

HOW MALAYSIAN FIRMS CAN BE FUTURE RELEVANT IN TESTING TIMES

SELAMAT SEMUA!

Did you know that 42 percent of Malaysian companies last year felt pressure from the government and competitors to become more sustainable in the next five years?¹ And that was before the coronavirus pandemic sent shockwaves through the business world. Since then, the World Bank slashed Malaysia's 2020 GDP growth projection to negative 0.1 percent from its

previous expectation of GDP growth of 4.5 percent² (although Malaysia then reported Q1 growth). I believe that this state of flux signals the need for action by Malaysian firms, to find ways to become more resilient in this everchanging business context, and namely to review and improve their digital transformation strategies.

KENAPA: THE WHY & CURRENT BUSINESS OUTLOOK

Government

Besides the pressures felt by Malaysian companies, the government was positive about projected business performance at the end of 2019, expecting the country's economic growth momentum to be sustained over the medium term.³ In May 2020, a study by a Malaysian research company found that 74 per cent of Malaysians polled felt the government should provide more financial aid to employees, and 59 per cent felt employers need financial aid in light of coronavirus.⁴

Regulation

In a survey commissioned by the Malaysian Institute of Accountants (MIA) and the Association of Chartered Certified Accountants (ACCA), regulatory changes and compliance concerns were repeatedly called out as the leading challenge

for Malaysian organizations, signaling a need for policymakers to address the design, communication and implementation of policies going forward.⁵

Due to the COVID-19 crisis, Bank Negara Malaysia, the Central Bank of Malaysia, have announced some regulatory relief measures to financial organizations, including a six-month moratorium automatically accorded to all Malaysian ringgit-denominated loans made to individuals and SMEs in good standing; allowing banks to use their accumulated regulatory reserves and dip into capital conservation buffers.⁶

The market

In December 2019, the Pacific Economic Cooperation Council forecasted that economic growth in the Asia-Pacific region

1. [HSBC Navigator 2019 Report: Malaysia, HSBC 2019.](#)

2. [World Bank Cuts Malaysia GDP Forecast, Thestar.com.my, 1 April 2020.](#)

3. [Ibid.](#)

4. [Survey: Malaysians Want More Financial Aid, Talent Up-skilling and Countering Black Market as Key Measures to Safeguard Jobs, Malay Mail, 15 May 2020.](#)

5. [Accountants in Malaysia Forecast an Upward Trend in Revenue and Profit for 2020, The Malaysian Institute of Accountants, 10 February 2020.](#)

6. [Fitch Ratings, 31 March 2020, Ibid.](#)

would decline to 3.3 percent in 2020 and remain at this level until 2024.⁷

Despite the pandemic, in the first quarter of 2020 there was unexpected growth of the Malaysian economy, with GDP growing 0.7 per cent compared to that quarter a year earlier.⁸ During this same period, higher world trade was also recorded by the Malaysian government, specifically with Indonesia, the United States, the Republic of Korea, Saudi Arabia and Singapore.⁹ Malaysia's trade is primarily with markets in APAC, and its largest trading partners for the published year to date are China (33 percent), Singapore (25 percent), and the United States (19 percent).¹⁰

Investment & spend

According to HSBC research, nearly half (47 percent) of Malaysian businesses expect to invest over 10 percent of

their budget in technology, innovation, digital transformation, change management, future-proofing talent and infrastructure to improve sustainability over the next five years. The top three technologies include automation (31 percent), artificial intelligence (30 percent) and robotics (28 percent).¹¹

To date however, a Microsoft study found that only 26 percent of Malaysian organizations have embarked on artificial intelligence (AI) programs, so far, with industry experts commenting that the country is “not ready” for it.

On the brighter side, the study also found that 82 percent of businesses prioritize skilling and reskilling of workers in the future. They plan to invest as much, or even more, in human capital than in new technology, although 72 percent of business leaders had not commenced with this yet.¹²

APA DAN BAGAIMANA: HOW FIRMS CAN BE FUTURE RELEVANT

Through my client work and research, I have seen first-hand how investing in digital transformation strategies and promoting new ways of working allows businesses the opportunity to innovate, grow and boost the quality of their work all while reducing costs; and just how companies can quickly become laggards when they fail to evolve to new ways of working. The clock is ticking for solutions, and when 72 percent of jobs will reportedly be restructured due to automation,¹³ businesses need to act now.

As Malaysian firms start to return to work after COVID-19 lockdowns begin to ease, here's what leaders should be asking themselves now:

1) Can more of my employees work remotely?

COVID-19 has proven that many people can work from home (WFH) and have adapted to a 'new normal'. Permodalan Nasional Bhd, one of Malaysia's largest fund management companies, has now made this a permanent option for its employees.¹⁴

Besides the financial and environmental benefits of no commutes and less office space, studies have shown that employees who WFH are more productive than those who do not.¹⁵

7. [Asia-Pacific Growth Tipped to Flatline at 3.3% Beyond 2020, Nikkei Asian Review, 13 December 2019.](#)
8. [Malaysia's Q1 GDP Unexpectedly Expands, Seen Contracting This Quarter, Channel News Asia, 13 May 2020.](#)
9. [Ibid.](#)
10. [The Official Portal of Malaysia External Trade Development Corporation, 2020 Results.](#)
11. [HSBC Navigator 2019 Report: Malaysia, Ibid.](#)
12. [AI to Nearly Double the Rate of Innovation In Malaysia by 2021, Digital News Asia, 3 April 2019.](#)
13. [The Future of Jobs Report, World Economic Forum, 2018](#)
14. [The Coronavirus is Reshaping Work Life, The Asean Post, 19 May 2020.](#)
15. [To Raise Productivity, Let More Employees Work from Home, Harvard Business Review, February 2014.](#)



If this is a viable option for some of your workforce, consider which business functions, tools and network and security checks you will need to implement.

If it is not possible however, think about the positive elements of WFH during lockdown that can be recreated in the office environment, such as flexible working conditions, more diversified communication tactics from business leaders, digital meetings and shorter meetings especially. At Capco, this is something we have been discussing in our COVID-19 thought leadership.¹⁶

2) Where are the skills gaps within our workforce?

As Bruce Lee once said, “All fixed set patterns are incapable of adaptability or pliability. The truth is outside of all fixed patterns.”¹⁷ Our research has found that over half of global workforces need reskilling, and that while there are cost implications of any training and reskilling program, a culture of continuous learning and reskilling will help businesses be more capable to innovate, future relevant and have a more fulfilled workforce.¹⁸

Furthermore, in light of COVID-19, over half of Malaysians have reportedly said that talent up-skilling is especially needed given

pandemic redundancies.¹⁹ Consider what new profiles your company needs going forwards, and which people can help you transition to this. Note that a ‘fire to hire’ strategy can cause major business disruptions and create a lack of trust from your loyal employee base over ‘who might be next’.

3) Does our digital strategy need to change?

Coronavirus has meant many business barriers to entry have now been reduced through the power of digital; and as Islam Malaysia Bhd’s chief economist Mohd Afzanizam Abdul Rashid recently commented, COVID-19 has demonstrated that business strategies need continuous review.²⁰

In this ‘new normal’ very long-term technology implementation plans might be disrupted on a regular basis. Who knows what the future holds? Time and time again, the black swan theory is proving to be a reality. Organize a review of these plans and engage with your niche service providers to make sure your digital strategy stays relevant.

The flavor of the week, human or AI, is not going to solve deeply entrenched business challenges. You need collaborative environment who know your company history so far and are invested in its success.

16. <https://capco.com/Intelligence/Capco-Intelligence/COVID19-Could-our-new-ways-of-working-become-a-new-normal>

17. <https://www.amazon.co.uk/Bruce-Lee-Striking-Thoughts-Library/dp/0804834717>

18. <https://capco.com/Intelligence/Capco-Intelligence/Workforce-of-the-future>

19. Ibid, Survey: Malaysians Want More Financial Aid, Talent Up-skilling and Countering Black Market as Key Measures to Safeguard Jobs, Malay Mail, 15 May 2020.

20. COVID-19 Can Be a Blessing In Disguise For Businesses, Malay Mail, May 13 2020.

KESIMPULANNYA: CONCLUSION

Difficult and unprecedented times often makes us stronger. They also force businesses to think creatively, and the result can be a more reactive and resilient strategy than before. As the head of emerging market economics at Citigroup recently told the Financial Times, "Asian countries have generally spent the past 20 years building up their reserves to help them weather exactly this type of storm."²¹ I believe reskilling, job redesign, digital focused transformation initiatives and partnering can help Malaysian organizations bounce back from these challenging economic business conditions.

While justifying the cost of reskilling, job redesign, or indeed automation during this difficult period may be unpopular within organizations, adaptability and remaining competitive is essential for them to survive.

Jaga diri dan kekal selamat.

Semoga Berjaya.

Terima kasih.

If you would like to find out how Capco can help your business be future relevant, please contact the author.

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21. [Asia's Emerging Markets Brace For Economic Fallout of Coronavirus, FT.com, 27 April 2020](#)