with the Johor Singapore Special Economic zones offering a unique opportunity for GBS companies to take advantage of the tax benefits and access to skilled talent pool to serve the different industries, including the logistics, finance, IT services, and healthcare sectors.

Selangor

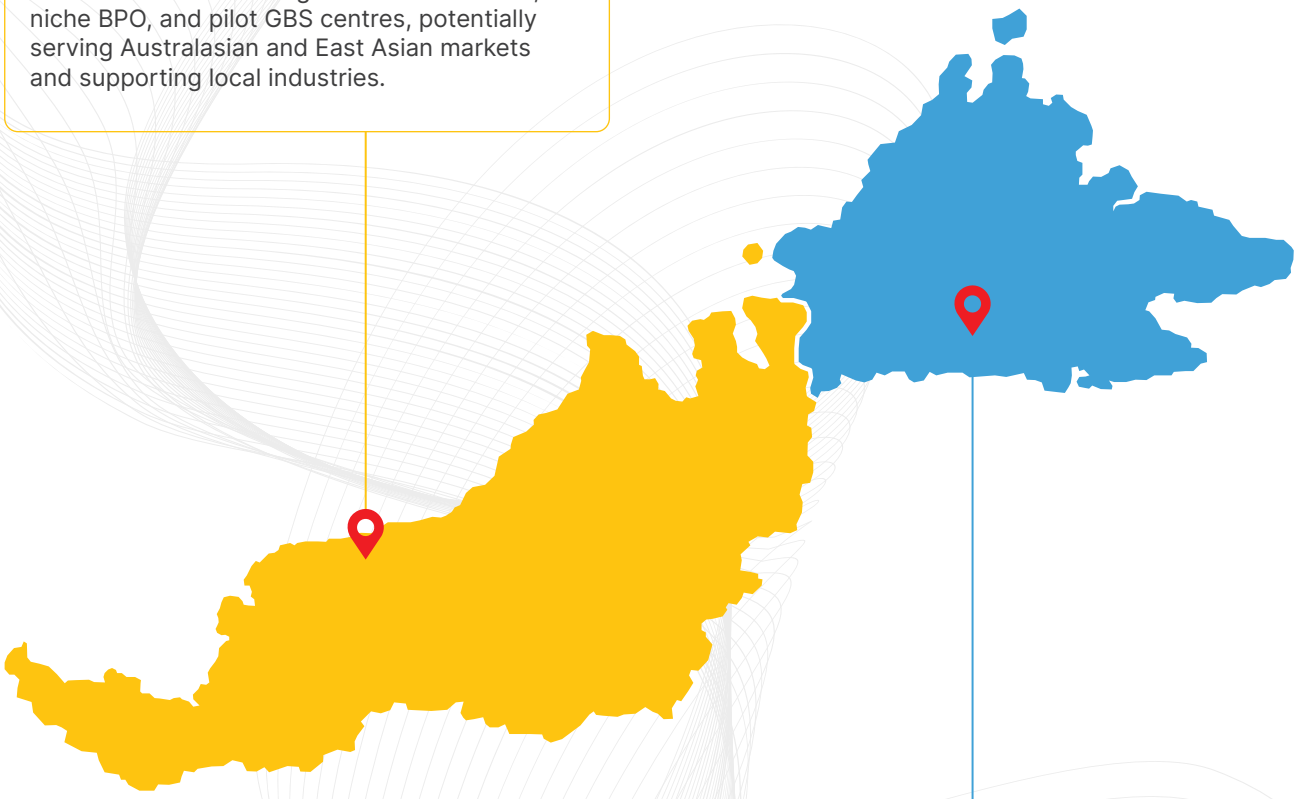
Operating as an advanced GBS hub, Selangor boasts a diverse and experienced talent pool alongside a tech-first and sustainability focus. It offers a cost advantage and greater land availability versus KL, supported by developed industrial areas and digital infrastructure. The region is ideal for regional HQs, advanced and mid-sized GBS companies, and those specialising in ESG services.

Kuala Lumpur (KL)

As an advanced GBS hub, KL offers unparallelled access to a multilingual and specialised workforce, supported by world-class infrastructure and connectivity. Its strengths in ecosystem collaboration and strategic proximity solidify its position as Malaysia's premier global hub. It is ideally suited for regional HQs and advanced GBS companies seeking a centre for innovation and policy leadership.

Sarawak

As a niche GBS hub, Sarawak offers lower costs, a digital mandate, and ongoing investments in ESG-compliant infrastructure. Its comfortable living environment and unique potential make it suitable for centralised government services, niche BPO, and pilot GBS centres, potentially serving Australasian and East Asian markets and supporting local industries.



Sabah

Sabah serves as a niche GBS hub characterized by lower costs, a statewide digital mandate, and ESG-compliant, cloud-native infrastructure. Its nascent GBS activity holds unique potential, supported by environmental leadership. It is ideal for centralised government services, inclusive GBS delivery models, and niche BPO expansion leveraging tourism and large local industries.

Disruptions on Global Supply Chains Shaping the Near-Term Outlook

Geopolitical

- **Ukraine–Russia Conflict:** Ongoing war is driving talent out of conflict zones toward more stable markets, disrupting global agriculture, and undermining Europe's energy security.
- **US–China Decoupling:** Growing friction between Washington and Beijing is pushing firms to reduce reliance on China, with "friend-shoring" emerging as a key strategy. This shift carries implications for both trade and security.
- **Europe's Recession & Middle East Risks:** The EU faces the dual challenge of a technical recession and growing concerns over economic dependence on China, while escalating tensions in the Middle East and surrounding regions add further uncertainty.

Trade Relations

- **Shifting Trade Dynamics:** Agreements such as RCEP and CPTPP are enhancing regional investment flows and improving FDI prospects. Supply chains are moving closer to end markets, though economic nationalism continues to challenge multilateral cooperation.

Sustainability

- **Balancing Profit and Resilience:** Companies are strengthening commitments to resilience and embedding sustainability, yet must weigh short-term profitability against longer-term returns from SDG-related investments and expectations

Global Implications

- Reassessment of supply chain hubs
- Growing adoption of de-risking, friend-shoring, and "China+1" strategies
- Rising importance of energy and data security
- Increased focus on workforce health and wellbeing
- Ongoing challenge of aligning ESG, ROI, and profitability

Conclusions

Malaysia's GBS sector has entered a pivotal stage of growth. The industry has surpassed investment and job creation targets, strengthened its talent base, and advanced its digital infrastructure, positioning the country as one of the world's leading destinations for global business services.

The challenge now is to maintain this momentum into long-term sustained competitiveness. Success will depend on accelerating the shift to high-value, technology-driven services, embedding ESG priorities, and ensuring inclusive regional growth. At the same time, Malaysia must continue to streamline policies and foster deeper collaboration between government, industry, and academia to enhance investor confidence.

With decisive action, Malaysia is well-placed to achieve its 2027 goals and build a globally recognised, future-ready GBS ecosystem. The sector is not only an engine of growth but also a strategic platform for innovation, talent development, and digital leadership in the region.

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Researcher's Profile

Assoc Prof. Dr. Mandy Sim is an Associate Professor at the Institute of Work, Organisation and Wellbeing (IWOW), University of Nottingham Malaysia. She has more than 15 years of experience in higher education and a background in industry before joining academia. She was the recipient of the Asia's Education Leadership Award, the Lord Dearing Award, and the Vice-Chancellor's Medal. Mandy's research and impact areas include services (GBS), leadership for a sustainable future, industry-academia-government collaboration, the future of work, and academic advising. She is also a certified international negotiator, and a Fellow of Advance HE, actively contributing through advisory roles, research, awards judging, and training for the industry.

Dr. Anthony Beh has been with the Institute of Work, Organisation and Wellbeing (IWOW), University of Nottingham Malaysia since 2022. He earned his PhD in Psychology in 2023 and his MSc in Brain Imaging in 2018. His research focuses on the intersection of generative artificial intelligence and human behaviour, investigating how individuals interact with emerging technologies through a social psychology lens. He is particularly interested in how industries are responding to generative AI, including how organisations adapt their business models and restructure their workforce to keep pace with technological advancement.

Jeanette Lim has 12 years industry experience in retail and franchising in England and Malaysia. She has been with the University of Nottingham Malaysia since 2018. She is an academic exploring the intersection of customer experience, operational efficiency, and on applying instructional design principles to enhance workforce development in the GBS industry. She was part of the pioneering team who led the GBS Challenge industry-academia module on campus aimed to bridge theoretical insights with practical applications, driving impact in both educational and industrial contexts.

Sharifah Shaliza is a certified life coach and the Teaching and Research Associate at the Institute of Work, Organisation and Wellbeing (IWOW), University of Nottingham Malaysia. She completed her MSc in Management Psychology in 2020 and is currently pursuing a PhD in Applied Psychology under the UNM High Achiever Scholarship. Her doctoral research examines how gender influences managerial coaching and employee wellbeing. Before joining academia, she gained extensive corporate experience across Government-Linked Companies (GLCs), healthcare services, and private enterprises.

Appendices

Appendix 1

Key differences between registering with MDEC and MIDA

Programme name	MDEC (Malaysia Digital Economy Corporation) Malaysia Digital (MD) Status	MIDA (Malaysian Investment Development Authority) Investment Incentives via MITI/MIDA
Focus Area	Digital economy, tech innovation, GBS.	Strategic investments, regional hubs, manufacturing, services.
Target Companies	Tech-driven GBS, digital services, startups, scaleups.	MNCs, regional HQs, large-scale GBS operations.
Eligibility Criteria	▪ Incorporated under Companies Act 2016. ▪ Resident in Malaysia. ▪ Carrying out or proposing Malaysia Digital activities (GBS included). ▪ Minimum 2 knowledge workers (RM5,000/month) ▪ RM50,000 annual operating expenditure. ▪ RM1,000 paid-up capital ▪ RM1,080 processing fee.	▪ Incorporated under Companies Act 2016. ▪ Resident in Malaysia ▪ Shareholders' funds ≥ RM2.5 million OR ≥ 75 full-time employees. ▪ Minimum Capital Investment Per Employee (CIPE) of RM140,000. ▪ ≥ 80% Malaysian workforce. ▪ ≥ 25% managerial/technical/ supervisory staff OR ≥ 40% value-added content. ▪ Application for specific incentives must align with MIDA's promoted sectors.
Incentives Offered	▪ Tax incentives (reduced tax rate or ITA). ▪ Expatriate facilitation. ▪ Import duty exemptions. ▪ Access to grants, funding, and digital ecosystem.	▪ Pioneer Status (tax exemption). ▪ Investment Tax Allowance. ▪ Reinvestment Allowance. ▪ Strategic project incentives.

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Programme name	MDEC (Malaysia Digital Economy Corporation) Malaysia Digital (MD) Status	MIDA (Malaysian Investment Development Authority) Investment Incentives via MITI/MIDA
Benefits	▪ Access to Malaysia Digital Status, which replaces the former MSC Malaysia status. ▪ Eligibility for tax incentives, expatriate employment facilitation, and digital ecosystem support. ▪ Recognition as a digital company under Malaysia's national digital strategy. ▪ Support for activities like AI, Big Data, cybersecurity, and GBS.	▪ Access to investment tax allowances, principal hub incentives, and strategic investment facilitation. ▪ Suitable for companies with larger-scale operations, FDI, or regional headquarters.
Application Platform	Malaysia Digital Platform	InvestMalaysia Portal

Appendix 2

Malaysia PDPA (2025) vs EU GDPR - Comparison Table

Aspect	MDEC (Malaysia Digital Economy Corporation)	MIDA (Malaysian Investment Development Authority)
Scope and Applicability	Applies to personal data processed in commercial transactions using equipment in Malaysia only.	Applies to all personal data processing, including non-commercial (social, educational, employment context), regardless of location.
Government Exemption	Excludes government agencies and credit reporting businesses from compliance.	Applies to public authorities, unless specifically exempted.
Consent Requirements	Allows implied consent; explicit consent required for sensitive data. Lacks clear definition of what constitutes valid consent.	Requires freely given, specific, informed, and unambiguous consent. Clear documentation.

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Aspect	MDEC (Malaysia Digital Economy Corporation)	MIDA (Malaysian Investment Development Authority)
Data Subject Rights	▪ Includes access, correction, and data portability. ▪ No right to erasure. No explicit right to be forgotten (not provided). Data portability is subject to technical feasibility.	▪ Includes access, correction, erasure, portability, objection, etc. ▪ Right to be forgotten explicitly granted under Article 17. Businesses must respond to data erasure requests within 30 days. Mandatory data portability in machine-readable format.
Data Breach Notification	Must notify Commissioner within 72 hours or as soon as practicable if there's likelihood of significant harm to affected individuals.	Must notify authority within 72 hours of becoming aware of a breach.
Data Protection Officer (DPO)	Mandatory as of June 2025 for certain businesses. DPO must be registered with Commissioner, physically present in Malaysia, proficient in BM and English.	Mandatory for certain organizations involved in large-scale or sensitive data processing; no registration required, no residency requirement.
Cross-Border Transfers	Whitelist removed; now based on adequacy and risk assessments.	Transfers allowed only to countries with adequate protection.
Enforcement and Penalties	Enforcement is local, fines up to RM1 million (~USD236,000) and/or 3 years imprisonment.	Strong enforcement mechanism. Fines up to €20 million or 4% of global turnover.

In Collaboration With

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