



ENHANCING DOMESTIC CAPABILITIES



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STRATEGIES AND POLICIES

STRATEGIC THRUSTS

1.01 For Malaysian-owned companies to be competitive domestically and globally, measures will be undertaken to improve and enhance their capacities and capabilities, to be able to operate effectively in a rapidly changing business environment. Towards achieving this objective, 11 strategic thrusts have been set:

- (1) upgrading the capacities and innovative capabilities of Malaysian-owned companies, including those in the agro-based industry and the services sector;
- (2) enhancing value creation through human capital development;
- (3) facilitating the development and application of knowledge-intensive technologies;
- (4) developing and promoting standards and encouraging standards conformance;
- (5) encouraging SMEs to strive towards becoming larger and more competitive entities;
- (6) encouraging strategic alliances among Malaysian-owned companies. In this respect, the larger, more established Malaysian-owned companies will be encouraged to venture into strategic projects and industries and complement, rather than compete with, SMEs;
- (7) integrating Malaysian-owned companies into the regional and global networks of production, trade, investments and services;
- (8) promoting outward investments;
- (9) creating a more conducive environment for the development of domestic capabilities;
- (10) strengthening the role of private sector institutions, including trade and industry associations, and chambers of commerce; and
- (11) nurturing exemplary corporate social responsibility.

(1) UPGRADING THE CAPACITIES AND INNOVATIVE CAPABILITIES OF MALAYSIAN-OWNED COMPANIES

1.02 To enable Malaysian-owned companies to participate effectively in the regional and global supply chains, their capacities and innovative capabilities will be upgraded. This involves:

- building and enhancing core competencies, including product D&D and product engineering, to meet international standards on quality and delivery. This will involve greater private sector investments in upgrading their capacities, including technological and human resource, complemented by appropriate Government support;
- developing innovative technopreneurs and entrepreneurs, through the creation of an environment which nurtures creativity and innovation. This will involve encouraging risk-taking and creating suitable reward mechanisms, including the sharing of intellectual property rights (IPRs);
- enhancing the capacity building for brand development and promotion. Malaysian-owned companies, especially SMEs, will continue to be provided with resources and assistance to facilitate capacity enhancement and initiatives for brand building and promotion;
- strengthening the intellectual property (IP) framework to encourage innovations, technology transfers and the commercialisation of R&D findings, including:
 - improving the IP regime to make it more conducive for the promotion of innovations and protection of new ideas;
 - reviewing the process of registration of IPRs, with a view to making it more efficient and less costly; and
 - undertaking measures to enhance the IP support facilities and hasten the IP approval process. In addition, the mechanism on the assignment of IP and sharing of royalties will be reviewed; and
- adopting benchmarking and best practices to improve the quality of products and services. This will be undertaken by enhancing the promotion of Benchmarking On-line Database and encouraging greater utilisation of the database of best practices.

1.03 For the agro-processing industry, efforts will focus on:

- enhancing productivity and performance through capacity building at the public sector institutional and industry levels. Particular attention will be given to strengthening the capacity of technical support, extension and research institutions;

- improving the efficiency and productivity of traditional agro-based activities. This will be achieved through the enhancement of technical skills and diffusion of appropriate agro-engineering systems and technologies, to upgrade production and facilitate product development, innovations and diversification;
- intensifying initiatives on human resource development and R&D to develop highly skilled and innovative workforce in new and emerging sciences, such as food, genetic engineering and biotechnology; and
- strengthening marketing and overseas networking through greater private sector collaboration with public sector marketing and export promotion corporations, including the Federal Agriculture Marketing Authority (FAMA) and Malaysia External Trade Development Corporation (MATRADE).

1.04 For the services sector, measures which will be undertaken by the Government include:

- collaborating with the National Professional Services Council (NAPSEC) and Professional Services Development Corporation (PSDC) to facilitate the export of services by Malaysian-owned companies, including SMEs;
- facilitating market access for the service providers through mutual recognition arrangements (MRAs), negotiated either bilaterally or regionally;
- encouraging linkages between SMEs and larger service providers to develop expertise and enhance market access for the SMEs; and
- enhancing service quality through the Malaysian Centre for Service Excellence, an initiative undertaken by the National Productivity Corporation (NPC), in collaboration with local and international organisations.

(2) ENHANCING VALUE CREATION THROUGH HUMAN CAPITAL DEVELOPMENT

1.05 New technological knowledge and capabilities are important in creating innovation systems. Activities to upgrade the human capital to support Malaysian-owned companies include:

- regularly evaluating the academic and industrial training systems to improve the effectiveness of curricula and skills training programmes to enhance the employability and productivity of the workforce;
- strengthening the links among Government institutions of higher learning and the private sector, particularly in R&D and innovation activities, to enhance research in new technologies, products and processes;
- facilitating the sharing of knowledge between industry and academia, as well as collaborating in market-driven R&D activities;

- ensuring the availability of skills to support innovation and technology transfers by facilitating the mobility of researchers and academia to businesses, in particular, SMEs, and vice versa;
- creating more opportunities for undergraduates to undergo training at industry premises;
- providing support to employers to encourage them to intensify their participation in internship programmes for undergraduates; and
- amending the scope of the Human Resource Development Fund (HRDF) so that companies, especially SMEs, can utilise their contributions to continually upgrade industrial training.

(3) FACILITATING THE DEVELOPMENT AND APPLICATION OF KNOWLEDGE-INTENSIVE TECHNOLOGIES

1.06 Measures to facilitate the development and application of knowledge-intensive technologies include:

- intensifying the development of market-driven R&D, through greater collaboration between industry and public and private research institutes. Mechanisms will be put in place to encourage such collaboration, including the review of regulations to facilitate the cross-flow of human capital between industry and the academia;
- providing support to encourage companies to increase the use of enabling technologies to upgrade the processes throughout the value chain, namely, from D&D to marketing and the delivery of products and services; and
- improving access by SMEs to ICT and other enabling technologies. This will be undertaken through:
 - comprehensive outreach programmes, including training and mentoring, by related Government agencies;
 - facilitating access to funding for the acquisition of technologies;
 - promoting greater collaboration between training institutes and industry to assist SMEs in keeping pace with technological developments and applications; and
 - encouraging greater involvement of SMEs in market-driven R&D activities, undertaken by technology incubators.

1.07 For the agro-based industry, measures will also include supporting the application of advanced processing and packaging systems to improve on or replace conventional and traditional techniques for better post-harvest handling and storage, and longer shelf-life of the agriculture produce.

(4) DEVELOPING AND PROMOTING STANDARDS AND ENCOURAGING STANDARDS CONFORMANCE

1.08 Measures to develop and promote Malaysian standards include:

- enhancing the institutional capacity for the greater recognition and acceptance of Malaysian standards internationally. For example, in the case of the *halal* standard, more resources will be provided for the promotion and international recognition and acceptance of the standard; and
- continuing to seek acceptance of Malaysian standards by the relevant international accreditation bodies through MRAs, at the regional and bilateral levels.

1.09 Standards conformance is important for industrial efficiency, productivity and competitiveness. The development and promotion of standards will provide Malaysian industry the edge and leadership in areas where Malaysia has competitive advantage, for example, the *halal* industry. Measures to intensify standards conformance include:

- strengthening outreach programmes, particularly for SMEs, to enhance the awareness and understanding of the importance of standards compliance;
- providing the necessary institutional support to facilitate compliance with international standards among Malaysian-owned companies; and
- expanding accreditation schemes to include more areas, for example, Hazard Analysis and Critical Control Points (HACCP) and ISO 22000 (Food Safety).

Effective enforcement of Malaysian standards, on both imports and locally produced products and services, will also be given emphasis.

(5) ENCOURAGING SMALL AND MEDIUM ENTERPRISES TO BECOME LARGER AND MORE COMPETITIVE ENTITIES

1.10 SMEs have the potential to contribute more significantly to Malaysia's competitiveness. SMEs will be provided with support to:

- enable them to adopt and adapt appropriate technologies to enhance production capabilities and strengthen their competitiveness;
- assist them in developing and promoting new products and services; and
- enable them to expand their operations and businesses overseas and be integrated into the international production networks.

(6) ENCOURAGING STRATEGIC ALLIANCES AMONG MALAYSIAN-OWNED COMPANIES

1.11 For greater efficiency and better utilisation of resources, larger, more established Malaysian-owned companies will be encouraged to venture into more strategic industries and projects. This is to complement, rather than compete, with SMEs. Measures to facilitate this process include:

- encouraging selected companies, especially Government-linked companies (GLCs), to invest overseas, with the long term objective of developing a core group of home-grown multinational corporations (MNCs), capable of gaining access to the overseas markets;
- enhancing the collaboration among the larger Malaysian-owned companies with SMEs. In turn, the Malaysian-owned companies, with the participation of SMEs, will be encouraged to collaborate with MNCs; and
- encouraging the development of Malaysian MNCs. This will be undertaken, for example, through deepening the linkages between Malaysian companies and their partners in the region, to reap economies of scale and capitalise upon the existing networks, local knowledge and strengths of the partners.

(7) INTEGRATING MALAYSIAN-OWNED COMPANIES INTO THE REGIONAL AND GLOBAL NETWORKS

1.12 Integration into the regional and global supply chains will facilitate and hasten the development of Malaysian-owned companies, including SMEs, which are able to operate and compete in an open international business environment. It will result in the building of strategic capabilities, such as market development, technological innovation and international brand building. Measures to facilitate this integration include:

- facilitating mergers, acquisitions, consolidations and strategic partnerships among Malaysian-owned companies, as well as between Malaysian-owned companies and MNCs in Malaysia, and MNCs abroad. Such linkages will enable Malaysian-owned companies to leverage upon the networks and market access of their international partners. Towards this end, public sector agencies, such as MATRADE and Malaysian Industrial Development Authority (MIDA), will intensify their business matching activities. Support will be provided to promote such mergers, acquisitions and partnerships;
- making Malaysia the base for outsourcing activities for manufacturing and services. MNCs will continue to be encouraged to source inputs and resources, including parts and components, from Malaysia, as well as outsource their non-core manufacturing and services activities to Malaysia;

- encouraging Malaysian-owned companies to focus on improving the level of sophistication of their products and services, in terms of quality, design and functionality, as well as meeting international standards for quality and delivery; and
- encouraging Malaysian-owned companies in the services sector to merge or form joint ventures to position themselves to compete for projects overseas.

(8) PROMOTING OUTWARD INVESTMENTS

1.13 Measures to facilitate and encourage outward investments by Malaysian-owned companies include:

- strengthening the institutional support for Malaysia's outward investments. This involves:
 - assisting in the identification of areas for collaborative ventures and synergistic ties for Malaysian-owned companies venturing overseas;
 - intensifying awareness programmes to promote outward business opportunities in selected developing countries; and
 - developing a comprehensive database on information on outward investments, including policies, rules and regulations; administrative procedures; and fiscal and non-fiscal incentives; offered by foreign countries; and Malaysian-owned companies with investments overseas;
- encouraging less competitive industries to relocate overseas to maintain their competitiveness and market share, and encouraging well established companies to expand their operations in other countries to gain greater access to markets and resources; and
- encouraging more financial institutions to support initiatives of Malaysian-owned companies, including SMEs, which undertake new investments overseas.

(9) CREATING A MORE CONDUCTIVE ENVIRONMENT FOR THE DEVELOPMENT OF DOMESTIC CAPABILITIES

1.14 A conducive environment is important for the development of domestic capabilities. The Government will undertake measures to enhance the business operating environment, including:

- reviewing regularly regulations, procedures and processes to ensure that they facilitate businesses and investments;

- enhancing assistance programmes to promote investments and reinvestments;
- improving present policies and programmes to enhance the access to capital and financing for the application, adoption and adaptation of technologies;
- encouraging Malaysian-owned companies to utilise alternative sources of financing, including equity financing and venture capital, as well as other financial instruments; and
- providing appropriate economic adjustment programmes and measures to enable Malaysian-owned companies to be better positioned to meet the competition arising from the increasing liberalisation of trade, investments and services.

(10) STRENGTHENING THE ROLE OF PRIVATE SECTOR INSTITUTIONS

1.15 Measures to strengthen the role of private sector trade and industry associations and institutions include:

- encouraging greater participation of companies in trade and industry associations. This will:
 - contribute towards strengthening collective views and responses in the face of increased competition;
 - facilitate the development of outreach programmes which meet the needs of the private sector;
 - ensure that the interests of domestic entities are duly represented in national policy development and decision-making processes; and
 - facilitate the creation of database on the respective industries;
- encouraging greater interactions and networking between private sector organisations and investors;
- encouraging the establishment of Malaysian business councils and associations among Malaysian companies operating overseas. This will facilitate networking, enhance the gathering of market intelligence and enable them to represent their interests more effectively in the host countries;
- providing support to encourage private sector associations to undertake:
 - capacity building, including training and information dissemination;
 - trade and investment promotion; and
 - the provision of other common-user facilities for their members;and

- encouraging the establishment of strategic teams in selected industries to develop a long-term vision for the industries and advise relevant Government agencies on policies to be adopted for the industries.

(11) NURTURING EXEMPLARY CORPORATE SOCIAL RESPONSIBILITY

1.16 The level of corporate social responsibility is reflective of the extent to which attitudes and skills for responsible business practices are embedded across businesses. Both the Government and business entities will work in tandem to achieve a higher level of corporate social responsibility. Malaysian-owned companies will be encouraged to establish closer links with consumers to:

- enhance the awareness of consumers of their rights; and
- provide consumers with relevant and accurate information on products of the companies to enable them to make informed choices on their purchases.

1.17 The Government will collaborate with Malaysian-owned companies to:

- intensify outreach and information sharing to enhance the appreciation by the public of the processes of adoption and adaptation of environment-friendly technologies and practices;
- encourage companies to utilise raw materials and energy more efficiently in their production processes;
- ensure the sustainable management and utilisation of resources in the pursuit of agricultural and forestry development. Regulations and rules will be strengthened to encourage environment-friendly agricultural and forestry practices and minimise the negative impact of such activities on the environment. In this respect, research and application of appropriate technologies and innovations will continue to be emphasised; and
- provide appropriate support programmes to enable industry to adopt environment-friendly technologies.