

**K.J. Somaiya Institute of Management Studies & Research**

**Course: PGDM – A (2018 – 20 Batch)**

**End Term Exam**

**Sub: Global Economic Environment and Policy**

Date of Exam: 30/03/2019

Time: 3 Hours

Marks: 25

**Attempt all the question.**

Q.1 “Environmental scanning should provide input to strategic decision making”  
Elaborate using PESTEL analysis (10 Marks)

Q. 2 Case Analysis (15 Marks)

**Technological Environment – Case of Malaysia and Multimedia Development Corporation**

Dr. Arif Nun, COO with the Multimedia Development Corporation (MDC) was reviewing the proposals of some 30 multimedia companies which wished to assist in refining the Multimedia Super Corridor (MSC) concept, setting priorities for development and establishing standards. Although the project had been stuck for almost 2 year, the MDC initiatives had contributed significantly to development of technology in Malaysia.

**An Overview of Malaysia: Political, social and Economic Environment**

**Geographic location**

Malaysia, around 330,000 square km in size, located in South East Asia. It consists of two geographical regions, separated by the South China Sea. Peninsula Malaysia is located between Thailand in north and Singapore in south.

**National Income and Quality of life**

Malaysia is classified as an upper middle income country by the World Bank, with GDP of US\$ 347 billion in 2018. According to United Nations Development Programme (UNDP), Malaysia ranks 57<sup>th</sup> out of 162 countries in the Human Development Index (HDI), this places the country within the top quarter of the medium human development group.

**Population Demographics**

Malaysian population was estimated to be 31.6 million out of which 21.9 million fall under the age group of 15 to 65 years and the median age is 27 years.

### **Political Conditions**

After the Federation of Malaya (today's Peninsula Malaysia) gained independence from the United Kingdom on 31<sup>st</sup> August, 1957, it united with Sarawak, Sabah and Singapore to become Malaysia in 1963. Singapore left the union two years later. The multi-ethnic country has generally enjoyed a politically stable environment. When ethnic tensions developed at the end of the 1960s, the government introduced the New Economic Policy, a measure that increased economic growth and reduced disparities, and helped to lessen social divergences.

Malaysia is a parliamentary democracy. A constitutional Monarch, picked by rotation every five years from among the sultans of nine Peninsula Malaysia states, heads the nation.

### **Malaysian Labor market**

The population growth declined to 2.2% in 1990s, from 2.8% in 1980s. Hence, Malaysian government has launched incentive programmes to encourage births. The seventh five year Economic plan introduced in May 1996, placed emphasis on attracting capital intensive technology industries and automation to reduce labour demands. Malaysia also has strict labour laws, which coupled with tight labour market, forced wages to increase faster than productivity.

### **Infrastructure**

Malaysia's persistent drive to develop and upgrade its infrastructure has resulted in its being one of the better developed infrastructures among the newly industrializing countries of Asia.

The greatest advantage to manufacturers in Malaysia has been the nation's persistent drive to develop and upgrade its infrastructure. Over the years, these investments have paid off, and serious bottlenecks have been avoided. Today, Malaysia can boast of being the leader among the newly industrializing countries as regards its well-developed infrastructure.

A landmark event was the completion of Malaysia's biggest airport, the Kuala Lumpur International Airport (KLIA), which opened for business in 1998. The following year, Cyberjaya, Malaysia's first intelligent city, and the nucleus of the country's Multimedia Super Corridor (MSC), became a reality, complete with a multimedia university to provide a pool of knowledge workers for industries.

Another event was Kuala Lumpur Central, a transportation hub integrating all major

rail transport networks, including the Express Rail Link to the KLIA and Putrajaya, the government's administrative center.

### **Multimedia Super Corridor and Multimedia Development Corporation**

The MSC, managed by Multimedia Development Corporation, is a major project initiated by the Malaysian Government, with the goal for turning Malaysia into the Asian hub for information Technology. This project has been undertaken with a larger goal to shift the economy from labour based to service based economy. Public efforts in support of the MSC included fiscal incentives for setting up ICT companies, building the infrastructure and developing the intelligent cities of Putrajaya and Cyberjaya. Companies can apply MSC status if they are heavy users or providers of multimedia products, employ a substantial number of knowledge workers, and are able to transfer technology to Malaysia. The companies were also classified into 'web-shapers' and 'web adopters', and 'web-shapers' were given preference. Companies with MSC status receive additional privileges and taxation relief. By the end of 31<sup>st</sup> December, 2001, there were 631 approved MSC companies and 50 world-class companies. The number of world-class companies was reached one year ahead of schedule, which prompted an upward revision of targets.

To speed up the project's development, the following flagship application had been included in the priority list – Electronic government, national multipurpose card, Smart schools, Telemedicine, R&D clusters, borderless marketing centers and worldwide manufacturing hubs.

### **Intellectual Property Rights**

- Computer software piracy is a major concern, with the proportion of illegal software in 1995 being 77%
- Five new cyber laws introduced:
  - Digital signature cyber law
  - Multimedia intellectual property cyber law
  - Computer crime cyber law
  - Telemedicine development cyber law
  - Electronic Government cyber law
- Multimedia Convergence Act established.

### **The Road Ahead**

Malaysia has reached an enviable level of ICT development, considering its per capita income. At the end of 2000, Malaysia ranked 30<sup>th</sup> in the world of internet penetration, above several more developed nations. The Malaysian government has created a number of institutions and programmes to accelerate ICT use within the country. In many ways, Malaysia's proactive approach to ICT is unique and provide interesting example for the rest of the world. At present, Malaysia's Internet penetration reached to 85.7% in 2017. The data shows information technology and communication (ICT) is experiencing rapid growth in Malaysia. According to the Individual and Household Survey Report on ICT Usage and Access, the percentage of individuals using computers have increased to 69.8 per cent, smartphone usage for internet access increased to 97.7 per cent. The ICT subsector is one of the movers and shakers of the Malaysia economy. It has experienced strong growth, but still has vast potential for innovation and development.

“Anybody can start an IT product very easily, but the challenge is to take it to market,” says Ganesh Kumar Bangah, who is also the chairman of the National ICT Association of Malaysia (PIKOM).

Question: In view of the above statement by Mr. Ganesh Kumar Bangah, discuss the business environment in Malaysia in ICT sector. (Use PESTEL analysis)

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