

Transforming Malaysian Outsource Animation Studios into Youtube Content Creators

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ABSTRACT

This research focuses on the problem sectors of Malaysian outsource animation studios and the possible shift to becoming YouTube channels. It also concerns issues such as work culture, competition, and sustainability. These challenges are analyzed by using thematic analysis in the research to also evaluate YouTube as a modern business environment. Analyzing the system limitations of the traditional outsourcing model, and the animation studios' ability to monetize their IP to achieve financial autonomy, this research offers a basis for investigating YouTube as a platform for creating content. The evidence presented here demonstrates that creating content to be hosted on YouTube decreases current problems, fosters new idea generation, and places these studios on the trajectory toward increased exportability, continual innovation, and increased creative freedom.

Keywords: transforming, animation studios, youtube, content creators

INTRODUCTION

The growth of the Malaysian animation industry in the past decade has been vast as various animation Intellectual Properties (IP) were disseminated and awards received in many countries globally (Leon, 2020; Lang, 2023). Upin & Ipin (2007) for example, are vastly popular in Indonesia and have become a popular culture in the country (Adjikusuma & Dukut, 2022), while Omar (2021) notes that Ejen Ali (2016) were broadcasted in over 50 countries. In addition, Mechamoto (2021) has achieved success in both Malaysia and Japan markets (AGENCY, 2023). These achievements illustrate that the Malaysian animation industry is on the right path towards future successes and may become the next global animation hub.

Animation IPs mentioned above were produced by Les' Copaque, Animonsta Studios, and Wau Animation, respectively—which this research report referred to as 'The Big 3'. Besides them, the Malaysian animation industry also consists of outsource animation studios—production houses that provide animation services to other animation studios, businesses, or clients, rather than producing their own original IP (SourceFit, 2023). They are often commissioned by larger animation studios or businesses to handle some parts of an animation project or the entirety of it. However, Shahbazi (2024) stresses that outsourcing limits the market presence and economy of animation studios as they rely heavily from external finances. Hence, this type of animation studios usually goes under the radar and are less known to the public, not to mention, other underlying issues that subsist within this type of industry. Therefore, a gap appears between these two types of animation studios as the traditional animation studios are growing rapidly while the outsource animation studios remain stagnant or on the verge of collapsing.

Fortunately, the objective of this research report is to explore the issues of (1) work culture, (2) fierce competition, and (3) sustainability in outsourcing animation studios to combat these issues. The potential solution to the issues will be put forth by synthesizing the rise of Youtube Content Creators and how outsourcing animation studios can capitalize this platform by becoming Youtube Content Creators to create

their own IPs. The benefits of this research report could be reaped by outsourcing animation studios or up-and-coming animation studios in the future as they can achieve (1) collaborative work environment, (2) brand identity, and (3) diversified revenue streams.

LITERATURE REVIEW

As the animation industry progressively caters to rising content needs globally, the need for outsourcing has turned into a sticking point for studios and animators (Yoon, 2008). The biggest issue, especially in markets such as Japan where it's the largest provider of outsourcing, is the overwork and underpayment of animators (Noam, 2019). Grueling work schedules are a common part of animators' jobs: many work over 100 hours per week for very little money. The average annual income for animators according to a Japan Animation Creators Association survey is roughly \$10,000—far below the national average (Cartoon Brew, 2024). This exploitation is mainly due to low wages for creative work, although studios value profit margins over their employees (Macias, 2024).

These challenges are however compounded by the highly competitive outsourcing environment where studios and companies exist in what may be seen as symbiosis: studios are served by other companies yet they have to create fantastic work at low cost and within a short period of time. Originally, this caused the development of a 'race to the bottom' whereby smaller studios would sacrifice wages and working conditions to seal the deal. Macias (2024) points out that this dynamic has been a crisis for the anime industry as too many animators experienced burnout and quit the profession early. Additionally, this exploitation is further enabled by regulatory oversight in these outsourcing regions in which animators have no means to complain and be compensated (Vox, 2019).

The first challenge is the long term sustainability of outsourcing studios that are generally home-based, small operations with very limited resources. These studios are financially constrained, having to work with few staff and outdated technology that impedes innovation or scalability. While outsourcing has given studios the ability to reach wide audiences across national borders, it has left them open to changes in the economy and the whims of clients, as The New York Times (2021) notes. Studios have to work with this precarious financial situation and often are unable to invest in things like sustaining, upgrading equipment or paying fair wages and benefits to their employees.

On one hand, YouTube has become a transformative media for businesses, particularly the animation studios, that enable businesses to reach out to global audiences and earn a living through monetizing their creative content. With over two billion logged in users per month, the platform makes available to businesses a dynamic space in which to showcase their brands, address their audiences, and generate revenue (Purkar & Angane, 2024). YouTube's algorithm-driven discoverability and as integration with Google's search engine will increase the possible visibility of businesses looking to bring their work to a wider audience, making it a great platform to gain more exposure as a business and to attract potential clients.

YouTube has an advantage when it comes to showcasing visually engaging content. Some successful examples are a Dutch YouTuber called Cas van de Pol. He has millions of subscribers to his YouTube channels and accumulated billions of views for all of his parody animated recaps videos (De Wit, 2021). His work shows that it is possible to maintain a niche audience while generating the revenue from advertisement and sponsorship. Furthermore, the integration of AdSense and channel memberships may ensure a steady source of income to the YouTube channel. This is beneficial especially for such small studios and independent animators as they do not have enough financial support as compared to the traditional animation studios. Additionally, the platform directly communicates with viewers and as such creates communities and brand loyalty (Stefanski, 2024).

Some research stresses that the platform goes beyond content dissemination and is a powerful marketing tool. For instance, it helps businesses to make advanced analyses of the viewers mentioning the frequency of viewers, their general behavior, and conversion rates to help the organizations adjust the strategies (Pugalendhi

& Mary, 2023). This capability is important to animation studios that require upgrade of their narrative skills or are interested in expanding markets. In addition, the YouTube ecosystem allows for creators to engage with influential people and companies, increasing viewership content, and revenue sources (Prayan Animation Studio Pvt. Ltd., 2024).

Following Systems Theory concepts of feedback loops, the outputs out of a system are fed back to the system as the input for the system influencing the way the system behaves over time. Introduced by Norbert Wiener in the 1940s as part of cybernetics, feedback loops are categorized into two types: Feedback loops—in the form of positive feedback loops that amplify change and drive growth or decline, and negative feedback loops that counteract change to stabilize systems and maintain balance (Wiener, 1948). Feedback loops are used within this research to see how external factors contribute towards the growth or stagnation of animation studios. YouTube's ecosystem has positive feedback, where growth is amplified by engagement and revenue, and the opposite negative feedback in traditional outsourcing models keep it stagnant through systemic challenges. This idea will be explained in more detail in the Findings and Analysis section of this report to explain how it is applicable to the Malaysian animation industry.

The literature reveals various problems in the animation industry, especially in the outsourcing hubs such as Japan where overwork and underpayment endanger animator's well-being and studio's sustainability. On the other hand, new opportunities can be identified through Youtube and they include; enhancing dissemination of content, targeting the audiences, and generating revenues. Systems Theory of feedback loops is discussed further in which these dynamics occur, thus becoming the basis for the analysis in the following sections of this research report.

RESEARCH METHOD

This research takes on the thematic research method to explore the transformation of Malaysian outsource animation studios into YouTube content creators. The choice of the method where thematic analysis is particularly suited to this study due to its focus on identifying, analyzing, and reporting patterns (themes) within data, which aligns with the qualitative nature of the research questions concerning work culture, competition, and sustainability.

Several of the sources used in this work, including the Japan Animation Creators Association (Cartoon Brew, 2024) surveys, use quantitative methods, and these studies employ statistical information to determine the animator's gender, income, and the working hours of the animator. This approach contrasts from the thematic analysis because it focuses on quantitative data to identify the characteristics of the general industry situation. Besides, other literature including that of Macias (2024) and Vox (2019), provides case studies or comparative analyses of particular instances of industrial behaviors or policies' effects. These approaches give depth by analyzing specific cases or comparing and contrasting different geographical areas but do not stress the thematic coding that emerged from the data as this study does. Systems Theory and feedback loops from the literature are used to describe the systemic behaviours within the animation industry. However, this is often done in the theoretical sense and not in the empirical way that we have employed in this study where themes are identified from qualitative data to examine system dynamics in practice.

By contrast, this study's thematic approach offers a larger lens to synthesize these findings where the data is coded and sorted several times to determine the emerging themes or patterns in relation to work culture, competition and sustainability. Themes like "collaborative work environment," "brand identity," and "diversified revenue streams" will be coded and analyzed for how they relate to the transition to YouTube content creation. Using themes in this research method, the study will give an understanding of how outsourcing animation studios can position themselves to the new business models on YouTube and the stories and experiences involved in this change rather than figures and percentages.

Therefore, bringing together theoretical propositions from previous work and conducting a thematic analysis, this research contributes to the literature by moving from the identification of problems to the generation of

solutions relevant to the specific challenges and opportunities of the business. This approach makes it easier to understand the shift from the conventional outsourcing models to sustainable content creation on YouTube.

DISCUSSIONS AND FINDINGS

This section will critically examine the findings from the literature review through the lens of Systems Theory, particularly in perspective of positive and negative feedback loops. We will yield insight into how these systemic dynamics impact the transformation of Malaysian outsource animation studios into YouTube content creators in terms of thematic issues of work culture, competition and sustainability.

The literature highlights evident exploitation of the workforce prevailing in the outsourcing animation industry through the practice of demanding productivity beyond reasonable work hours while paying workers less than what is reasonable and decent. These conditions are a negative feedback loop, as a systemic undervaluing of creativity maintains animator exhaustion and turnover. This loop is self-reinforcing: exhausted animators draw less efficiently, which takes the competitiveness of the studio down; this in turn tightens the monetary problem and intensifies dependence on exploitation.

Nevertheless, shifting to YouTube content creation provides an opportunity to form a positive feedback loop. Original IPs give the studios the opportunity to provide a creative working culture thus making animators work for the rights of their creations and a fair arrangement. Besides, Youtube has various sources of monetization options including ads through AdSense and sponsorships, whereby studios are able to build revenue to support employee needs and training. This shift breaks the negative loop by emphasizing on innovation and the happiness of the employees which consequently leads to high productivity and quality content, which attracts more people, and in turn, leads to higher revenue.

The nature of outsourcing animation studios, as opposed to the traditional animation studios, currently comprises a “race to the bottom” competition, in which clients sought for cheaper deals, which negatively undercut the quality and the long-term sustainability. This gives rise to another negative feedback loop in which studios sacrifice wages and conditions to clinch deals and long-term sustainability. The literature identifies such competition as having a negative effect on the creative quality of the studios as they are not in a capacity to meet the market needs.

However, Youtube has a positive feedback loop that works against this model. The discoverability of the platform depends on an algorithm that means that even small studios can appear in the spotlight based on their ideas and creativity rather than cost. For example, successful animators, who have YouTube channels, like Cas van de Pol revealed that distinctive plots and individual styles help to gain a loyal subscriber base and generate income. Hence, the Malaysian studios can take advantage of this model and produce the content which will be more relevant to the local audience than the content produced by the international studios. This approach does not only strengthen the brand but also positions the company as competitive based on the aspect of creativity instead of the price.

Outsourcing studios are in most cases constrained due to lack of capital for reinvestment, out fashioned equipment and reliance on external customers. This poor financial standing can be regarded as a negative feedback loop, in which tight capital limits the opportunities of developing new products and achieving market expansion, thereby exposing studios to fluctuations and client pressure. As highlighted in the literature review, this loop extends the progress and decreases the future capacity of these studios.

Switching to YouTube content creation opens up a new way to support the channel and the creator monetarily as well as enabling direct interaction with the viewers. YouTube resources like membership and merchandise help to generate a virtuous circle that enables studios to have other sources of income besides clients. Furthermore, the platform allows the studios to use data to adjust their content strategies for the consumer, thus maintaining the studios’ ability to adapt to the ever-changing market. This resilience is further bolstered

by the potential to work with influencers as well as other brands that can only serve to broaden reach and revenue.

Drawing from feedback loops in System Theory, this paper identifies and analyzes the change process that has affected Malaysian outsource animation studios. Feedback mechanisms in conventional outsourcing produce a continuous cycle of problems, including the exploitative work culture, unsustainable competition, and financial vulnerability. These loops are marked by positive feedback processes that limit development and creativity and that result in atrophy or regression.

Conversely, it's YouTube's ecosystem that is an example of positive feedback loops that feed growth and sustain the content. YouTube provides studios with the ability to break the shackles of outsourcing by amplifying engagement and revenue through algorithm driven discoverability and varied monetization options. Through the transition to content creation, we enrich work culture, compete for differentiation, and increase financial resilience creating a sustainable Malaysian studios business model.

The systemic analysis shows that rather than a mere strategic pivot, the switch from outsourcing to YouTube content creation is a structural change that has enormous implications for the Malaysian animation industry. Through positive feedback loops, studios can get rid of system barriers and become a global animated market player. Such a transition is in step with larger industry trends towards creative autonomy, cultural representation and technological innovation.

However, this transformation will be successful if the barriers to this, such as high investment costs, skill gaps, and resistance to change are overcome. However, policymakers, and industry stakeholders must back this by the likes of funding training programs and regulatory frameworks designed to encourage fair labor principles and innovation. Malaysia can make its animation industry more competitive globally and culturally by becoming an ecosystem which provides positive feedback loops.

The Systems Theory's feedback loops can be used in application to show YouTube's transformative potential in the content creation process for Malaysian outsource Animation Studios. By breaking negative feedback loops and spinning up positive ones, studios can tackle the most difficult of the work culture, competition, and sustainability issues. The systemic perspective of this has significant implications for bringing about growth and resilience in the long term as it paves for structural changes to realise Malaysia's animation industry that is vibrant and expressive of its creative and cultural identity.

CONCLUSION

This research report has looked into the issues of Malaysian outsource animation studios and suggests the benefits YouTube as a new platform for content creation. Some of the issues discussed include work culture, fierce competition and sustainability. This research report uses thematic analysis to explore these challenges and assess YouTube as a contemporary business platform. This paper takes a look at the systematic challenges of traditional animation studios, as well as the business expansion prospects on YouTube to demonstrate that animation studios can work on building their IPs and gaining financial sustainability. The given results reveal that adaptation of YouTube content creation can alleviate existing adversities and promote innovative initiatives that would place these studios into the global context and guarantee their future sustainability and creativity.

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