

Industry 4.0 - SMEs are the Vanguards in Catalysing Change

Every time I browse the internet or immerse myself in the infinity of the World Wide Web space, I struggle with conflicting emotions. I feel happy for the advances in technology that continue to improve the quality of human life; but I also fear the pace at which the industry landscape is changing. Today's solutions are posing new challenges for tomorrow; today's infrastructure is at a risk of becoming obsolete tomorrow; and between today and tomorrow, there is an era of radical change that is taking place.

My imagination today sometimes fails me, to predict or even think of everything that may be possible tomorrow. I want to be prepared, and I want my small and medium enterprise (SME) community to be more than prepared, not just to take on the challenges, but to emerge as clear winners of tomorrow and the impending Fourth Industrial Revolution or Industry 4.0.

The UBS White Paper for the World Economic Forum 2016 states, "When the Fourth Industrial Revolution arrives, a country's present state of industrial technology and demographic patterns will together determine how successfully it adapts, economically and politically, to extreme automation and extreme connectivity. The Fourth Industrial Revolution will take the emphasis away from demographic quantity to demographic quality." This extremely insightful statement in itself is a thought-starter for us to begin looking at the Malaysian landscape, the present state of our industry, the key influences, our technology roadmap and of course, the 'quality' of not just demographics, but every aspect of our business

INDUSTRY 4.0

and commerce.

There are conflicting ideas on whether employment will see a decline with the emergence of Industry 4.0, and if developing economies, in particular, will see Industry 4.0 disrupt structures of labour market. Low-skilled and mid-skilled jobs may become vulnerable due to mechanisation of processes, systems and even people-oriented work. It is only natural for the industry and especially SMEs to fear from what may come with the advent of Industry 4.0.

Klaus Schwab, Founder and Executive Chairman of the World Economic Forum in his book 'The Fourth Industrial Revolution' said, "We stand on the brink of technological evolution that will fundamentally alter the way we live, work and relate to one another. In its scale, scope and complexity, the transformation will be unlike anything humankind has experienced before." This is a perfect summation of what we may witness with Industry 4.0. It would be something different, something unexpected and it would definitely change our lives and our businesses. I would like to believe that despite a sense

of 'uncertainty' and 'unpredictability', the potential of Industry 4.0 could be steered for greater good of both businesses and mankind. And as we are busy dealing with Industry 4.0, the Japanese have yet again stepped their game as they are now moving into Society 5.0!

To ensure that we are aligned with the industrial revolution, the Government has set up the Industry 4.0 Task Force to help Malaysia embrace the inevitable changes that will come about from the imminent global impact of industry revolution. The Task Force is entrusted to oversee the formulation of a comprehensive National Policy on Industry 4.0 to address key challenges pertaining to infrastructure and ecosystem; funding and incentives; human capital and talent; technology and standards; as well as SMEs and industry. This is clearly a concerted and targeted approach by the Government to take on Industry 4.0, as opposed to its existing efforts which include extending various tax incentives on automation, robotics, artificial intelligence (AI) and ICT for local SMEs.

Time waits for no man. Whether



Viewpoint

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we are ready or not, the key effects of Industry 4.0 on business have begun to prevail. Customer expectations are shifting as they experience the conveniences of emerging technologies; big data analytics are not only improving asset productivity, but are also feeding product innovations; companies are exploring new ways of resource sharing through collaborative innovation; and business and delivery models are being transformed into new digital models that are data-powered, faster with greater agility, enhancing productivity and driving greater performance.

Amidst such a dynamic environment, the Government is well-positioned with one of its key strategies, namely to create more global SMEs through targeted assistance in automation, digitalisation and robotisation. This means, while we foster high growth and innovative firms for a quantum leap towards Gross Domestic Product (GDP), we will also increase the contribution of microenterprises (B40) to the economy.

Industry 4.0 is not only about smart and connected machines or systems; it is a fusion of technologies - from gene sequencing to nanotechnology; from conventional to quantum computing; from tradition to digital supply chains. What's promising is that Industry 4.0 will help elevate the industry by enhancing efficiency, productivity, return on investments, technology convergence and adoption of megatrends.

As we move towards Industry 4.0, SMEs need to brace and orientate themselves to new ways of doing business through e-commerce solutions, digital marketing platforms, social media engagement - all in the name of moving towards creating and sustaining a unique customer experience. Tomorrow will require our new investments in automation, and training our semi-skilled or low and mid-skilled labour to enhance their capabilities to manage emerging technologies,

systems and processes, which are imminent due to digitalisation of businesses. On its part, the Government will continue to engage with the SMEs, and empower them with the right tools, policies and solutions, helping them to remain relevant and competitive, as Industry 4.0 takes shape.

As more businesses are moving to digital platforms, we are now witnessing Malaysia - with 146% mobile penetration, 22 million internet users, 18 million active social media users and 7 million online shoppers - ranked no. 31 among the most tech-ready countries in the world. The e-commerce potential in Malaysia is only growing. In ASEAN, Malaysia's retail e-commerce size is USD1.5 billion as against Indonesia US\$2.5 billion, Singapore US\$1.9 billion, Philippines US\$1.2 billion, Thailand US\$1.1 billion and Vietnam US\$1.1 billion.

Hence, cognisant of the fast-growing importance of e-commerce globally and its rising impact on the Malaysian economy, the Government is implementing various initiatives to boost e-commerce growth through the formation of the National e-commerce Council (NeCC) and the formulation of the National e-commerce Strategic Roadmap (NeSR) by the NeCC.

At present, there are more than 40 e-commerce related initiatives and programmes being undertaken by over 20 Ministries and Agencies, including MITI and its Agencies, MOF, MDEC, BNM, and MAMPU.

Among these are immersion activities for SMEs to adopt and tap the full potential of e-commerce platforms, which are organised by credible organisations, such as POS Malaysia, Google, Facebook-Avana, and Lazada with the full support from SME Corp. Malaysia. POS Malaysia is assisting SMEs in the adoption of e-commerce by providing regional coaching activities through its SME Enabler Programme, as well as trade fa- ▶



DFTZ will see SME e-commerce surge

► cilitation and guidance on e-commerce solutions via its e-Business Centre.

Similarly, the GoGlobal Malaysia (#MYGoGlobal) initiative is helping SMEs in Malaysia to explore new markets by digitalising and equipping them with the right knowledge and tools. This public-private partnership, led by Google and its industry partners, with the support of the Government through MITI, SME Corp. Malaysia and MATRADE, empowers SMEs to build up their business capabilities, connect with digital ecosystem partners, promote international exports, and grow to be globally competitive companies.

A most exciting initiative to propel the growth of Malaysian SMEs through e-commerce is the establishment of the world's first Digital Free Trade Zone (DFTZ), a strategic collaboration between Malaysia and world-renowned internet and e-commerce companies, Catcha Group and Alibaba Group. Led by the Malaysia Digital Economy

Corporation (MDEC), together with SME Corp. Malaysia and MATRADE, the DFTZ will provide physical and virtual zones to facilitate SMEs to capitalise on the convergence of exponential growth of the internet economy and cross-border e-commerce activities.

It will act as a microcosm to support internet companies to trade goods, provide services, innovate and co-create solutions. With the DFTZ, not only will we see a surge in SME e-commerce exports, it will also have positive spill over effects on the Malaysian economy as a whole, as it will create an ecosystem that drives innovations in e-commerce and other internet economy innovations, driving new investments into the country. By end October 2017, through various SME onboarding initiatives, including a series of DFTZ SME Onboarding Workshops, currently undertaken by the 3 agencies nationwide, a total of 1,500 SMEs are targeted to embark on Alibaba.com, DFTZ's first strategic partner.

I must say that going around on the ground and trying to convince our SMEs to get on digital platforms is not a bed of roses. Bill Gates said that "People always fear change. People feared electricity when it was invented, didn't they? People feared coal, they feared gas-powered engine. There will always be ignorance, and ignorance leads to fear. But with time, people will come to accept their silicon masters."

By the same token, I believe that Industry 4.0 evokes fear now, but in time, people, the industry and SMEs will be far from fear. They will gain better insights, understand true potentials, recognise the need to evolve and be champions of this new era of far-reaching change. I am confident that Malaysian SMEs will not only catalyse change, but will be in the forefront of such change. For registration and details on DFTZ SME Onboarding Workshops, please visit: <https://mydftz.com/sme-onboarding>. **MSME**

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What got you here, won't get you there

What Got You Here, Won't Get You There' is the title of the 2007 best-selling book by Marshall Goldsmith and Mark Reiter. It was written to help senior management (Leaders) realize they needed new skill sets - motivating, leading, monitoring - which were often different to the "doing" skills they had excelled at! Managers typically got promoted because they were successful with their sales or technical skills. These were more the doing, rather than the grooming or supporting skillsets now required with their expanded and more senior roles.

This theme of "What Got You Here, Won't Get You There" is not uncommon and I find relevance to the SME community in Malaysia. Many of the founders are now ceding control to their children. The Malaysian economy is primarily made up of SME's and therefore their continued success is critical to the wellbeing of the coun-

try. SME's account for 98.5% of all business establishments in 2016. According to statistics from SME Corporation, they account for almost one million business.

The challenge for these 907,065 business owners is straightforward; how do they grow the business and keep it sustainable? Whilst we read of the entrepreneur driven technology companies, as well as cafés, food delivery, shopping, etc. the bulk of our SME companies have been built over several years. These companies are mainly in services (89.2%) but also in manufacturing, distribution, retail, construction, agriculture and it has taken a long period of +20 years to achieve success.

All have been built from scratch, with the sweat and toil of the founder entrepreneurs (then called businessmen) who seized on market opportunities, and with a focused approach built their business, as they say, one brick at a time. They

did not benefit from "internet valuations" and so invested their own money, struggled to get bank loans. This experience moulded the views on how a business should be built and operated.

Are their business sustainable though? Times have changed and whilst all of the businesses have embraced the internet and newer technologies, many are operating with Web 1.0 strategies. That means, get a website up that replicates an enquiry form, spend a little money on digital marketing and rely on "word of mouth". You only need to spend an hour with Google to realize that internet marketing has become increasingly sophisticated. Where you spend your advertising dollar makes a big difference in your Return on Investment (ROI). For sustainability then, SMEs therefore have to upgrade their internet marketing skills.

Look on the popular internet sites of 11th Street and Lazada and you will see the number of products available from overseas suppliers. These companies are all playing for a piece of the Malaysian market, which means that as consumers we can expect better prices, but for suppliers are going to see shrinking margins. Recently I was looking online for stainless steel shelving and was blown away with the huge number of options. Prices were so cheap I wondered if the stuff was even real!

Technology in marketing is a critical factor, just as the adoption of

technology in production is critical to improve quality and reduce cost. New products, processes and materials need to be experimented with to meet with evolving consumer preferences. We see so many new artisan coffee shops competing with the more established multi-store brands. Many are independently run, some roast their own coffee and collectively they are gaining market share. In personal care, we have a number of small independent brands emerging. In home appliances Dyson has led a wave of new product designs in fans, hand dryers, vacuum cleaners, etc.

You can see new colors and designs of blenders, kettles and other household appliances. The challenge therefore is for the older companies with retail products is how do you stay relevant, from a product, brand and distribution perspective. The Qu Digital initiative by MalaysiaSME is one way to embrace the digital world.

The other, though more pressing

issue for the second generation is how do you change the mindset or DNA of the organization. They achieved success by being efficient, cost competitive and perhaps staying with what's known and over time have probably stopped experimenting. They have become tightly run, with loyal staff who look up to the boss because he "always has the answer".

When the second generation takes over, the boss is new and so is the business environment and new answers will need to be found, some experimentation required. Will the old guard respond and support new boss? Will long established suppliers heed the new demands of the business? Does the young one know how to motivate, encourage and lead his people in this new world? Only time will tell. The skills they need will be different to the ones of the previous generation, hence; what gets you here, won't get you there. **MSME**



Walk the talk

Anwar Jumabhoy

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