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Are fractional leaders the answer to Malaysia's C-Suite crisis?

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A long-standing challenge faced by most Malaysian SMEs has been the 'battle for talent', and it has only intensified in recent years as brain drain and greater competition have made it harder for local organisations to compete.

In certain sectors like High-Tech, roles such as Chief Technology Officer, Chief Operating Officer, and CEO, are getting increasingly difficult to fill, making it harder for local organisations to compete. In general, the search for senior talent is challenging across the board.. This isn't unique to Malaysia, but in other markets in Europe, the US, and even Singapore, businesses have started looking for viable alternatives to fill the talent gaps in their business.

One successful and widely used option is part-time or contract leadership roles that bring in high-level strategic guidance, but without the commitment of a full-time senior leadership role. This has allowed SMEs to hire top-tier talent for critical periods such as expansion, M&As or digital transformation, without needing to compete against the global or regional giants. This has helped businesses plug the gaps, while also creating a flourishing shared top-tier talent pool in markets where it can be scarce.

Understanding Malaysia's C-Suite talent shortage

The shortage of C-suite talent in Malaysia is not a new problem, but recent economic and societal events have aggravated the situation. Malaysia has a brain drain rate nearly double the global average of 3.3 per cent, with the Human Resources Ministry reporting that in 2023, 5.5 per cent of the country's working-age population was living and working abroad.

That equates to a staggering 1.8 million Malaysians who have moved abroad seeking better opportunities, with most choosing neighbouring countries like Singapore or countries eager for qualified talent like Australia.

A recent survey by PwC revealed that 64 per cent of Malaysian companies are experiencing moderate to serious skills shortages, with positions for senior executives being some of the hardest to fill. In a PwC stand-alone study, 35 per cent of Malaysian CEOs said that a shortage of skilled leadership is now their greatest concern for their company, ahead of inflation and general economic uncertainty.

Furthermore, the same study highlighted that most organisations' internal leadership pipelines are underdeveloped. Successor planning is often overlooked, and there are few structured paths for outstanding personnel to advance. At the same time, with the rapid expansion of technology, the demand for extremely highly specialised leadership has expanded, yet experience to meet those needs is still severely lacking.

A scalable solution for growing businesses

This is where fractional leadership can be an excellent alternative for companies unable to recruit for a senior leadership position. The model enables organisations to bring in seasoned executives on a part-time, contract, or project basis to benefit from years of experience, while providing the flexibility for the in-demand talent. Such professionals tend to help companies with strategic planning, operational improvements, building teams, and international expansion.

A study by Toptal in 2024 showed that the world demand for fractional executives has increased by 46 per cent year on year. One-quarter of companies in the United States already use some form of fractional leadership, and that will increase to one-third this year. In Europe, it is currently 20 per cent and is expected to jump to 30 per cent.

Though they are still emerging in Southeast Asia, early signs indicate growing interest in Malaysia, yet SMEs are unsure where to begin because the concept is still relatively new. Nevertheless, as the skills gap widens and the region faces increased pressure to remain agile, more local businesses are seeing fractional leadership as a feasible, scalable answer.

Why SMEs are leading the shift

The advantages of this fractional leadership are obvious, especially for SMEs. Many small-business owners, in reality, can't afford the high salaries, benefits and long-term commitments that full-time C-suite hires entail. Fractional leadership solves this issue for most.

These individuals frequently possess extensive industry experience, having worked at several companies, offering perspectives that can help SMEs shape their strategy, enhance their operations or be better prepared for an investment round. Furthermore, because they tend to span multiple business models, they are also well placed to provide tried and tested frameworks and best practices.

Another advantage is speed. Fractional executives generally have a low onboarding time, often delivering value on their first day. They may also be mentors to the internal team, adding longevity to the growth of leadership there.

High-growth companies around the world have adopted this model with tremendous success. Notion, the productivity software platform, hired a part-time Head of Marketing at the beginning to gain initial traction while staying lean. A widely popular design and collaboration tool, Figma waded into fractional legal and operational help leading up to its Series B. And that enabled its CEO to concentrate on product development, knowing that critical aspects were being run properly.

In Latin America, fintech companies like Pomelo and Clara also employed fractional Chief Financial Officers to help them in the early stages create teams that scale, before they decided to make full-time hires. These are just examples of how agile leadership models make it possible to grow without the expense and complexity of full-time structures.

Limitations and considerations

Fractional leadership has its challenges despite all its benefits. These providers will generally have multiple clients, so they may not always be available when you want to talk to them. They also need more time to familiarise themselves with internal dynamics and to gain trust, especially in more traditional or close-knit company cultures. This means that businesses need to adapt, just like work-from-home changed organisational structure, fractional leaders require a different structure to truly impact the business.

But, with well-set expectations, strong communication and a shared commitment to the objectives, many companies discover that the benefits of the arrangement more than outweigh the drawbacks. In times of urgent need or challenging transitions, though, fractional leaders can provide a strategic lifeline.

Is fractional leadership the answer?

It can be. With intensifying competition, accelerating digital transformation, and rising customer expectations, Malaysian SMEs no longer have the luxury of time, and compromising on leadership quality is not an option. When senior roles remain unfilled, the impact is felt across the organisation: decisions slow down, morale suffers, and opportunities slip away.

Fractional leadership offers a pragmatic, high-impact solution. By tapping into the right expertise at the right time, businesses can move forward with confidence, even in a tight talent market. For many SMEs, this isn't just a short-term fix; it's a strategic choice to remain resilient, scalable, and future-ready.

As Malaysia's economy evolves, companies that rethink their talent models and adopt leadership that is both skilled and agile will gain a competitive edge. Fractional leadership might be exactly what unlocks that advantage.

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