

# The shared service industry in malaysia marketing essay



## **CHAPTER 5**

### **CASE BACKGROUND**

#### **5. 1 INTRODUCTION**

Chapter 4 presents a discussion on the research methodology and introduces the research design for this study. This chapter will present descriptions on the case study. The purpose of presenting case descriptions is mainly to position the background for the analysis and discussion. Section 5. 2 provides overview of shared services industry in Malaysia. Section 5. 3 presents a brief explanation of the organizations which participated in focus groups meetings. Section 5. 4 offers an overview of the IBM and its organization structure. Finally, section 5. 5 demonstrates a summary of chapter.

#### **5. 2 SHARED SERVICE INDUSTRY IN MALAYSIA**

Malaysia ranked as third most attractive offshore location after India and China (Kearney, 2009). Malaysia outsourcing market has a rapidly growth and it is expected to hit the USD1. 9 billion in 2013 (Datamonitor, 2009). According to Multimedia Super Corridor (MSC), Malaysia experienced over 200 shared services and outsourcing operation companies (60 local-based and 140 foreign) in information technology, business process outsourcing, and knowledge process outsourcing. The most highlighted services that are provided by Malaysian shared services industry are energy, chemical and resources; transportation and logistics; banking, finance services and insurance, especially Islamic finance; IT service, healthcare, pharmaceutical, fast-moving consumer goods, and media and entertainment industries, to list

just a few. In fact, low cost and modern infrastructure and business environment turn Malaysia to an appropriate destination for establishing shared services and outsourcing companies (Kadir, 2007).

Malaysia ranked as the most favourite places among top three destinations in the world after India and China for shared services and outsourcing industry because of its multi-cultural environment, its capability to offer fluency in multiple languages, well-educated and high-value workforce. The growing rate of shared services industry in developed countries is between 25% - 30% while in Malaysia it experience 15% - 20% growth in a year (Wong, 2012) which should grow faster. Wong elaborates that in Malaysia only multinational companies support the shared services industry and there is a need of government and linked company support in order to grow faster. In addition, countries like India operate shared services and outsourcing for a long time and Malaysia local shared services firms facing some difficulties in global competition (Wong, 2012). He highlighted that the main weakness of shared services industry in Malaysia is talent development.

Among the premium successes of MSC Malaysia's shared services industry the F&A shared services sector is one the most highlighted sectors that has persistent to stay healthy and competitive regardless of the global financial crisis that suffered the banking industry. Many global financial institutions like AIG, HSBC, OCBC, Prudential and Standard Chartered have set up shared services divisions within MSC Malaysia; and non-financial multinational companies such as AMD, BASF, BMW, BHP Billiton, BP Group, Ericsson, IBM, Microsoft, Royal Dutch Shell Group have also established their shared

services operations to support their finance and accounting activities within MSC Malaysia.

The challenge for Malaysia regards to continue and support shared services industry growth, is to meet the growing requirement for qualified accountants, particularly in the areas of strategic scenario planning and intellectual capital accounting and management.

In addition to MSC, the Labuan Offshore Financial Service Authority (LOFSA) attempts to develop Labuan as an international business and financial centre (IBFC). A variety number of financial products and services are offered by IBFC to customers around the world such as banking, investment banking, Islamic financing, insurance, captives, fund management, trust business, investment holding and company management. Other than that, it is expected Malaysia attract more than US\$ 3 billion from the total worth of global outsourcing business US\$ 54 billion (Kadir, 2007). In following section show the backgrounds of companies which participants in focus groups and IBM background that was choose to interview to understand the attrition in F&A shared services.

## **5. 4 FOCUS GROUPs PARTICIPANTS' BACKGROUND**

Two focus groups were held in this study as the central data collection technique. Malaysia is selected because it is one the most attractive location for shared services. The focus group members were belonging to the F&A shared services firms in Malaysia to represent the whole industry and its related issues in managing attrition. In focus groups participants were selected according to their position and relation to the accounting

outsourcing from highly experienced executives, finance executives, and CEOs. In fact, representatives are chosen from F&A shared services firms, industry associations and organizations which collaborate with shared services in order to improve the industry. The following sections describe the companies that participate in the focus groups meeting.

### **HSBC (Hongkong and Shanghai Banking Corporation)**

HSBC is the oldest foreign bank in Malaysia which is known as the first bank start to operate Islamic insurance in Malaysia. HSBC is a British multinational banking and financial services with headquartered in London, United Kingdom. It provides a wide range of product and services to financial industry including asset and structured finance, credit and lending, debt capital market, equity capital market, leverage and acquisition finance, project and export finance, and shipping services. HSBC has around 7'200 offices across 85 countries with 27'500 employees around the world and its revenue was 105. 80 billion in 2011.

### **LSBF (London School of Business and Finance)**

LSBF is a private business school that provides accounting and finance program and training for professional qualification such as ACCA, CIMA, also provides two years master degree programs include MBA, MSc in finance and master of international business. LSBF aims to shape success in business and finance with headquarter in UK.

### **E2power**

E2power is a subsidiary of OCBC bank which is located in Cyberjaya. Its main activity is business process outsourcing and shared Services Company to

OCBC group. E2power was established in July 2004 to facilitate the centralization and cross-border of technology and processing services for OCBC Bank. It was awarded the Multi-media Super Corridor status in August 2004. E2power Sdn Bhd is a wholly-owned subsidiary.

## **Vale**

Vale is the second-largest metal and mining company that its main activity includes providing raw materials for producing computers, cars and coins. Vale's headquarter is located in Brazil, and operates over 38 countries with almost 100,000 employees around the world.

In Malaysia, Vale Shared Services is a division that performs leveraged transactional activities at central locations around the world and provides low cost services with efficient time. Vale Shared Services Centre is located in Bandar Utama, Selangor and provides services such as Human Resources, Finance and Procurement for its Asia-Pacific (APAC) and Europe-Middle East-Africa (EMEA) operations.

## **PwC**

PwC assists organisations and individuals build the value they're looking for. PwC operates over 158 countries around the world with nearly 169,000 people who are devoted to deliver quality in assurance, tax and advisory services. In PwC SEAPEN Region which contains Malaysia, Thailand, Vietnam, Cambodia and Laos, over 3800 employees across these five countries share knowledge, resources and experience.

Since 1900 PwC played an important role in enlargement and development of Malaysia. Today, it works with many large multinationals, public sector entities and Malaysian companies, in order to deliver solutions to them through assurance, tax and advisory services.

#### **5. 4. 1 Multinational Development Corporation (MDeC)**

MDeC is a government association under the Companies Act of Malaysia, responsible for Multimedia Super Corridor (MSC) as technology and commerce zone. It attempts to attract both Malaysian and foreign companies to invest in the shared services and outsourcing industry. At the same time MSC Malaysia try to attract enough talent to work in companies under MSC Malaysia. There are 120 local and foreign registered companies under MSC Malaysia. MDeC Malaysia is located in Cyberjaya.

#### **5. 4. 2 Kimberly-Clark**

Kimberly-Clark is an American corporation that produces mostly paper-based consumer products with headquarter in Dallas, Texas, with almost 56, 000 employees worldwide and operations in 35 countries. Kimberly-Clark posted sales of US\$20billion in 2010. Kimberly-Clark's global brands are sold in more than 150 countries. Every day, 1. 3 billion people reliance Kimberly-Clark products and the solutions they offer to make their lives better. Kimberly-Clark was founded in 1872 and had its subsidiary in Malaysia which located in Petaling Jaya. Asia pacific Kimberly-Clark shared services centre is responsible for general ledger operations, accounts payable, account receivable, product costing, fixed assets, financial reporting and supply chain system administration for various Kimberly-Clark entities in the region.

### **5. 4. 3 British Petroleum (BP)**

British Petroleum is a multinational oil and gas company. It is the fourth largest company in the world in term of revenue that headquartered in London, United Kingdom. BP operates in more than 80 countries. BP has established its shared service centre in Kuala Lumpur that provides Finance, Tax and IT services to global and regional businesses. The main goal of the BP shared services centre is to deliver value added services and improve process transformation through Asia, Europe, and United States. BP shared services centre has over 80 employees under its employment and provide finance, accounting and tax services to its customers.

### **5. 4. 4 American International Assurance (AIA)**

AIA is an insurance company based in Hong Kong and has offices in Asia-pacific region namely in Taiwan, China, Japan, India, Malaysia, Macau, South Korea, Thailand, Philippines, Singapore, Brunei, Australia, and New Zealand. It had \$2. 710 million revenue in 2011 and 21, 000 employee worldwide. AIA establishes captive shared services centre at Cyberjaya in 2009 to provide Finance, Accounting, Human resource, IT, etc services to AIA group.

### **5. 4. 5 Worley Parsons**

Worley Parsons provides technical and project operational support to its customers across 48 countries with 144 offices and 40'800 workforces around the world with headquarter in Australia. Worley Parsons had \$5, 903. 5 million revenue at 2011. Worley Parsons shared services centre is an organization that provide global shared services for the Worley Parsons group and located in Kuala Lumpur.



### **5. 4. 6 Association of Chartered Certified Accountants (ACCA)**

ACCA is the global body for professional accountant that provide its student with high ability and qualification in finance and accounting. It support over 140, 000 members and 404, 000 student and try to deliver value added services. Recently, ACCA collaborates with Multinational Development Corporation (MDeC) to develop the finance and accounting shared services industry in Malaysia to facilitate industry growth. It also help the F&A shared services industry to deliver greater value of services and attempt to reduce the cost of employee attrition by investing on employee capability.

### **5. 4. 7 Institute of Certified Practising Accountant (CPA)**

A certified practising accountant is a finance, accounting and business professional with a specific qualification. In fact, CPA Australia provides a range of services like education, training, technical support, and advocacy as one of the largest accounting bodies in the world. CPA Australia has more than 139, 000 finance, accounting and business professionals' members across the world and aim to promote professional accounting skills. CPA Australia and MDeC signed a memorandum of understanding in 2010 to promote Finance and Accounting shared services industry in Malaysia. Recently, there are 451 CPA Australia professional members within the MSC Malaysia shared services industry. Actually, employee through CPA programme experience will be capable to put real value to their organization. In addition, having local talent certified by a professional body such as CPA Australia provides the MSC Malaysia Status companies with a sense of

confidence of the quality of talent that they are hiring. CPA Australia has an office in Kuala Lumpur/Malaysia.

#### **5. 4. 8 International Data Corporation (IDC)**

IDC is a market research and analysis firm with headquarter in Framingham, Massachusetts. IDC operates over 61 countries and its clients employ their objective research findings and expert knowledge as a persistent source of market intelligence to forecast industry trends and guide strategic business decisions. As a result, IDC clients are able to leverage technical innovation, overcome competition, maintain their competitive edge, and lead their industries in new dynamic directions.

#### **5. 4. 9 Malaysia Institute of Accountant (MIA)**

MIA is a statutory body which regulate the accounting profession in Malaysia under the Accountant Act 1967. Currently, MIA has 29179 members with headquarter in Kuala Lumpur. It tries to improve the credibility of the accountancy profession through creating competitive assessment framework for its members, implementing professional standards and finally force the standards.

#### **5. 4. 10 Chartered Institute of Management Accountants**

CIMA is the world's largest and leading professional body of management accountants located in United Kingdom. It has 195, 000 members and students in 176 countries. CIMA Malaysia and the Multimedia Development Corporation (MDeC) signed a Memorandum of Understanding (MoU) in order to help Malaysia as the Shared Services and Outsourcing hub for the banking

and financial services sector through the CIMA Qualification programme for talent management and development.

#### **5. 4. 11 Ministry of Education**

MOE is a government ministry for education issues which established in 1956 and located in Putrajaya. MOE collaborate with MDeC to support the shared services industry and develop the smart school department to make awareness of the concept and terms of shared services.

#### **5. 4. 12 Selangor Human Resource Development Centre**

HRDC is a learning centre formed in February 1992 through a smart partnership between the Government and the private sector with an aim of improving the human resource pool in Malaysia. HRDC offers a wide range of high quality and relevant courses to individuals and organisations looking to raise their own benchmarks.

#### **5. 4. 13 Shell Shared Service centre**

Shell shared Services Centre offers centralised Finance, HR, IT, and other business services to Shell companies globally. In 2011, they achieve an Award for Excellence in Improvement & Innovation from the Shared Services & Outsourcing Network. Shell shared services centre in Kuala Lumpur with over 2, 000 staff provides accounting services namely, the process of purchase to pay, order to cash, record to report, payroll, customer services centre and other accounting services. Shell shared services in Malaysia provide finance, accounting and business services to Shell operating companies across the Asia Pacific and Middle East regions. The finance processes include:

#### **5. 4. 14 SCOPE**

Standard Chartered PLC is a leading international bank, listed on the London, Hong Kong and Mumbai stock exchanges. It has operated for over 150 years. Scope International is the Standard Chartered Group's Global Technology & Operations hub which is a wholly owned subsidiary of Standard Chartered Bank, United Kingdom. Scope International is the first Global Shared Services Centre of an international bank in Malaysia that established in 2001. Scope International provides a wide range of services to the Standard Chartered Bank in more than 70 countries worldwide. Scope International Malaysia currently employs more than 4, 000 employees.

#### **5. 4. 15 Talent Corp**

Talent Corp was established on 1 January 2011 under the Prime Minister's Department to create and assist initiatives to address the accessibility of talent in line with the needs of the country's economic transformation. Talent Corp collaborate closely with related Government agencies and employers in priority economic sectors, Talent Corp develops demand-driven initiatives focused on three strategic thrusts, specifically (1) Optimise Malaysian talent, (2) Attract and Facilitate Global Talent and (3) Build Networks of Top Talent.

#### **5. 4. 17 University Kebangsaan Malaysia (UKM)**

UKM is a public university located in Bangi, Selangor and established in 1970 officially. Recently, UKM has developed rapidly and has 13 faculties, 14 institutes, 12 centres, and a private department UKM Holdings Sdn Berhad. UKM is one of four universities in Malaysia that known as research university. School of accounting is operated under faculty of economic and

management and aim to generate and distribute knowledge of accounting with the dynamic changes taking and interface with other disciplines.

## **5. 4 IBM**

IBM is an American corporation with its headquartering in New York, United States. IBM was established in Malaysia in 1961 as a subsidiary company. It delivers services for the majority types of businesses in Malaysia. IBM shared services centre in Malaysia provide financial, HR, customer relationship and supply chain management. It provides clients finance and accounting services, under financial management section. Under financial management services, IBM has the tax services, payment system and fixed asset services for its client. IBM is a wholly-owned subsidiary that provides finance and accounting shared service for Asia pacific IBM subsidiary and external organizations. Providing F&A services is one of the three principal business segments of IBM. From 2011-2012 IBM ranked as the largest and most profitable company by Fortune. The company was founded in 1911 and operates about the 172 counties around the world such as Africa, Western Europe and Asian countries (Malaysia, China, Indonesia, India ...). IBM support F&A services in Asian Pacific. It starts F&A shared services in 1994 and established 11 region centres in Malaysia. Six of these centres are Operational Headquarters serving their offices regionally and globally. These centres provide the following services:

IBM Asia Pacific Accounting centre supplies accounting services for IBM in Asia Pacific, involve costs and revenues, Inventory/PIMS, DSW Software Accounting, monthly financial closing and reporting, expense accounting,

APSC, WTAC, IGF accounting, services accounting, business control, SOX, statutory accounts and country accounting operations.

IBM Asia Pacific Competency centre prepares end-to-end administrative services which include customer records, loading of customer orders, contract preparation, scheduling (negotiating with various plants in the world for supply to meet customer requirements), inventory management, billing, accounts receivable collection, systems controls and testing.

Asia Pacific IBM Global Financing centre of Excellence is responsible to manage most of the administrative and back-office tasks which relates to the Asia Pacific region, such as contract creation, lease inception and booking of contracts into a lease portfolio system. Supports contract management, fulfilment, pricing, financial planning and internal controls.

Asia Pacific Finance Regional Support centre is in charge of providing centralised financial management information and planning support to IBM's country leaders and management teams across the Asia Pacific region. It also supports administration, forecasting, budgeting and financial analysis.

IBM World Wide Competency centre aims to promote IBM positioning as a global integrated company through providing efficient, global common processes, tools, and applications with standardization, simplification, and automation.

ASEAN Regional Technical Sales Support centre provides pre-sales technical support and technical enablement to ASEAN, Asia Pacific and other parts of the globe which cover IBM hardware and software assistance.

## 5.5 Summary

In summary, the introduced companies and institutes based in Malaysia or have outsourced in Malaysia try to collaborate with MSC Malaysia in order to find solutions to F&A shared service industry issues. IMB is chosen to study more in depth which has a wholly-owned F&A shared services centre in Malaysia.

Chapter 6 present the data analysis on managing attrition in F&A shared services industry according to the focus groups and IBM interviews.

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