

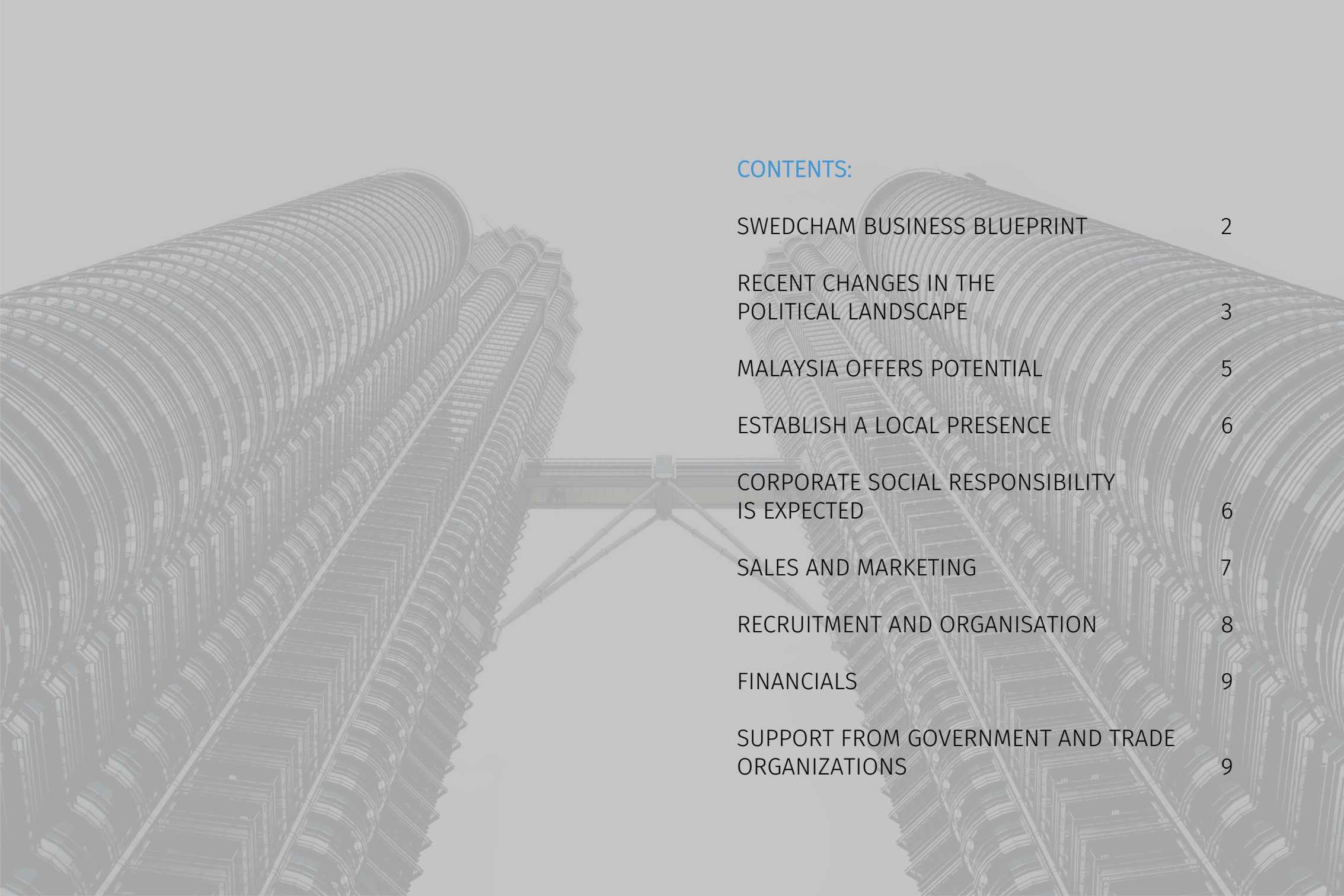


SWEDCHAM BUSINESS BLUEPRINT

PRODUCED IN COLLABORATION WITH:

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THE SWEDCHAM BUSINESS BLUEPRINT

The SwedCham Business Blueprint is a document advising how to do business successfully in Southeast Asia.

Advice is gathered from entrepreneurs and executives from Nordic businesses in the region who have been invited to share their experiences and recommendations.

The first session in the SwedCham Business Blueprint series focused on Singapore – a key market in Southeast Asia, as well as an important strategic hub for conducting business in the region.

The second SwedCham Business Blueprint session focused on Malaysia, a country that is becoming increasingly more competitive and that is currently undergoing significant economic as well as political changes.



RECENT CHANGES IN THE POLITICAL LANDSCAPE

An Unexpected Shift in Power Favouring Democratic Developments

In May 2018, Mahathir Mohamad, leading the Hope Pact, gained power, offsetting the National Front, Malaysia's ruling coalition for the past 61 years. The election results were not only highly unexpected but also led to Malaysia taking a big leap upwards in the rankings of the world's functioning democracies as the election in fact demonstrated that Malaysia's institutions have much stronger political integrity than the international community had expected.

The potential challenges ahead are, however, many. One challenge relates to the coming mid-mandate political transition, where only the future will tell if handing over the baton will be a smooth process or not. Another challenge is the leader's age – essentially there is uncertainty around what would happen to the current government coalition if the Prime Minister were to pass. Underlying ethnic antagonism is also a risk factor, something the former government will be likely to exploit. Lastly, high expectations on the new government risk creating dissent in the event that those hopes are not fulfilled.

Although much uncertainty remains in terms of what implications this dramatic political shift will have on business, the prospects still look rather bright with relevant reforms being implemented and anti-corruption measures being taken. And on an overall level, increases in transparency and institutional integrity work in favour of Nordic business practises.

The following recommendations have been gathered from experienced Nordic business leaders and are worth studying for businesses considering entering the Malaysian market.



MALAYSIA OFFERS POTENTIAL

Local Incentives and Markets Growth Brings Talent Back Home Again

Malaysia offers a modern, well-diversified economy where growth is mainly driven by increasing household consumption. The manufacturing sector has for the most part embarked on its digital journey; however, productivity is still a challenge and something that the government needs to address. The main potential for Nordic businesses lies in using Malaysia as a hub from which the region can be steered.

The ecosystem around business is still stronger in Singapore, but Kuala Lumpur is increasing its relative attractiveness and the local government is currently offering strong incentives to bring talent and business into the country. The pace of the latter has especially been picking up lately. Furthermore, Nordic businesses that are currently actively doing business in Malaysia are seeing a shift in mentality within the younger generation, with many open to staying in, or returning, after having seized opportunities overseas, to Malaysia.



ESTABLISH A LOCAL PRESENCE

Physical Presence is Key

In Malaysia, just like in many of its neighbouring markets, establishing a physical presence in the market is a key to success. Trust, on a personal level, serves as a cornerstone to any business relationship - and working merely through distributors will likely make this difficult to establish. Businesses are likely to need at least locally-based sales representatives in order to succeed.

Moreover, establishing a local presence will be much easier with a local business partner - preferably with some ownership - on board.

CORPORATE SOCIAL RESPONSIBILITY IS EXPECTED

Malaysians take corporate social responsibility very seriously, and it is therefore a good idea to invest in the local community. Support of local projects and initiatives not only shows that a business is ethically sound, but it also demonstrates a seriousness of intent with regard to longer term business commitments.

As Malaysia is ethnically and regionally diverse, businesses might also need to establish several different initiatives depending on where they base their business.

SALES AND MARKETING

Leverage the Nordic Brand

Nordic businesses are relatively highly regarded, with associations of innovation, sustainability and quality tied to them. This is something that Nordic businesses are wise to use, especially if their own brand is not so well known in the market.

Patience is a Virtue

Long sales processes as well as the overall pace of business often pose challenges to Nordic businesses in Malaysia. Advice is not easily retrieved as knowing when to push is a delicate balancing act. The general rule of thumb is that everything local helps: employees, shareholders, and business partners.

Mandarin is an Ace

As 40% of Malaysia's population is ethnic Chinese, business professionals with Mandarin skills may find that they have an advantage - not necessarily because they will be required or expected to conduct business in Mandarin, but because a knowledge of the language is in some cases likely to give them a deeper insight into what is going on in their meetings on the other side of the table. It has been noted within the Nordic business community that a knowledge of Mandarin can lead to a far deeper insight into business negotiations in Malaysia (even more so than in Singapore for example).

RECRUITMENT AND ORGANISATION

Don't Save on Talent

A lot of businesses coming from Singapore turn to Malaysia anticipating cost saving opportunities. Whereas this can be true for outsourced back office functions, it is not necessarily the case when there is a need for skilled labour. The general opinion among Nordic businesses is that whilst Malaysia does offer top talent, the price tag on sought-after personnel is becoming increasingly global - companies will often have to pay as much for top talent in Malaysia as in Singapore or the Nordic countries. Nonetheless, despite the need to pay high salaries, hiring local talent will probably still prove cost effective as bringing in talent from abroad will entail both establishing costs and traditionally also costs for housing, schools and more.

Know what Story You are Selling

Any company coming into Malaysia as a new business with an unknown brand will need to share its future plans with potential employees. Incoming talent will want to hear a story they can buy into in order to see how they can develop professionally within the company going forward. In short, driven individuals will want to see a career path and growth potential before coming onboard.

FINANCIALS

Navigating with Local Banks can be Tricky

Bank rules and regulations can be challenging to understand as a newcomer to the Malaysian market. For example, the type of corporate entity will often determine which opportunities are available, and certain services are only offered to specific types of corporate entity.

Also, if the local entity being established is small then banks in Malaysia might be unwilling to give out credit, regardless of the size of the overseas controlling company. Using the business's existing regional and Nordic bank relationships can help overcome this, provided the Nordic bank is willing to vouch for its client.

Additionally, bank procedures are to a larger extent analogue than in for example Singapore. It will be helpful to manage expectations related to time for transactions to be processed. Not sure what this means.

SUPPORT FROM GOVERNMENT AND TRADE ORGANIZATIONS

As much as Malaysia is emerging as an increasingly attractive market in which to set up business, the country is not a straightforward market in which to win for those unfamiliar with the local trails of the regulatory framework. Making use of Nordic government-related trade promotion agencies is therefore recommended when setting up shop. These agencies can help with practical services related to company registration and establishment and can also provide relevant networking opportunities and connections. Malaysia also has its own agencies promoting the country and these too can help with relevant connections at government authorities and banks etc.

