

Globalization and the Malaysian Sports Industry

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Abstract

As a young and emerging industry, the sport industry in Malaysia has all the problems of such a young industry. Many of the benefits and advantages of economy of scale cannot be applied. Small businesses usually do not have the means to employ specialists to conduct research and development and have difficulty in responding to challenges posed by globalization and creating new opportunities in foreign markets. Meeting the threat posed by globalisation requires a strategic and coordinated approach to maximize domestic market opportunities and developing new export markets. Among some of the strategies discussed in this paper include developing business networks, exploiting the benefits of e-commerce, obtaining accreditation for sport goods and services, capitalizing on the promotion power of world-class sporting events held in Malaysia, and branding and endorsement of sport products. This paper also discusses the roles of university in providing quality education and training programs through (1) developing sport and leisure education package and certification, (2) establishing sport management training programs and (3) providing athletes and coaches with sport business management skills.

Introduction

The term 'globalization' has been used as early as 1944 but economists began applying it around 1983 when Theodore Levitt wrote an article for the Harvard Business Review entitled "Globalization of Markets". Globalization is a term used to describe changes in societies and the world that are the results of increased trade and cultural exchange. The term globalization is now part of a familiar discourse where economists advocate its virtues while social scientists attempts to raise awareness concerning its dangers. Globalization significantly modifies the sovereignty of countries where countries now have to compose with forces whose impact is beyond their national limits. The economic characteristics of globalization includes; (1) increase in international trade at a much faster rate than the growth in the world economy, (2) increase in international flow of capital including foreign direct investment, (3) creation of international agreements leading to organizations like the WTO and NAFTA, and (4) development of global financial systems.

Globalization is not only an economic phenomenon; it is also a cultural and social one. In sport, globalization started as early as in 1877 when the inaugural cricket Test match was held between England and Australia. The new Olympic movement was then proclaimed in 1894 and held its first competition in Athens in 1896 (Horne et al, 1999). Ever since then sports has emerged in their modern forms and many sports were diffused from Britain to the various corners of the British Empire. What begin as a cultural exchange between empires and colonies has now become an international commerce with most money related to sport circulates between Western Europe and the United States (Miller, 2001). Sport is affected by and participates in the process of globalization in several different ways. First, through the internationalization of sports competitions and events. Sporting events such as the formula one race, which was previously staged only by a few countries in Europe, is now being hosted

by other countries through out the world including Malaysia. Globalization also affects sports through the international diffusion of sports. One only has to consider the ways in which many sports such as soccer, cricket, badminton, tennis and rugby were diffused from Britain to the various corners of the British Empire. In Malaysia, local elites adopt British sporting culture and replicate methods of governing sports associations. Sport is increasingly shaped by communication technologies (satellite, cable and web cast) through film, news and the media. This allows the diffusion of sporting events that contributes to the development of a global culture. As a result, a national event as the NBA has now become an international sport media spectacle with a popular following in other countries.

Sports mega event is another important form of globalization and has a strong cultural-political and economic significance for the hosting nations (Roche, 2001; Simson and Jennings, 1992). Sports mega event is “an event that has come to involve the majority of the nations of the world, that is transmitted globally; that foregrounds the sculptured and commodified body and orchestrates a physical display of the body politic, and that attracts large and regular followings of on-site spectators for the live contest or event.” (Tomlinson and Young, 2006, p.3). There are fierce competitions among nations for the right to stage mega events such as the Formula One Grand Prix, the Olympics and the World Cup. In the case of Malaysia, the country sought desperately, with eventual success to stage major international sporting events such as the Commonwealth Games, Formula One Grand Prix, Tour De Langkawi, Power Boat Race and others. It is widely accepted that the hosting of international events contributes enormously to Malaysia’s image and national pride. Nevertheless, just as importantly, these events include professional services, venues and events, goods and equipment that contribute significantly to the country’s economy. Hosting of sport events benefits the country economically only if it increases wealth, creates employment and provides global marketing opportunities. However, most domestic sport businesses in Malaysia have not been able to exploit fully the benefits of hosting international sports events. An example is the Tour De Langkawi, a popular international cycling race held annually in this country. Most if not all of the equipments used in this race is imported from overseas such as the bicycle, jerseys, helmets, shoes and tyres. To capitalize on Malaysia’s good reputation as hosts to several world-class sporting, Malaysian sports companies need to address the challenges posed by globalization and create niches in the globalize market place by designing and developing innovative products and services.

Characteristics of Malaysian Sports Industry

What is a sports industry? Sports industry is a group of business organizations which produces sport products and services where the main objective is profit making. The key here is how to make a profit from sport activities. This definition excludes the not for profit or public sports organizations. Those organizations are considered as a separate category and will not be included for discussion in this paper. What are the characteristics of the sports industry in Malaysia?

1. The sport industry is considered as a young and emerging industry. For example, in Malaysia, sport is only considered as an industry in the last 10 years.
2. Comprise mainly of small to medium-sized businesses engage in a diversity of activities – manufacturing of sport goods, sport tourism, media, and construction of venues.
3. Most companies which are involved with sport products do not see themselves as part of a broader sport industry. Most companies tend to identify with narrower sectors such as manufacturing, construction or tourism.

The Malaysian sport industry is considered as a young industry comprising of small and medium-sized businesses. The Malaysian sports industry comprises of companies engaging in a diversity of activities, from the manufacturing of sport goods, sport tourism, media, to the construction of sport facilities. Most companies, which are involved with, sport products, do not consider themselves as part of a broader sport industry. These companies tend to identify with sectors such as manufacturing, construction or tourism. Globalization is a threat to these small companies because of

little protection from the government. A major threat to the Malaysian sports industry is competition from foreign brands. Local companies risk losing control of the domestic market and at the same time they are having problems penetrating foreign markets. Small companies do not have the benefits and advantages of economy of scale to lower cost of production. For small businesses, innovation and research and development are a problem because they do not have the means to employ specialists to conduct research and development. Other problems includes lack of opportunity for networking and developing business alliances, difficulty in responding to challenges posed by globalization and creating new opportunities in foreign markets, and problems in taking advantage of relationship with mega sporting events, athletes and government sport agencies.

Meeting the threat posed by globalization requires a strategic and coordinated approach to maximize domestic market opportunities and developing new export markets. To compete in the global market place, the sport industry must be committed to produce innovative products to customers and meet the needs of investors and sponsors who often demand the highest value, quality and service. It is also important for sport businesses to see themselves as part of a broader sport industry for the following reasons: (1) it will be easier to respond to globalization challenges and create new business opportunities and (2) to take advantage of relationship with mega sporting events, athletes and government sport agencies. Networking with government sport agencies is important because the industry needs an effective grass root programs to stimulate demand for sport products and services. For example, if there are no tennis players, a tennis equipment manufacturer cannot sell tennis rackets and equipments. Malaysian companies need to establish business networks that can better access domestic market opportunities through vertical or horizontal business alliances and building linkages with suppliers and customers. Companies must also explore the benefits of e-commerce as a mean to lower transaction costs or the cost of doing business and to help companies extend their reach and speeds to markets.

Globalization Strategies

Globalization is also an opportunity for Malaysian companies to penetrate new markets in other parts of the world. One strategy is by establishing an agency for the sole purpose of promoting local sport products and services overseas. Malaysia's success in hosting international sporting events has attracted interest around the world. The industry needs to capitalize on Malaysia's reputation as successful hosts to several world-class sporting events and use this opportunity to explore new markets in areas such as exporting expertise in the venues construction and event management. Sport construction businesses should export their expertise in constructing sporting venues such as stadiums or golf courses. As mentioned earlier, Malaysian sport industry is made up mainly of small and medium sized businesses and these companies do not have the capacity to bid for major international projects. The formation of business networks can help overcome this difficulty and enable sport businesses to meet the requirements of major international projects

Another strategy to capture new markets is through branding and endorsement of goods. Companies need to build an internationally recognizable brand image, which is important in gaining market share globally. However, building such an image can be a problem for small businesses. One strategy that can be used is by establishing an agency in which the agency's name and logo can be used to endorse Malaysian sport products. The agency's name and logo can be used as a marketing tool to promote Malaysian sport products overseas but it is important that the agency branded or endorsed product meets international quality standards. An example where this is being done successfully is in Australia where the Australian Institute of Sports (AIS) currently endorses sports products in Australia. Companies also need to take advantage of Government export assistance programs. Many small businesses in Malaysia are not export oriented and are facing problems selling products in foreign markets. However, there are many government programs and agencies such as MITI (Ministry of

International Trade and Industry) and Matrade that provide export assistance and the industry needs to take full advantage of it.

Another challenge facing the Malaysian Sports Industry is the lack of research and development. To compete in the global market requires the industry to upgrade the quality of sport products and services. This requires R & D activities, which are seriously lacking. Observation suggests that R&D in the sport industry lags behind those of the other sectors. Research and development is critical if the industry wants to be competitive internationally and to meet the changing needs of the market. Industry needs to make full use of technology in coming up with innovative products. However, it is unfortunate that in Malaysia, businesses are fearful of the term 'research'. To reduce this fear of research and to increase R&D activities, it is suggested that the following be undertaken. Firstly, Government needs to undertake measures designed to encourage research and development. This includes awareness campaigns and government assistance and incentives for businesses that conduct R&D. Awards can be given to companies for innovation and creative products and services.

The government must also address the issue of protection of intellectual rights. As in the case of other industries, the protection of intellectual property generated by sport businesses is extremely important. The government can organize awareness campaign to inform businesses about the role and importance of intellectual property protection and the various options available for protection. Another strategy to stimulate R&D is by providing opportunities for cooperative research between universities and sport businesses. Presently, Malaysian sports industry is not able to fully exploit the expertise or ideas developed in universities because of lack of research collaboration between universities and businesses. One way collaborative research can be encouraged between businesses and universities is by setting up a Sports Industry Research Center. This center will bring together industry and research institution. Industries can help fund and then commercialize products from the research projects undertaken by this center and local universities

A strong workforce skill is also essential to improve the quality of products and the success and performance of sport businesses to compete in the global market. Globalization requires sport managers to possess a depth of knowledge and a broad range of specific competencies in business and in sport to be able to deal successfully with ever-changing challenges and problems with the business of sport. This is best achieved through formal and informal education combined with meaningful practical experience in sport management. Among the strategies that can be implemented to improve the skills of the workforce is through developing a sport and leisure education package and certification specifically catered to the needs of the sport industry. It is important that sport industry training programs to be more than a bunch of physical education courses clumped together with other courses from other department (business, economics, and communications) in a so-called "package." What are needed are actual courses and classes that are devoted to appropriate and specific content areas within the sport business management discipline and reflects the need of the industry. There is also a need for sport management training programs to train executives and managers. In this regard, public universities and other centers of higher education need to be encouraged to offer relevant education and training programs. Another possibility is by having twinning programs with foreign institutes of higher education and exploring opportunities for distance education or online education programs.

The industry needs reliable data to compete in the globalize market. In Malaysia, no data is available on the sports industry. The quality and availability of information on economic data, industry performance, long-term trends in participation, consumer profile, job and employment creation, value of exports, annual growth, facilities usage and patterns of behaviour is poor. The lack of data weakens the industry's ability to develop evidence-based marketing strategies. One strategy to overcome the lack of statistics relevant to industry needs is by establishing a Sport Industry Statistical Group. This statistical group can be given the task of collecting data relevant to the sport industry. The group can also function as an information center where statistics relevant to industry needs are made available.

The type of data that are seriously needed are economic data, industry performance, sport participation data, consumer profile, facilities usage and others.

Successful implementation of the strategies mentioned requires the formulation of a national strategic policy for sports industry. The purpose of this policy is to serve as a common vision for the sports industry in Malaysia to meet the challenges of globalization as well as providing documentation on the broad aims and objectives for the industry. It will also serve as a guideline for sport businesses in Malaysia to plan business activities. In addition it would outline the roles of the various government agency and private sector in meeting the aims and objectives of the industry. The strategic plan should focus on meeting the challenges of globalization through specific strategies such as producing quality sporting goods and services, innovation in product design, ability to anticipate changes in the market, branding and product presence, and use and development of technology to achieve a competitive edge. The Ministry of International Trade and Industry (MITI) should take the responsibility for implementing the strategic plan. This will require the ministry to work closely with other state and federal government agencies including the various sports agencies such as the Ministry of Youth and Sports and the National Sports Council. In terms of evaluation, there should be an annual report measuring the progress and impact of the policy on the performance of local businesses. The report should also identify implementation problems and suggest areas where changes might be needed.

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