

# **THE FUTURE DIGITALISATION OF THE MALAYSIAN EMPLOYERS FEDERATION**

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THE FUTURE DIGITALISATION OF THE MALAYSIAN EMPLOYERS  
FEDERATION

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## ABSTRACT

Technological changes have significantly become crucial for an organisation to remain relevant and competitive in the progressing world. This study investigates the future usage of technology and digitalisation of the Malaysian Employers Federation (MEF). The Malaysian Employers Federation (MEF) is a non-profit organisation practising harmonious Industrial Relations (IR) or Human Resources (HR) audit that represents the interests of employers in Malaysia. In recent years, the MEF has acknowledged the importance of technology in enhancing productivity and competitiveness. Despite this, MEF needs to remain relevant, visible, progressing and maintain its future existence by engaging with the digital world competitively. 8 informants from stakeholders were selected, which involved MEF director, and stake holders were selected as informants including government officials. Based on the literature review this organization faces various challenges and obstacles such as communication, efficiency, and training effectiveness. In recent years, the MEF has acknowledged the importance of technology in enhancing productivity and competitiveness. Despite this, MEF needs to remain relevant, visible, progressing and maintain its future existence by engaging with the digital world competitively. It is necessary for MEF to create or upgrade an effective management technology system (MTS) that could assist its members by timely supplying them with updated information, expertise, research, guidance, and other pertinent activities. This study has also discovered obstacles relating to the growth of the industry. Unstructured and semi-structured questions were asked of the informants who participated in these in-depth interviews. Information collected from interviews and in-depth observations was taken through mnemonic writing and analysed. The results of the study have been organized according to basic themes, organizational themes and global themes. In conclusion, this study has summarized a qualitative phenomenon about the MEF and its contribution to the country's economic growth. The analysis's findings indicate that the respondents have shown positive feedback with an attitude that leads to higher intentions to utilise digital technology on the current system.

**Keywords:** Digitalization, technology, Malaysian Employers Federation

## **APPROVAL**

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the Doctor of Business Administration

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## **DECLARATION**

I hereby declare that the thesis submitted in fulfilment of the requirements for the Doctor of Business Administration is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

**Name: Nasiruddin Bin Ismail**

A handwritten signature in black ink, appearing to read "Nasiruddin Ismail".

**Signature of Student:**

**Date:** 15 January 2025



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The pursuit to obtaining DBA has been a daunting task. This is especially so considering my position as a Head of Human Resources, where I need to divide my time productively to cater for my job responsibility and academic work.

I decided to undertake this challenge as I am a strong believer to lifelong learning where one needs to learn, unlearn and relearn the whole process of education and experience in order to reach a greater height of human achievement.

As we know, the field of knowledge and practice is dynamic, and one needs to be well equipped with the latest challenging trends and be able to adopt and adapt to any change environment to be at the vanguard of competition.

Alhamdulillah, I am able to complete this engaging task toward the completion of this thesis. This process could not have been possible without the support of my family, friends and my supervisor as well as the academic team from AeU who are untiringly giving me the moral support and encouragement.

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## **LIST OF ABBREVIATION**

ACCCIM	Associated Chinese Chambers of Commerce and Industry of Malaysia
ACE	ASEAN Confederation of Employers
AGM	Annual General Meeting
AI	Artificial Intelligence
AIE	Association of Insurance Employers
ATT	Attitudes
BOD	Board of Directors
EPF	Employees Provident Fund Board
EPU	Economic Planning Unit
FMM	Federation of Malaysian Manufacturers
GDP	Gross Domestic Product
HRDC	Human Resource Development Corporation
MEF	Malaysian Employer Federation
MEFDI	The MEF Digitalisation & Integration

## CHAPTER 1

### INTRODUCTION

#### 1.0 Background of Study

Supporting user enterprises and private employment agencies is the mission of the World Employment Confederation (WEC). Its objectives are to sustain its global reach and influence, develop the capacity of its members, and empower them. Aside from supporting the International Labour Organization's work, the WEC offers helpful material about the advantages of ratifying agreements. It serves as the global voice of the employment and recruitment sector and unites national federations.

Another important organisation that was founded in 1920 to support employers and the business community in the tripartite government is the International Organisation of Employers (IOE). It serves as the global representative of more than 150 employer and business organisation members in more than 140 countries. The IOE offers an international venue for the business community to gather and protects the interests of employers and enterprises in international policy. (International Organisation of Employers, n.d.).

Global organisations that represent employers' and the business community's interests internationally are the World Employment Confederation and the International Organisation of Employers.

The purpose of this study is to ascertain the backdrop of the Malaysian Employers Federation (MEF). Specifically, this would allow the federation to tackle every factor that has been found to impact users' confidence in the system and their desire to integrate technology into their business.

In order to assist Malaysian companies in boosting their output and efficiency, this federation was established in 1959 (MEF, 2023). Since its founding, MEF has played a significant role in supporting business groups and employers in Malaysia in making knowledgeable choices about labour and corporate policy. Because MEF plays a significant role in the formulation of business and labour policies in Malaysia, it was chosen as the study's focal subject.

In that regard, MEF functions as a federation that engages in a range of activities, including helping employers understand labour regulations and providing counsel on matters of HRM, employee-employer relations, and other business-related subjects (Ramasamy, 2017).

Furthermore, MEF is regularly involved in talks about business and employment-related matters in Malaysia with the government and trade unions. The International Labour Organisation Convention (ILO) 144 of 1976, which the Malaysian government completely complied with about the need to establish a tripartite framework to encourage the implementation of labour standards, is consistent with the establishment and function of MEF. Regarding the ILO, MEF is the sole recognised organisation in Malaysia that speaks for Malaysian employers. As a result, MEF plays a crucial role in Malaysian labour practices and legislation. Many organisations and companies in Malaysia are looking to leverage more advanced and efficient Management Technology Systems (MTS) to manage their business operations, including HRM, as the country enters a more digital age.

To assess the challenges of using technology and digitalization by Malaysian Employers Federation.

The declared issue statement about technology adoption and digitalization by the Malaysian Employers' Federation (MEF) is the need to ensure a smooth and inclusive transition to a digital future. The source is from the annual report MEF 2022.

### **1.0.1 Imperatives of Digitalization for Industry Survival**

The survival and expansion of industries worldwide now depend heavily on digitalization. A number of imperatives are driving the urgency of digital transformation:

- i. Businesses that use digital technology have an advantage over those that stick to traditional methods because they can react to customer requests and market developments faster.
- ii. By automating repetitive tasks and facilitating real-time data analysis, digital solutions improve productivity, streamline procedures, and lower operating costs.
- iii. Companies can use digital platforms to enhance customer experiences and interactions, which will lead to increased customer satisfaction and service delivery.
- iv. Digitalization creates an atmosphere that is favorable to innovation, enabling businesses to quickly create new goods and services in response to new trends and technological advancements.

### **1.0.2 Levels of Digitalization Adoption Both Internationally and in Malaysia**

Globally, different industries and geographical areas have adopted digital technologies in very different ways. Around 70% of businesses globally have started their digital transformation journeys, with sectors including finance and telecommunications

setting the pace, according to new statistics from the International statistics Corporation (IDC 2023).

### **1.0.3 The Digitalization Scene in Malaysia has Grown in a Promising Way**

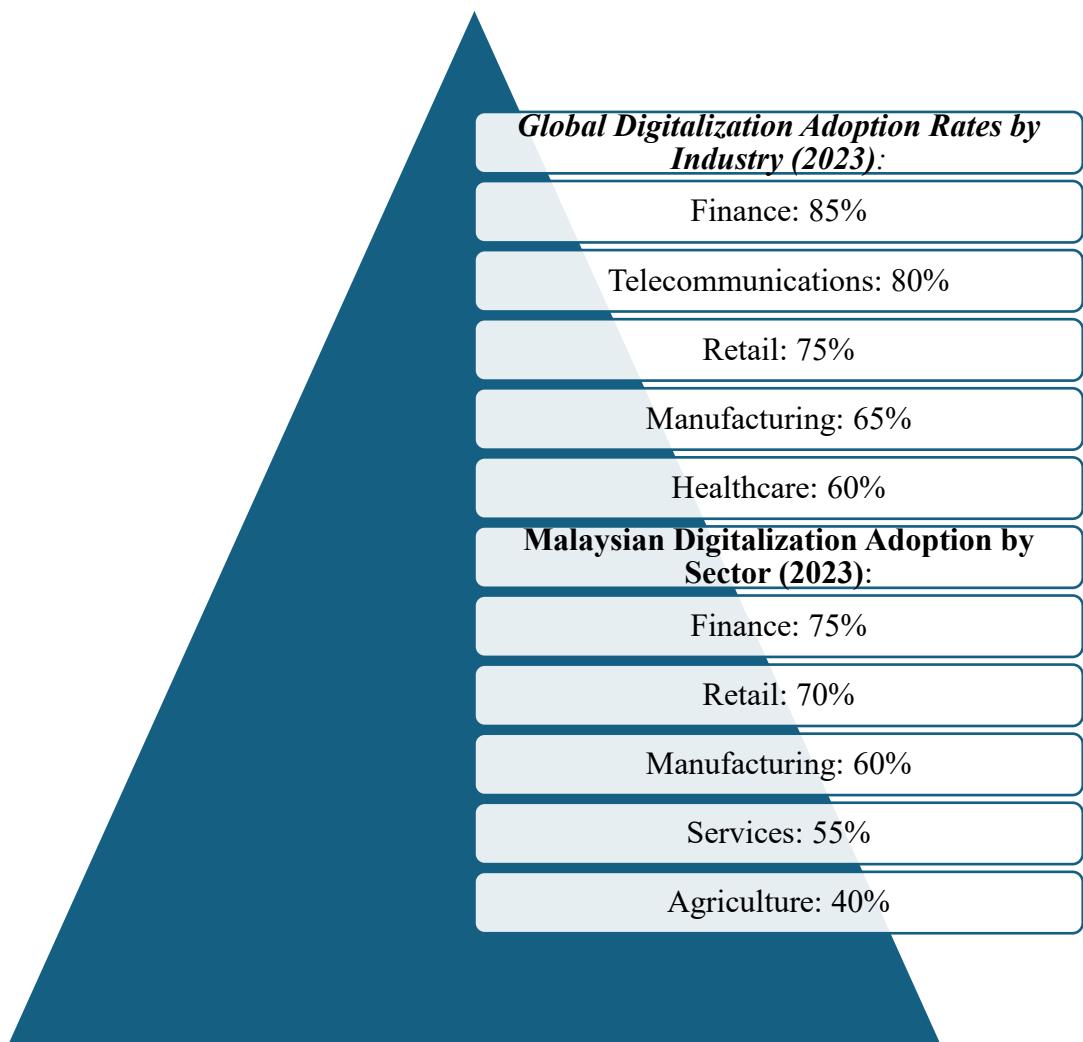
To encourage enterprises to embrace digital technology, the Malaysian government has started programs like the Malaysia Digital Economy Corporation (MDEC).

Although the degree of integration varies greatly between industries, 65% of Malaysian enterprises have incorporated digital technologies into their operations, according to a 2023 poll by the Malaysian Institute of Economic Research (MIER).

### **1.0.4 Statistical Evidence and Diagrams**

Table 1.1, Table 1.2 and Figure 1.1 below shows IDC reports on the global expenditure in digital transformation technologies, projecting a rise to \$2.8 trillion by 2025.

**Figure 1.1: Digitalization Adoption by Industry**



**Table 1.1: Global Digitalization Adoption Rates by Industry (2023)**

INDUSTRY	PERCENTAGE
Finance	85%
Telecommunications	80%
Retail	75%
Manufacturing	65%
Healthcare	60%

**Table 1.2: Global Digitalization Adoption Rates by Sector (2023)**

SECTOR	PERCENTAGE
Finance	75%
Retail	70%
Manufacturing	60%
Services	55%
Agriculture	40%

*Source: International Data Corporation (IDC) (2022)*

### **1.0.5 Digitalization in the Malaysian Context**

Malaysia, like many developing nations, has placed increasing emphasis on digitalization as part of its national development plans. The country's **MyDIGITAL** initiative, launched in 2021, outlines a strategic roadmap to transition Malaysia into a regional digital leader.

Key statistics and findings from studies on digital adoption in Malaysia include:

- i) **Digital Economy Contribution:** According to the Department of Statistics Malaysia, the digital economy contributed **22.6% to Malaysia's GDP** in 2022, with a target of increasing this to **25.5% by 2025** under the MyDIGITAL initiative.
- ii) **Adoption by Sector:** Malaysian industries like finance, telecommunications, and manufacturing have been quicker to adopt digital technologies, with **74% of companies in these sectors** reporting some level of digital integration in their operations by 2023 (World Bank, 2023).

Table 1.3 show comparing sectors such as manufacturing, services, agriculture, and retail, indicating their digital adoption rates.

**Table 1.3: Comparison of Sectors**

Sector	Digital Adoption Rate	Notes
<b>Manufacturing</b>	45-50%	Focused on automation, predictive maintenance, and Industry 4.0 technologies
<b>Services</b>	65-70%	High adoption in digital payments, e-commerce, and customer management systems
<b>Agriculture</b>	25-30%	Emerging adoption of IoT and smart farming, driven by government support
<b>Retail</b>	60-65%	Rapid growth in e-commerce platforms and online payment systems, especially among urban areas

*Source: UOB Business Outlook Study (2023)*

#### **1.0.6 Discussion on World Employment Confederation, MEF and Their Roles in the Private Sector**

The employment environment is significantly shaped by the Malaysian Employers Federation (MEF) and the World Employment Confederation (WEC).

WEC advocates for policies that promote workforce development and labour market efficiency as the global voice of the employment and recruitment industry. Its goals include building member organizations' capabilities and creating an atmosphere that allows companies to prosper internationally.

Founded in 1959, MEF serves as the principal advocate for employers in Malaysia. It offers advice on labour laws and helps companies deal with industrial

relations and human resource management concerns. Employers' interests are represented in the creation of policies thanks to MEF's active involvement in discussions with trade unions and governmental entities.

Both organization stress how crucial digitization is to raising operational effectiveness and fostering better employer-employee relationships.

#### **1.0.7 Importance of Digitalization for MEF**

For MEF, digitization is essential because it allows the federation to: Improve member service delivery by offering timely data, insights, and assistance.

Encourage an innovative culture among employees to help Malaysian businesses stay competitive in the global market.

Boost its lobbying efforts by successfully influencing labour laws using data-driven insights.

MEF carries out its role as a federation representing employers and commercial groups in Malaysia by providing a forum for its members to consult and discuss various HRM and Industrial Relations (IR) topics.

In order to enable its members to make the best business decisions possible, MEF must thus have an effective MTS that offers services through the sharing and assistance of data, expertise, research, guidance, and other pertinent activities in a timely manner. It is anticipated that by comprehending MEF's role, this study will offer a more thorough understanding of how the management technology system could strengthen and maintain MEF's standing in Malaysia by giving organisations and businesses the appropriate information to make effective decisions that will increase their operational productivity. Essentially, because MEF represents a large number of employers in Malaysia, it also functions as the main research setting.

### **1.0.8 Malaysian Employers Federation (MEF)**

The MEF is a significant voice in the sector as a major body that represents the interests of employers in Malaysia (MEF, 2022). In addition to offering assistance, knowledge, and advocacy services to its members, MEF works to advance and defend the rights of employers. These organisations seek to build an economy that is more robust, equitable, and sustainable. Its goal was to serve and support its members, but its ambition was to advance employers' interests in Malaysia. The MEF's main duties are to serve and support its members as well as to advocate the interests of employers in Malaysia (MEF, 2020). There were 6,517 Ordinary members as of December 2022. These members include individual businesses of various sizes and industrial and commercial operations (MEF, 2022). In the meantime, the Association has 28 members, and 29 of them companies represent the Malaysian Employers' Organisations that are registered members. Table 1.1 lists the regions that these members represent: Northern, Perak, Central, Southern, East Coast, and East Malaysia. Furthermore, MEF was run by its Secretariat and Board of Directors (BOD), which were in charge of carrying out its policies and programmes and making decisions on behalf of its members (MEF, 2022). The Secretariat is MEF's administrative branch that manages its day-to-day operations, while the BOD is made up of delegates from a range of sectors and businesses. The Council, which is made up of representatives from Ordinary Members chosen at the Annual General Meeting (AGM) and representatives from Association Members proposed by specific Association Members, is responsible for managing MEF (Malaysian Employers Federation, n.d.).

**Table 1.4: MEF Membership in Malaysia**

<b>Membership</b>	<b>No. of Companies</b>	<b>No. of Employees</b>
Ordinary members	6,517	1,561,958
Association members	28	1,323,705
Associations Member's Companies	29	9,505

*Source: MEF (2022)*

**Table 1.5: Number of Employers & MEF Members in Malaysia**

Year	Based on MEF Annual Reports			Based on SSM Annual Reports		
	MEF Members	CATEGORY - FM 1, FM 2, AM1, AM2, AM 3, AM4	Association/ Total MEF Members (Year)	Total No. of Companies in Malaysia	Percentage of MEF	
					Membership Over in Malaysia	Total Number of Companies in Malaysia
2013	4,818	58	4,876	1,064,262	0.46%	
2014	4,894	52	4,946	1,113,465	0.44%	
2015	5,040	53	5,093	1,160,064	0.44%	
2016	5,152	51	5,203	1,203,289	0.43%	
2017	5,538	52	5,590	1,251,190	0.45%	
2018	5,567	53	5,620	1,298,518	0.43%	
2019	5,876	55	5,931	1,345,546	0.44%	
2020	6,112	56	6,168	1,388,905	0.44%	
2021	6,241	59	6,300	1,434,323	0.44%	
2022	6,517	56	6,573	1,482,576	0.44%	

*Source: MEF (2022)*

Table 1.4 and Table 1.5 portrays the Number of Employers and MEF Members in Malaysia's reported by MEF 2022.

MEF also provides a wide range of services to its members, such as networking opportunities, training and development programmes, research and consultancy services, and legal and IR assistance. Additionally, MEF plans seminars and activities to advance the concerns of Malaysian employers. To advance and protect the rights and interests of employers in Malaysia, the federation has launched a number of projects and programmes in recent years (MEF, 2022). For instance, MEF provides its members with a variety of membership perks, including as discounted rates on training and development courses, networking opportunities, and access to its services. Since its founding, MEF has been in charge of defending and advancing the interests and rights of Malaysia's private employers (MEF, 2020). It is registered under the Societies Act of 1966 and is associated with the national federation (Ramasamy, 2017). As the national employers' federation, MEF offers advice, counsel, and consultation to its members on issues of shared interest, such as disciplinary issues, layoffs, work hours and overtime, working conditions, union recognition, and union claims regarding terms and conditions of employment in order to conduct harmonious internal audits or HRM audits and accomplish national goals (Ramasamy, 2017). In 2022, MEF conducted 85 regional meetings with 5,345 attendees and handled 101 industrial court cases, seven labour cases, and five reconciliation cases by the IR consultants (MEF, 2022).

In order to solve sustainability issues and come up with creative solutions, MEF has also worked with various stakeholders, including governments, labour unions, and civil society organisations (Ramasamy, 2017). Employers can use it as a platform to interact with national organisations such as the Employees Provident Fund Board