

Research Article

**The Review of Automotive Industry in Malaysia: Good Governance Perspective**

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**Abstract**

The automotive sector has a key role in domestic growth and contributes to governance. The manufacturing sector contributes to the growth and prosperity of the country. Industry manufacturing creates well-paid jobs, encourages technological development and raises sales. Production is one of the world's most dynamic industries. In order to assure process continuity and repeatability, good governance is adopted in the manufacturing industry. The evaluation stated that effective management practises must be cascaded to the lowest level from the highest level in the business. Governance initiatives allow the organisation to perform more efficiently and efficiently. Good governance provides valuable goods, which produces wonderful market results. Good governance gives the organisation and a safe community a positive image.

**Keywords:** *Automotive Industry, after sales division, governance*

## **Introduction**

The automotive industry contributes significantly to the revenues of developing countries. The automobile sector remains a big international industry that attracts the continuous attention of project management researchers due to its size and relevance in the global economic backdrop (Getz & Page, 2016). The vast majority of developed countries are concerned about the necessity of strong governance in the automotive industry. Good governance in the automobile industry fostered excellent decision-making, transparency, improved service delivery, efficient resource utilization, and a commitment to organizational efficiency. Good governance demonstrates responsibility, openness, authority, and a system of obligations, as well as making accurate decisions within the sector (Salleh & Ahmad, 2010).

The automotive industry was termed the "industry of industries" in the twentieth century and is currently regarded as one of the most global industries in the world (Wad, Peter & Govindaraju, 2011). Prior to the 1970s, large transnational and vertically integrated firms dominated the market, deserving of the label "producer-driven global value chain" (PD-GVC), but since then, a wave of consolidation and outsourcing of activities has begun, making the global industry more relationally controlled by lead assemblers (original equipment manufacturers or OEMs) Suppliers of components if not 1 (Wad, Peter & Govindaraju, 2011).

This research is obtaining an understanding of the key components of effective governance particularly in the automotive industry.

## **Literature review**

In today's business climate, management of automobile companies is becoming more challenging. When it comes to selecting the ideal candidates for companies, keeping them is a biggest difficulty for corporate managers (Schmitz,2007). It affects all industries, manufacturing and service industries. The automotive sector is a major industrial and economic force worldwide. It produces 66 million automobiles and trucks a year, accounting for about half the world's oil use. The sector employs 8 million people directly and numerous others indirectly (OICA, 2007). Although many big businesses have challenges with overcapacity and low productivity, the car sector nevertheless has a considerable presence and importance (OICA, 2007). Good governance includes the role of public authorities in creating the environment in which business operators work, in deciding the distribution of benefits and in determining the nature of the management-supplier relationship. The industry

also provides good, well-paid jobs, has close links with suppliers and is over-sized in economic growth and has a strong political influence (Gisselquist, R. M. ,2012).

Since the invention of the car, the global automobile industry has seen major changes. In the early 1900s, the sector became controlled by the United States and split amongst a wide array of countries, each with its particular strengths and shortcomings. The underlying technology also underwent major technologic advances that assist diversify the market through the growing popularity of diesel, hybrid and fully electric cars (Rosnee et al., 2021). Changes in the regulatory environment and in domestic manufacture have also transformed industry and made more efficient cars publicly accessible (Best and Rasiah, 2003). In future years, the global market will likely continue to increase their share in automotive firms in Brazil, India, and China (part of the BRIC group) while the resulting increase in environmental concerns will likely lead to significant changes in how the sector adapts and changes in the future.

Automobile manufacturers confront enormous risks as a result of the depth of their global activities. Automotive compliance programmes encounter genuine hurdles. Governance is the total of the many ways individuals and institutions manage their shared concerns, public and private. It is an ongoing process that can accommodate competing or different interests and allow cooperative action. It encompasses formal institutions and systems entitled to compliance and informal arrangements that have been negotiated or perceived in their benefit by individuals and institutions (Dingwerth and Pattberg ,2006). An audit and risk assessment are a starting step - it takes time and exposes a lot of big hazards (Anazawa, M. 2021). The difficulty is the design and implementation of an effective worldwide audit and risk assessment compliance programme.

### **Background of Malaysian Automotive Industry**

The automobile sector plays a key part in making Malaysia a high-value economic activity and better living standards and higher-paid jobs, ranging from an agricultural country to an industrial nation. If the sector continues to move forward, more high-value positions, including production engineers, robotics engineers and product, process and device developers will be available. Malaysia's automobile industry is an essential and crucial component of our production sector. Malaysian car industry starts in the middle of 1967. (MIDA, 2009). Malaysian car industry is the lone pioneer of two vehicle businesses in Southeast Asia, Proton and Perodua.

In Malaysia, the automotive industry has played an important part in the national economy with a contribution to the national product (GDP). While good governance is aimed at

creating extra value for stakeholders. Good governance can theoretically raise the value of a company by enhancing its financial performance, which can lower the risk of choices by the Board of Commissioners which benefit themselves and generally increase the confidence of investors (Tjager et al., 2003). The automobile sector itself continues to strengthen the strategic position in order to provide better products. Today's crucial figures are a clear statement that Malaysia's ambition to emerge as a serious competitor in the regional and global markets is intended by the auto sector," said the Malaysian Deputy Trade and Industry Minister on the briefing. Ong Kian Ming.

Thousands of Malaysians are employed in the manufacturing and aftersales sectors, and the industry has a significant impact on the growth of upstream industries like as steel and chemicals, as well as downstream businesses such as information technology and maintenance services. Today, almost 50% of new automobiles sold in Malaysia are energy-efficient (EEVs). Vehicles have gotten more affordable as more safety measures protect Malaysians on the road. (R. Abdullah, M.K. Lall, and K. Tatsuo 2008). Since the launch of NAP2014, employment in the automotive sector has surged significantly, while exports of automotive parts and components have climbed year after year.

The automotive sector is a driving force for the connected automobile and technologies, which will lead to connection in our future. We also learn how the linked automobile will influence our travel experiences by enabling autonomous driving cars, delivering automated traffic data in real time, enhancing protection and increasing personalisation (Fagnant and Kockelman 2015). Although conventional cars remain dominant in the automotive market, they react slower to the automotive future than other competitors in the sector. Just look at consumers' want for connectivity, customisation and control to see why the vehicle business is opening up to competition (Clark, Parkhurst, and Ricci 2016).

### **Development of Automotive Industry in Malaysia**

Malaysians now own more than 9 million passenger cars. The ratio of automobile ownership is 3.3 people per vehicle. This is the highest ownership ratio in ASEAN. We cannot anticipate further quick growth in Malaysia's home market, given the local market is rather tiny and has already matured. As a result, there is a growing understanding of the need of exporting both completed automobiles and parts and components (Anazawa, M. 2021). According to the NAP, both vehicle manufacturers and parts makers will seek to expand into overseas markets in the future.

Malaysia's automotive market is characterized by the predominance of passenger cars. This is in sharp contrast to the rest of ASEAN, where commercial vehicles make for a large share of the market. The variations in passenger car and commercial vehicle production volumes from 2010 to 2021 are depicted in Figure 3.1. The statistic indicates that passenger automobile production climbed from approximately 100,000 units to over 600,000 units within a 12-year period. Even at its high in 2015, however, the volume of commercial vehicles produced remained lower than that of passenger automobiles, at approximately 50,781 units. Following 2016, output remained stable at roughly 500,000 to 600,000 units per year.

Sales volume and production increased roughly simultaneously. This indicates that imported automobile sales were low. Passenger automobile imports have surged in recent years as a result of trade liberalization. Commercial vehicle manufacturing grew at a moderate pace following 2015. On the other side, commercial vehicle sales grew little. This indicates a rise in the market share of imported commercial cars (MAA.2010). Even though passenger cars are granted preferential consideration in Malaysia's automobile market, they nevertheless dominate both production and sales. With the diversity of consumer wants and rising incomes, demand for vehicles other than passenger automobiles has increased.

**Figure 3.1: Summary of Passenger & Commercial Vehicles Produced and Assembled in Malaysia for The Year 2010 To Ytd June 2021**

| Year          | Passenger Cars | Commercial Vehicles | Total Vehicles |
|---------------|----------------|---------------------|----------------|
| 2010          | 522,568        | 45,147              | 567,715        |
| 2011          | 488,261        | 45,254              | 533,515        |
| 2012          | 509,621        | 59,999              | 569,620        |
| 2013          | 543,892        | 57,515              | 601,407        |
| 2014          | 545,122        | 51,296              | 596,418        |
| 2015          | 563,883        | 50,718              | 614,664        |
| 2016          | 503,691        | 41,562              | 545,253        |
| 2017          | 459,558        | 40,081              | 499,639        |
| 2018          | 522,392        | 42,579              | 564,971        |
| 2019          | 534,115        | 37,517              | 571,632        |
| 2020          | 457,755        | 27,431              | 485,186        |
| YTD JUNE 2021 | 223,772        | 17,516              | 241,288        |

Source: Data Malaysia Automotive Association (MAA) (2019)

In terms of research and development, the automotive industry's present condition of research and development (R&D) differs significantly by firm. Nonetheless, the Census of the Manufacturing Sector conducted by the Department of Statistics gives an overview. Automobile manufacturers spent RM134.5 million on research and development in 2015, accounting for 0.4 percent of total sales value. Automotive component makers spent a total of RM190.4 million on research and development, accounting for 0.9 percent of their total sales (Pavlínek, 2017).

R&D expenditure varies every company, and we must use caution when making broad generalizations. The automotive industry's overall R&D expenditure remains modest. The majority of car manufacturers in Malaysia whose parent firms are headquartered in developed nations rely on their parent corporations for research and development. As a result, it is doubtful that foreign automotive businesses in Malaysia will have their own research and development facilities. Domestic automakers Proton and Perodua both conduct the majority of their research and development in conjunction with foreign partners (Anazawa, M, 2010b).

### **Good Governance in After Sales Service Automotive Industry**

After-sales service is critical for the automotive industry to capture the attention of customers. Customer satisfaction with the after-sales service experience is being examined in conjunction with the dealership's performance, which includes quality, service advisor, service facility, and service initiation. Good governance refers to the structures, processes, and traditions that govern how power is exercised in a community, how major choices affecting society are made, and how varied interests are represented in such decisions (Weiss, T. G., 2012). It is critical for dealers to properly organize their resources in order to maintain high levels of customer happiness and encourage clients to make earlier appointments in order to sustain customer satisfaction. Customer service is critical for increasing post-warranty servicing volumes and increasing customer retention. They are concerned with acquiring and retaining consumers across the whole value generation process of sales and after-sales support. While the automotive industry has evolved significantly over the last decade, as impacts from unfamiliar competitors and consumer expectations learned in adjacent industries continue to impact the market, it is being driven to shift more quickly. The most effective automotive players will be those who embrace and direct the transformation rather than those who reject it. When a company is handled with quality management, it will move more efficiently (Alessandrini et al., 2015).

After sales services can be regarded one of the organization's processes in the automotive services industry, as they refer to the services provided to clients prior to, during, and after purchases. The majority of businesses view these services as a means of pursuing entrepreneurial potential, market expansion, and increasing client loyalty (Bursa, M. 2009). Generally, the term "after sales service" refers to the services received by the consumer following the delivery of the products (Winsner, 2012). Good governance entails ensuring customer respect and adhering to the rule of law, as well as building customer relationships, encouraging transparency and capability in public administration (Weiss, T. G., 2017). By establishing a long-term relationship with clients through after-sales services, you can alleviate some of the customer's concerns and reservations about repeat purchases. According to the study, the importance of service quality is demonstrated by its effect on customer happiness and loyalty, which in turn has an effect on marketing relationships. Expectation and perception are critical elements in determining the level of service provided by an after-sales business. Consumer expectations are defined as "customer wants," or what a customer believes a service provider should give rather than what they do.

### **Conclusion**

The automobile sector as a whole is seeing an increase in the success of items in initiating client relationships. Good governance aims to manage these relationships and to avoid substantial errors in company strategy, as well as to ensure that any errors that do occur may be addressed swiftly (Deng & Lyons,2001). Automobile sales provide an opportunity to form partnerships, and various services assist firms in retaining them to assure greater revenue. While new automobile sales are dropping, the after-sales sector, which includes spare parts, maintenance, used car sales, and financing, is a more lucrative and less visible opportunity that is critical to brand marketing and sales management. The term "after-sales service" has been widely used to refer to services provided to consumers following the sale or distribution of goods. Assistance entails a review of all service support suppliers' processes to ensure that the consumer continues to appreciate the product throughout its life cycle without incident. A product-specific support plan may involve the supply of a warranty, an extended service contract, the availability of repair services, servicing, spare parts management, lending, toll-free telephone support, and a return policy.

Good governance can be defined as the system, processes, and set of rules that govern the relationship between various interested parties (stakeholders), most notably the relationship between shareholders, the board of commissioners, and the board of directors, with the goal

of achieving automotive industry objectives (Hewson & Sinclair,1999). Businesses have developed a growing interest in leveraging product services as a source of competitive advantage in order to meet complicated consumer wants and adapt to rivals' problems throughout their product's life cycle (after-sales services, financial services, warranties, etc.). This pattern may be noticed in the automobile industry in terms of manufacturing, servitisation, outsourcing, and the shift to a service-led business. After-sales services are more closely related to the core business, which enables dealers to achieve sustainable development in a competitive market, despite the gradual decline in profit from new car sales.

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