

**ATTRACTING MULTINATIONAL COMPANIES' REGIONAL  
HEADQUARTERS TO GREATER  
KUALA LUMPUR: CASE STUDY OF INVESTKL**

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**ASIA e UNIVERSITY  
2020**

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**A Dissertation Submitted to Asia e University in  
Fulfilment of the Requirements for the  
Degree of Doctor of Business Administration**

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## ABSTRACT

This research is on InvestKL Corporation Sdn Berhad which focuses on attracting Multinational Corporations (MNCs) to set-up regional headquarters (RHQs) and regional hubs (RHs) in cities and conurbations like Greater Kuala Lumpur (Greater KL) and is much awaited by governments, city halls, investment promotion agency (IPA) both local and foreign, investment banks and consultants to name some. The primary objective of this study is to identify the critical success factors (CSFs) deployed by InvestKL to attract global MNCs to set-up regional headquarters (RHQs) or regional hubs (RHs) in Greater KL using a qualitative research case study methodology with InvestKL leadership team providing the primary data through semi-structured interviews supplemented by three publications as secondary data – InvestKL Annual Reports, Success Stories of MNCs and Investing in Malaysia Guide by global management consultants. The findings from this research is important, firstly to fill a theoretical gap in this field since no similar research has been published so far , secondly to develop a research framework to identify the critical success factors in attracting MNCs to set-up regional headquarters in cities and finally to better understand the dynamics and operations of MNCs who intend to set-up RHQs and RHs abroad and what are the CSFs required to meet their needs and related key lessons, best practices, issues and challenges. The results and findings of this study will be invaluable to IPAs aspiring to participate in this MNC attraction activity and contribute to economic prosperity of cities through investments and job creation.

## APPROVAL PAGE

I certify that I have supervised / read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, as a thesis for the fulfilment of the requirements for the degree of Doctor of Business Administration.

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## **DECLARATION**

I hereby declare that the dissertation submitted in fulfilment of the DBA degree 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.

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## LIST OF ABBREVIATIONS

APAC	ASIA-PACIFIC
BNM	BANK NEGARA MALAYSIA
CEO	CHIEF EXECUTIVE OFFICER
CRM	CUSTOMER RELATIONSHIP MANAGEMENT
CSF	CRITICAL SUCCESS FACTOR
DBKL	DEWAN BANDARAYA KUALA LUMPUR (CITY HALL OF KUALA LUMPUR)
Deloitte	DELOITTE MANAGEMENT CONSULTANT
EDB	ECONOMIC DEVELOPMENT BOARD OF SINGAPORE
EPP	ENTRY POINT PROJECT
ETP	ECONOMIC TRANSFORMATION PROGRAMME
EY	ERNST & YOUNG MANAGEMENT CONSULTANT
FDI	FOREIGN DIRECT INVESTMENT
GDP	GROSS DOMESTIC PRODUCT
Greater KL	GREATER KUALA LUMPUR
HalalCorp	HALAL DEVELOPMENT CORPORATION (wholly owned by Ministry of Finance Incorporated)
IFI	INTERNATIONAL FINANCIAL INSTITUTION
IMF	INTERNATIONAL MONETARY FUND
InvestKL	InvestKL CORPORATION SDN BERHAD
IPA	INVESTMENT PROMOTION AGENCY
IRB	INLAND REVENUE BOARD
IRDA	ISKANDAR REGIONAL DEVELOPMENT AUTHORITY
KPI	KEY PERFORMANCE INDICATOR
KPMG	KPMG MANAGEMENT CONSULTANT
KTM	KERETAPI TANAH MELAYU (formerly known as Malayan Railway)

KWP	KEMENTERIAN WILAYAH PERSEKUTUAN (MINISTRY OF FEDERAL TERRITORIES)
LRT	LIGHT RAIL TRANSIT
MBPJ	MAJLIS BANDARAYA PETALING JAYA (CITY HALL FOR PETALING JAYA)
MDEC	MALAYSIA DIGITAL ECONOMY CORPORATION
MIDA	MALAYSIA INVESTMENT DEVELOPMENT AUTHORITY
MITI	MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY
MOF	MINISTRY OF FINANCE
MNC	MULTINATIONAL CORPORATION
MNE	MULTINATIONAL ENTERPRISE
MRO	MAINTENANCE, REPAIR AND OVERHAUL (for aircraft and aviation industry)
MSC	MULTIMEDIA SUPER CORRIDOR
NKEA	NATIONAL KEY ECONOMIC AREA
PEMANDU	PERFORMANCE MANAGEMENT AND DELIVERY UNIT (a unit under Prime Minister's Department in operation between September 2009 to May 2018)
PLC	PRODUCT LIFE CYCLE
PwC	PRICEWATERHOUSECOOPERS MANAGEMENT CONSULTANT
RHQ	REGIONAL HEADQUARTER
RH	REGIONAL HUB
SPV	SPECIAL PURPOSE VEHICLE
TalentCorp	TALENT CORPORATION MALAYSIA BERHAD (an agency under Ministry of Human Resources)

## **CHAPTER 1.0 INTRODUCTION**

This chapter consists of background to the study, problem statement, research objectives and questions, justification and significance of study, organisation of dissertation, operational definitions and a short summary for the chapter.

### **1.1 Background of the Study**

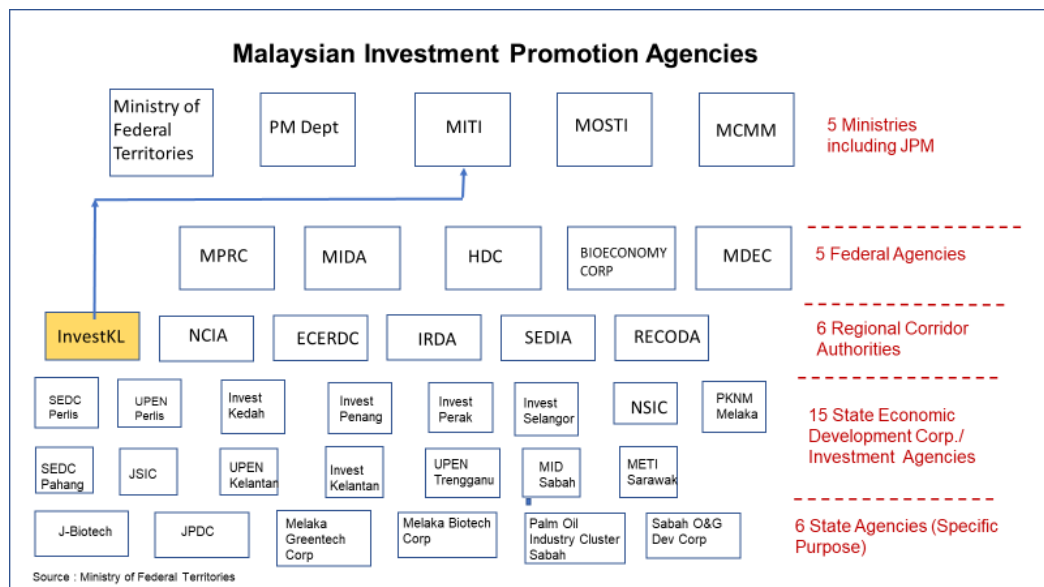
InvestKL is the first agency established by the Malaysian government in July 2011 with a mandate to attract the top 100 Multinational Corporations (MNCs) from around the globe to Greater Kuala Lumpur (or Greater KL) in the form of Regional Headquarters (RHQs) or Regional Hubs (RHs) with specific functions as part of the government Economic Transformation Program (ETP) to achieve fully developed nation status by 2020. Among other benefits, the case of InvestKL provides an interesting insight on the critical success factors for setting-up of RHQs and RHs by MNCs in Greater KL that can benefit other cities which intend to pursue the same objective.

“Regional headquarters (RHQs) perform a crucial bridging function between corporate headquarters, regional affiliates, and other regional actors. Their bridging role and associated connectivity needs lead Multinational Corporations (MNCs) to locate their RHQs in highly connected ‘global cities’”.

(Belderbos, Du & Goerzon, 2017)

InvestKL is a special purpose vehicle (SPV) established by the Malaysian government in July 2011 to attract MNCs set-up RHQs and RHs in Greater Kuala Lumpur (or Greater KL). Greater KL is a conurbation comprising of ten (10) district councils, municipal councils and city halls namely Kuala Lumpur, Putrajaya, Petaling

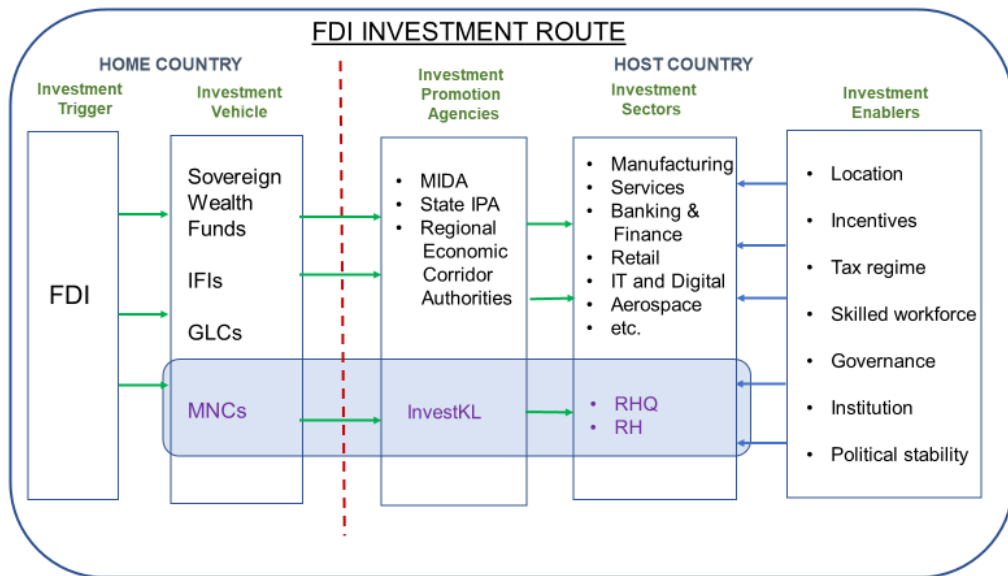
Jaya, Shah Alam, Subang Jaya, Klang, Kajang, Selayang, Ampang Jaya and Sepang (refer to Appendix C). InvestKL is one of the initiatives identified by the Economic Transformation Program (ETP) in May 2010 and is one of nine (9) Entry Point Project (EPPs) under Greater Kuala Lumpur National Key Economic Area (NKEA). InvestKL encountered many challenges in the first two years after set-up to meet its KPI (Key Performance Indicators) of attracting 100 MNCs to Greater KL by 2020. The target MNCs are those listed in Fortune 500 and Forbes 2000. At the end of 2018, InvestKL succeeded in attracting 78 MNCs with approved and committed investments of RM11.7 billion, as well as the creation of more than 11,600 regional high-skilled jobs [InvestKL (2018, 5), Appendix E]. InvestKL is one of six (6) regional corridor authorities established by the government to promote investment and comes under the supervision of the Ministry of International Trade and Industry (MITI) as shown in Figure 1.1.



**Figure 1-1: Malaysian investment promotion agencies**

Figure 1.2 illustrates the roles of various investment vehicles and investment promotion agencies (IPA) in attracting Foreign Direct Investment (FDI) from abroad.

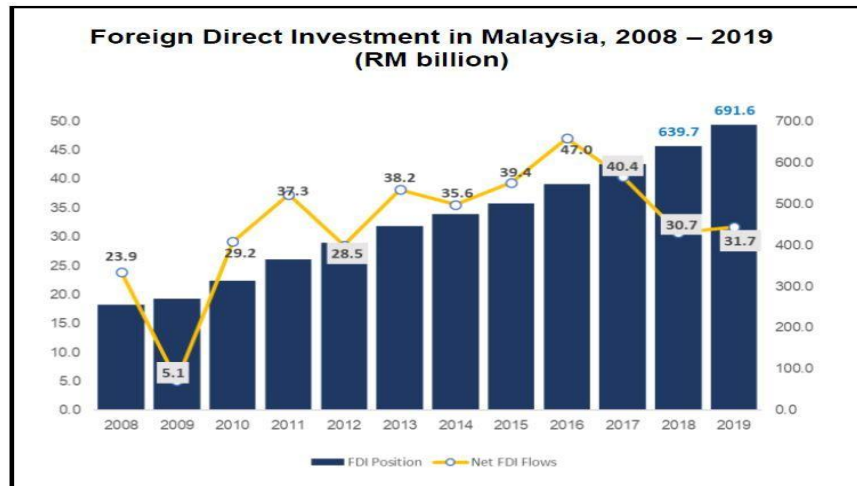
While Multinational Corporations (MNCs) may possibly invest in several sectors (e.g. manufacturing, services, banking, finance, hospitality, tourism, etc.), InvestKL focuses on attracting MNCs to set-up or relocate Regional Headquarters (RHQ) and Regional Hubs (RH) to Greater Kuala Lumpur (Greater KL).



**Figure 1-2: Foreign Direct Investment (FDI) Route**

As a country, Malaysia has been very successful in attracting foreign direct investment (FDI) since the seventies spearheaded by the Malaysian Investment Development Authority (MIDA), a federal agency placed under MITI. In 2019, FDI in Malaysia recorded RM 31.7 billion as against RM 30.7 billion in 2018. The FDI flows were in continuous downward trend since 2017 due to lower investment in mining and quarrying sectors [DOSM (2019), Figure 1.3]. Equally, FDI has become one of the main drivers to the country's efforts in sustaining Gross Domestic Product (GDP) growth to realize a developed nation status by the year 2020. The FDI is brought into the country primarily by Multinational Corporations (MNCs) or Multinational Enterprises (MNEs) from across the globe in the form of capital, technology,

management expertise, branding, intellectual property, etc. Due to shortage of domestic fund and a small private sector, Malaysia is dependent on FDI especially in the manufacturing and services sectors (Sandhu & Fredericks, 2005).



Source: Department of Statistics Malaysia (DOSM)

**Figure 1-3: Malaysia’s Foreign Direct Investment, 2008-2019**

As InvestKL enters its ninth year of operation in 2019 and being on track to meet its KPI of 100 MNCs by 2020 having achieved 78 MNCs in 2018, it will be useful and timely to embark on a study to explore the critical success factors that contribute to its success. Not many parties gave InvestKL a chance to deliver the mandate to attract 100 MNCs to Greater KL by 2020 when it was set-up. According to a research on APAC Regional Headquarters (Cushman and Wakefield, 2016), the competition between cities to attract MNCs to set-up RHQ is fierce and several criteria are considered in the selection of their locations. Among them are strategic geographical location (proximity to clients and markets), rational and well-developed legal and regulatory framework, globally competitive tax environment, stable political environment, favorable business environment including incentives, transparency and