

- **Three** megatrends SMEs need to be aware of are emerging disruptive technologies, globalisation and effective use of communication

- **IR4.0** can be a steep learning process for SMEs



by
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Every year there are missed opportunities for businesses in the past year for them to reflect on. This is especially true for small and medium enterprises (SMEs), with peaks and valleys when coping with the current challenging and changing environment.

Whether the changes are in technology, marketing, finance or public policy, SMEs need to be aware of all these external factors in addition to their internal operations.

According to SME Corp Malaysia, SMEs play a significant role in Malaysia's economy, accounting for 98.5% of the business establishments, and contributing about 37.1% to Malaysia's gross domestic product in 2017. Category-wise, 76.5% are micro SMEs, 21.2% are small SMEs and only 2.3% are medium-sized SMEs.

Hence, SMEs are just too important for the government to ignore. In fact, many economists observe that it is the SMEs which ensure that the Malaysian economy chugs along despite external headwinds.

Despite volatility in terms of Brent crude oil and depressed global palm oil prices, keeping an eye on trends that impact the Malaysian economy would be a wise thing to do. Recently, **FocusM** interviewed business owners to identify the top 10 trends that will impact SMEs this year.

International Women's Federation of Commerce and Industry Malaysia (IWFCIM) president Datuk Elaine Teh says that SMEs in Malaysia, depending on their profile and size (micro, small or medium) have different sets of challenges. These SMEs need to be aware of three key megatrends in order to survive - emerging disruptive technologies, globalisation and effective use of communication.

"Among our members, for instance, the micro SMEs' main challenge is about embracing digital transformation. They have laptops, mobile phones and internet services which they use for simple and non-mission critical transactions.

"They have not embarked on critical capabilities to enhance customer service or to manage

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inventories, for instance," observes Teh.

Below are the top 10 trends that SMEs will likely face this year:

1. Embracing digital transformation

SMEs need to manage the change that is coming. Winners in the SME sector will be those who have the will and grit to change their way of doing business, using digital technologies to transform business processes to achieve operational excellence, enhancing productivity, Teh says.

Teh notes that the potential barriers to embracing digital transformation are mindset and business discipline issues, which can be far more critical than the capital needed for the enterprise.

"It takes a different mindset to adapt to change to stay relevant. SMEs must follow through with a steady discipline of (business) execution to realise the true potential of the digital transformation. There are many types of cost-effective applications and models that SMEs can leverage upon," says Teh.

2. Big Data Analytics (BDA)

The data-centric players will be in the best position to leapfrog the competition, having the ability to answer more questions with absolute confidence in the accuracy of the data.

The right data is the currency of the new world order. thestoreBOOK, a business solution outfit offering SMEs business

solutions to improve profit and customer satisfaction, puts BDA to good use.

thestoreBOOK is owned by Retail Solutions Sdn Bhd. The company's CEO Hisham Musa says that knowing customer trends and buying habits are

essential for retailers to succeed.

According to him, the best way to achieve success is via BDA and its predictive analytical capabilities.

"This requires a great deal of market research to get the data, which is a challenge in itself. Relying just on the data that each retailer has will probably not be enough. There also needs to be (other inputs such as) demographic, age and gender for reliable data analysis.

"Sharing of information is not our (Malaysian businesses) forte. We need to change this attitude. Government agencies and organisations need to collaborate to make this happen," he says.

Strella Consulting Sdn Bhd business development manager Javier Wong says part of its service offerings involves processing customers' data. With the processed data, business owners can understand their operational issues better.

"We provide our customers with tools that help them understand their business better. We, in turn, use the performance statistics of how our systems are being used by our customers to improve our own services. I would go so far as to say it's Big Data (which really involves a huge amount of data) but certainly Business Intelligence," he adds.

3. Software as a Service (SaaS)

More and more SMEs are adopting the SaaS model due to its key benefits of single point of contact

for the systems infrastructure, upgrades and security, low cost of entry, rapid prototyping capability and pay as you go. SaaS is a software distribution model in which a third party provider hosts applications and makes them available to customers over the Internet.

Many SMEs have widely accepted the SaaS model to run their businesses with. There are SaaS applications for fundamental business technologies such as email, sales management, customer relationship management (CRM), financial management, human resource management (HRM), billing and collaboration.

Wong says for SMEs (which are the bulk of its customers), the SaaS model genuinely reduces costs and improves services.

"Customers can obtain large systems at a fraction of the alternative on premise costs whilst receiving highly specialised services that SaaS vendors provide," he says.

Hisham says it also provides SaaS services to clients. "It is important to service the clients with a high level of support for both technical and business process in order for this model to work.

"It is indeed a very cost effective model for clients and provides a very attractive point of entry for SMEs. Their human capital investment is very minimal and they get to enjoy the system which otherwise would not be possible."

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4. IR4.0

Fortunately, many SMEs are learning and assessing the impact of embarking on an enterprise-wide fourth industrial revolution (IR 4.0). This refers to the current trend of automation and data exchange in manufacturing technologies. It fosters what has been called a 'smart factory.'

However, the awareness of IR4.0 and its adoption is still low.

IR4.0 uses machine learning and artificial intelligence, which is already being implemented in several manufacturing and agriculture sectors, increasing productivity and efficiency.

To SMEs, IR4.0 can be a steep learning process. "Whether or not SMEs are ready, IR4.0 will indeed be part of our ecosystem. SMEs in Malaysia are very slow in adopting the technology. Many feel that they need to focus more on their core business. Hence technology such as IR4.0 are considered as of secondary importance."

"To stay competitive and be ahead of the curve, it is important for SMEs to embrace technology. It is unavoidable; they do need to be educated on the benefits and we need to make it affordable."

"With IR4.0, artificial intelligence, Internet of Things (IoT), automation and green technology, a lot of business processes will change. In fact, some jobs may become obsolete. To appreciate this change, companies need to be conscious of the change that is coming," says Hisham.

5. E-commerce

Two key drivers for the growth of e-commerce in Malaysia are:

- I. The government's ambitious plan to ensure that 80% of the SMEs get on the e-commerce bandwagon via international e-commerce.
- II. The Digital Free Trade Zone (DFTZ).

SMEs getting on the e-commerce bandwagon will help accelerate the adoption of e-commerce as it is set to grow exponentially.

In a virtual sales environment, customer service will play a major role in the growth and popularity of e-commerce.

"I believe that success in this area will be largely determined by the ability to provide a highly personalised and tailored service to customers whilst also ensuring a high level of service quality," says Wong. "Businesses should look towards a highly automated integrated omnichannel marketing experience," he says.

Omnichannel marketing is a multi-channel sales approach that provides the customer with an integrated overall shopping experience. The customer can transition from shopping online to a brick-and-mortar store, and the experience will be seamless.

6. Mobile payment and other forms of mobility

SMEs' adoption of mobile payment and mobile commerce will continue to grow due to the high mobile penetration in Malaysia. According to a FedEx-commissioned study "Global is the new local: The changing international trade patterns of small businesses in the Asia Pacific," 88% of Malaysian SMEs are adopting digital economy platforms such as e-commerce, mobile commerce and social commerce platforms. Also, 61% of Malaysian SMEs are optimistic that these platforms will help contribute to bigger revenue growth in 2019.

These figures should be more than enough reason for SMEs and retailers to move into mobile payment solutions.

According to Hisham, as smartphones are pervasive these days, selling products via the mobile medium is getting to be a practical business proposition.

"We can expect more consumers to be mobile savvy, which leads to being directly related to more commercial activities. I personally do not use a mobile phone to make purchases. I find it rather inconvenient to conduct business with a small screen. However, I use my mobile phone to make hotel bookings or flights," says Hisham.

However, Wong admits that

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he does purchase goods and services as well as make fund transfers regularly using the smartphone.

7. Cybersecurity

With increasing digitalisation, one can expect that cyber attacks will continue to increase. As a result, SMEs should find ways to protect their digital assets.

"We have invested in security products that detect, deter and mitigate security risks, aligned with internal processes that improve the security of all systems both internally and externally," explains Wong.

Hisham notes that as cyber-attacks are a common occurrence, hackers have improved in sophistication in trying to break into a company's systems.

"The good news is that there are ways to reduce and prevent any damage."

"We take cyber threats very seriously. We equip ourselves with the necessary tools to prevent any compromise of data integrity."

"We have to expect hacking activities. Our (network) firewall is upgraded periodically and our antivirus programmes are also up to date. Our data security and network department have to be very vigilant. We need to keep up with new security features, and also the new methods used by hackers."

"We also educate our clients on the importance of cybersecurity such as setting up passwords, not responding to phishing attempts and being wary of external mails," says Hisham.

8. Human capital development

With the growing popularity of IR4.0, SMEs are facing even more critical challenges in acquiring and retaining the right talent for their organisations. This will spur a new approach to resourcing and contracting people for various tasks.

"This indeed is one of the biggest challenges we face. Employees need to be motivated and valued. It is important that they are given the necessary incentive to work in the organisation and that their effort is rightly rewarded," Hisham shares.

He says employees also need to improve on their existing skillsets.

"We also have to constantly find new challenges for employees and also find ways to upgrade their skills. We have continuity programmes where we would discuss the plans for the coming year. It is important to strike a balance, needing to identify those employees who are committed to a long-term journey with the company," he says.

9. Digital marketing

SMEs will also need to step up

their digital marketing strategy where personalisation takes centre stage. Today, high value personalised content is the norm rather than the exception. This trend will continue to increase among consumers.

"This is a good thing as customers should be able to find relevant high quality services with minimal risk, and we embrace this by providing our customers with as much relevant information as is required by them," says Wong.

Hisham agrees, saying that retailers need to find ways to get more information so that they will be able to offer better personalised services.

10. Modern workplace

According to an expert, the shift towards remote workplaces will increase year-on-year. A remote worker is one who works outside of a traditional office. It may be doing work from home, a coffee shop or anywhere that is not a regular office; it depends on the type of job.

Wong notes that what is lacking is the emotional aspect of communication, which discourages effective distributed workplace collaboration.

"We do realise that simple emotional gestures and light conversations (before the actual meeting's agenda) do help build good communication. For instance, a video conference/meeting will create a neutral and comfortable environment in the longer run. I highly encourage video calls over audio for its personal touch."

"The modern workplace depends on the individual and types of projects, whether to be handled on a case-by-case basis."

"Telecommuting can increase productivity if performed correctly, but there are activities which require collaboration and being together," says Wong.

