



MONASH  
University

MALAYSIA

# BUSINESS SENTIMENT 2020/2021

A PERSPECTIVE FROM  
MALAYSIAN EXECUTIVES

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R&D SDN BHD





# Foreword

The emergence of COVID-19 created unprecedented reverberations across the world, not only threatening the wellbeing of individuals, but also the economic wellbeing of nation states and societies. Business landscapes across a wide variety of industry sectors have been profoundly shaken and reshaped. Today's CEOs

are overwhelmed with uncharted waters as they navigate the fast changing environment for operational survival and competitive success.

and adapt to a wide range of changed business protocols and arrangements in the face of COVID-19. The Business Sentiment Report charts key operational and strategic actions being taken by businesses to respond, optimize and prepare for a post-COVID-19 future.

The impact of the pandemic has not been even, differentially impacting some sectors more than others. The report highlights that the COVID-19 dislocation is most sharply felt by SMEs, given their limited financial wherewithal to withstand unanticipated shocks. This is where the role of government becomes critical in enabling struggling firms to address critical shortages to remain afloat.



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**I**n this turbulent environment, the Business Sentiment report continues the tradition of understanding business challenges from the perspective of business leaders. The report tracks Malaysian business leaders' response as they react



“ Expect the best.  
Prepare for the  
worst. Capitalize  
on what comes.”

**ZIG ZIGLAR**



In spite of the enormity and the speed of the COVID-19 disruption, the study finds that many Malaysian business leaders have responded proactively to the crisis by adopting a mindset of reinvention. In order to survive, many have accelerated adoption of digital technologies to adjust to altered circumstances and reach out to customers, and established new processes with improved cost structures. Those who have managed to rapidly adapt and undergo significant business transformations have not only coped with the COVID-19 induced environment but have created new platforms of competition and future advantage. To put it in another way, even though the disruptive doom and gloom of COVID-19 has seen many businesses suffer and some even closed their operations, yet a number of firms across different industry sectors and of different sizes have weathered the adverse impact of the economic storm and are coming out of it transformed. For the most part, these are firms that have not sat silently on the side-lines watching the COVID-19 tsunami unfold, rather they have actively addressed the challenges by melding emerging technologies to transform their operational processes and business models. They have re-organised their production lines, catered to new needs, formulated new delivery formats, altered their supply chains, and even refocused their brands through a process of

reimagining the future. We note these firms to be apprehensive yet sanguine since they have travelled through the clouds of hyper-uncertainty and managed to identify new horizons and new opportunities. These businesses even in adversity have listened to and read the market and at the same time been bold enough to take the risks and invest to make transformation happen,

To end, we would like to this opportunity to thank all those who made this report. Firstly, our gratitude to the survey participants and the industry leaders who gave freely their time to express their opinions and corroborate the findings. Second, the CPA team who has continued to be a great partner in this collaboration, especially for the guidance, work and support. Last but not least, the Monash team who have worked tirelessly to ensure that the Business Sentiment study was executed and produced in a timely and efficient manner. Thank you all, for your energy, efforts and support. The Business Sentiment would not have been possible without you.

# Foreword

Times of crisis impact businesses in different ways. This is one of the most challenging periods many of us have ever experienced. This year, we have seen the COVID-19 pandemic sweep across the world dramatically affecting the health of communities and disrupting economies.

**T**

he Business Sentiment survey results are reflective of the business

climate and recognise the impact of the external environment on companies. The report gives us a window into decision making in a way that is compelling and allows us to clearly see both the challenges and opportunities that businesses face.

While it will take some time for economies to recover, much depends on how businesses bounce back. It's also important to acknowledge that some sectors have been impacted more severely and may take longer than others to recover. This is where CPA Australia's global membership of 166,000 members across diverse industries can play a role in providing leadership in the accounting and finance space with their skills and expertise, and this includes a large cohort of Monash alumni in influential roles across various businesses. As an organisation, we continue to support our members by providing a range of resources, guides

and updates to enable them to contribute effectively to business recovery.

CPA Australia is proud to work alongside Monash University Malaysia in this important piece of work that has enabled senior leaders to reflect on key strategies and issues that have an impact on their businesses' ability to create value. We have seen the report's reach as an important reference point for government agencies, the media and other important stakeholders and we can say with certainty that this year's report is even more compelling in its content and research quality.



**Priya Terumalay FCPA**  
Country Head  
– Malaysia  
CPA Australia

I would like to take this opportunity to commend the Monash research team members for their effort in producing a high-quality report that is reflective of the University's status as a leading academic institution.



“ Failure defeats losers, failure inspires winners.

Robert T. Kiyosaki

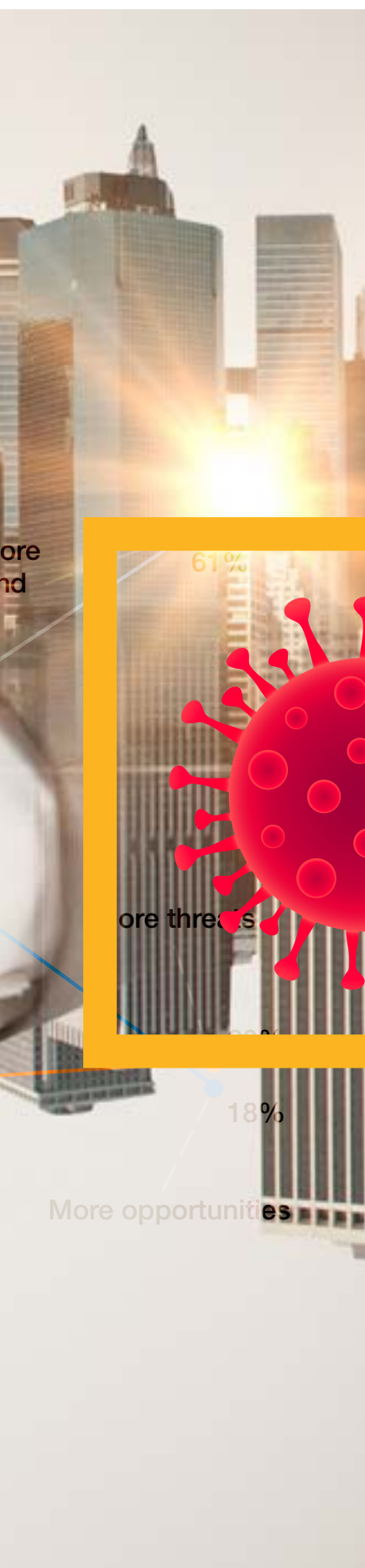






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# Executive Summary

## Managing Global Economic Upheaval due to COVID-19

The Monash University Malaysia's Business Sentiment Survey 2020/2021 was undertaken against the backdrop of significant uncertainty and volatility in the domestic and global markets due to the rapid transmission of the Covid-19 pandemic. The problem was further exacerbated by the political uncertainty that impacted Malaysia in February this year. Covid-19 pandemic and political uncertainty continued to impact the country at the time of the survey. Under these circumstances, business leaders are apprehensive in their business decisions. However, despite the uncertainty, there is still some degree of confidence amongst leaders, as they believe there are new emerging opportunities in current business environment. As such Malaysia's business leaders are "apprehensive but sanguine".



The apprehensive sentiment expressed by the business leaders arises from the

disruption in supply chains and business operations due to the Movement Control Order (MCO) put in place to reduce the transmission of Covid-19. Many leaders are concerned about the waves of Covid-19 transmission across the globe and potentially in Malaysia, which may result in the continued extension of the MCO and consequently prolonged disruptions in their business operations. In anticipation of this, as a precautionary measure, they have scaled down operations in order to contain costs and stay afloat.

These business leaders were sanguine about their cost cutting measures and the various financial

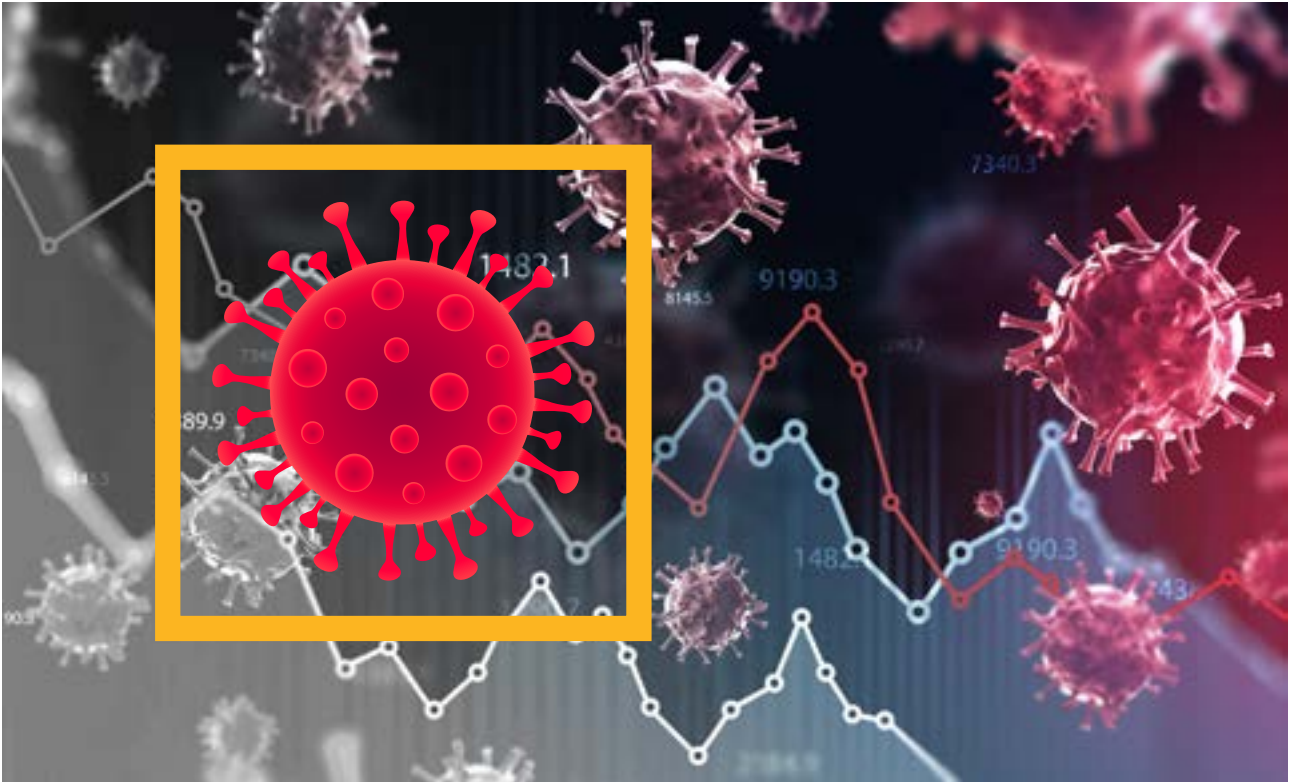
support programs that would help somewhat dampen the impact of Covid-19 on businesses. Business leaders were also hopeful that high adherence to standard operating processes to reduce the transmission, a more sophisticated and targeted MCO, as well as the potential discovery of vaccines and better medical therapeutics in the coming months will increase consumer and investor confidence.

The survey results also show that disruption in supply chains and business operations is forcing firms to embrace digital technologies that will enable them to adopt new business models, extend their market reach and provide quality services to clients and speed up business recovery. Firms are showing a stronger willingness to work

with institutions of learning to nurture the next generation talent for industry. There is strong focus to ensure existence of adequate training programs to upskill the workforce, especially in assisting them to implement key Industry 4.0 technologies to remain competitive. Firms are also showing proactivity towards adoption of renewable energy as means to keep costs low and at the same time enable their products and services to penetrate advanced markets where environmental standards are stringent. Business leaders are of the view that the above-mentioned strategies are critical for businesses to weather the Covid-19 tsunami and political uncertainties and prepare for new opportunities as businesses realign to the "new normal" in both the domestic and global economy.



# Research Themes



## 1. Covid-19 health pandemic brings business operations to a grinding halt

The health pandemic swept across the globe at a rapid pace at the start of the year, disrupting the global supply chain and forcing many countries to administer movement control order (MCO) to curb the transmission of Covid-19 virus. These factors adversely impacted business operations, with a significant number being forced to scale down their operations. A number of these firms were unable to avoid closure due to the rapid decline in demand conditions. The consequent unemployment has adversely impacted consumer confidence and reduced demand for goods and services. Contractions in both the supply and demand conditions have increased the risk of the economy going into a deep recession.

## 2. Political uncertainty exacerbates business sentiment

The fall of the Pakatan Harapan government in February 2020, and the continued political uncertainty has added further market volatility and risk to the economy. Many business leaders expressed concerns about the political situation in the country and accompanying uncertainty around policy and changes in the government. This has created some apprehension among firms in moving forward.

## 3. Shrinking global demand, intensive competition and emergence of new business models

With lower demand conditions, competition for the shrinking market intensified over the last 12 months. To remain competitive, firms began to adopt new business models anchored on digital technologies to maintain their position not only in their traditional markets, but also expand to other geographical markets, product types and occupy different parts of consumers' value chains.

#### **4. Intensifying the adoption of digital and Industry 4.0 technologies**

Firms are intensifying the adoption of digital and Industry 4.0 technologies to weather the Covid-19 tsunami. These technologies enable firms to automate their production processes and business operations which have helped minimise transmission of Covid-19 infection. These emerging technologies have prompted firms to hasten new process improvements and product development. They have assisted firms with managing costs, improving efficiency and enhancing the quality of services offered to their clientele. Business leaders are also of the view that automation will be critical for firms in tackling issues of labour intensity as well as allowing them to operate 24/7.

#### **5. Meeting the talent needs of industry in a rapidly changing global economy**

The rapid transformation of the business environment over the last 12 months has created a serious mismatch in the supply of talent, especially a short fall in ICT training and new technology skillsets needed to help firms navigate through the uncertain economic environment. Business leaders expressed the need for industry and universities to work closely to nurture talent and produce the requisite skills to meet their future needs. Emerging skillsets include the need to develop Industry 4.0 training programs to upskill the workforce and assist companies with the implementation of Industry 4.0 technologies. The new skillsets will assist industries to move up the value chain, mitigate the impact of lower demand conditions and reduce the graduate unemployment problem.

#### **6. The importance of global environmental standards and the need for proactive measures**

Business leaders are of the view that adherence to global environmental standards is increasingly important if firms wish to expand their market reach to advanced economies. As such, many leaders are of the view that they will need to incorporate a more proactive approach to the adoption of good environmental management practices. These include using environmentally friendly energy sources and adhering to international best practices and standards. In order to help them create environmentally friendly organisations of the future, business leaders opined that efforts and investments are needed by all stakeholders (industry, government, consumers and community organisations) in nurturing a culture of sustainability.

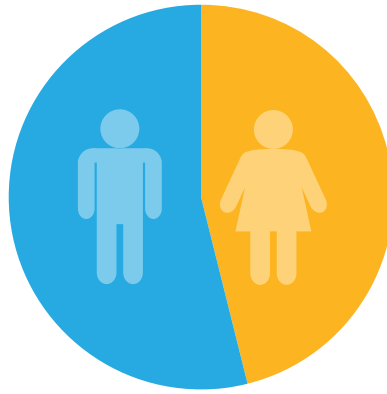
#### **7. Struggling SMEs and challenges in the adoption of new technology**

SMEs have been adversely impacted by the economic uncertainties over the past 12 months. Many of them experienced sharp declines in their markets and revenue. SMEs are particularly concerned that the economy may go into a prolonged recession, which will further lower consumer demand to a level that forces them into closure. Other SME concerns are increasing cost of doing business in having to implement and adhere to Covid-19 SOPs in the workplace and the capital expenditure needed to enable their workers to work from home. Lower demand conditions and increasing competition among existing players are also pushing the more agile SMEs to adopt a range of digital technology to adapt to new business models and business operations. The major challenges faced by these firms in becoming more technology-driven are financial constraints and lack of training programs geared to the specific needs of the sector and SMEs. Further, many are unable to channel resources to acquire the necessary technology to meet urgent needs to keep their firms afloat.

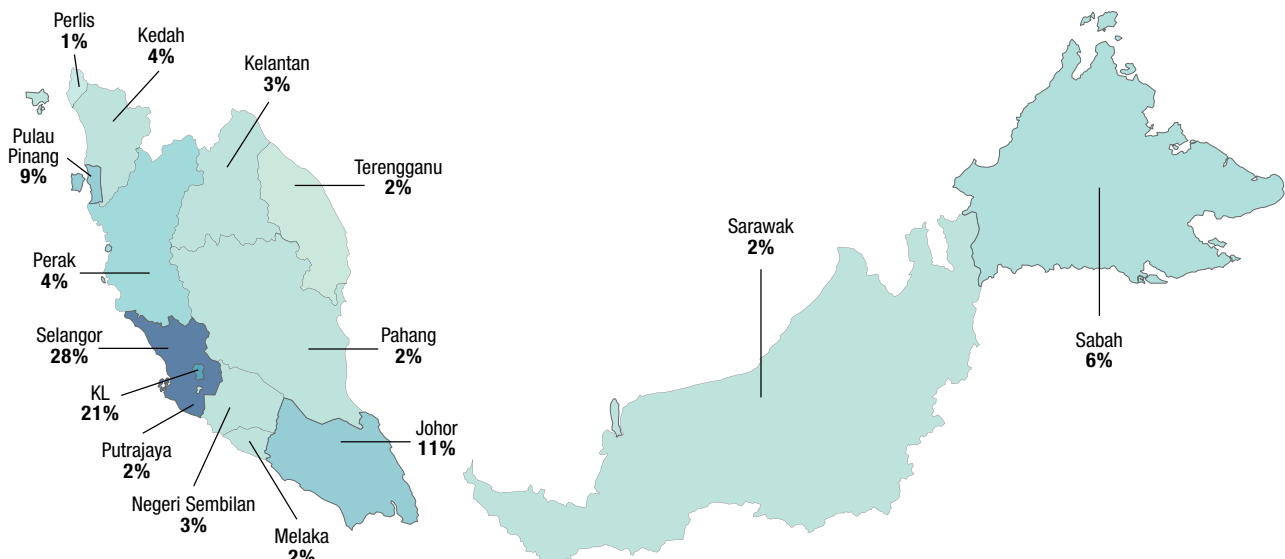
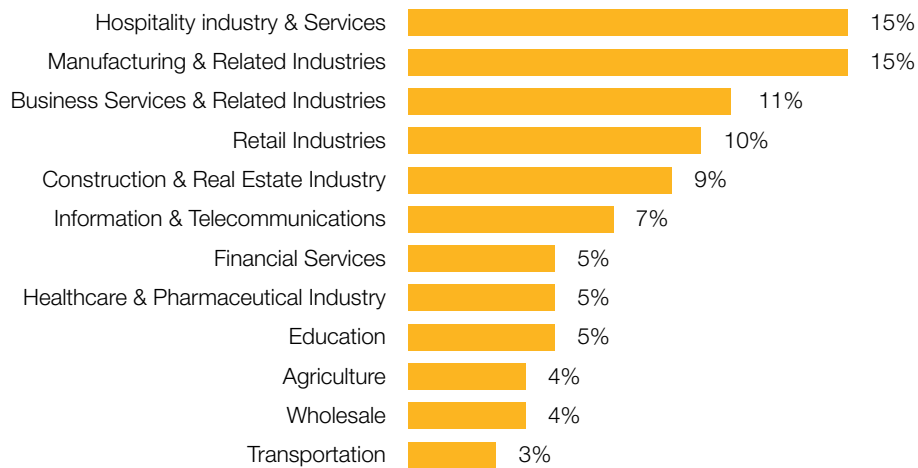
# Respondent's Profile

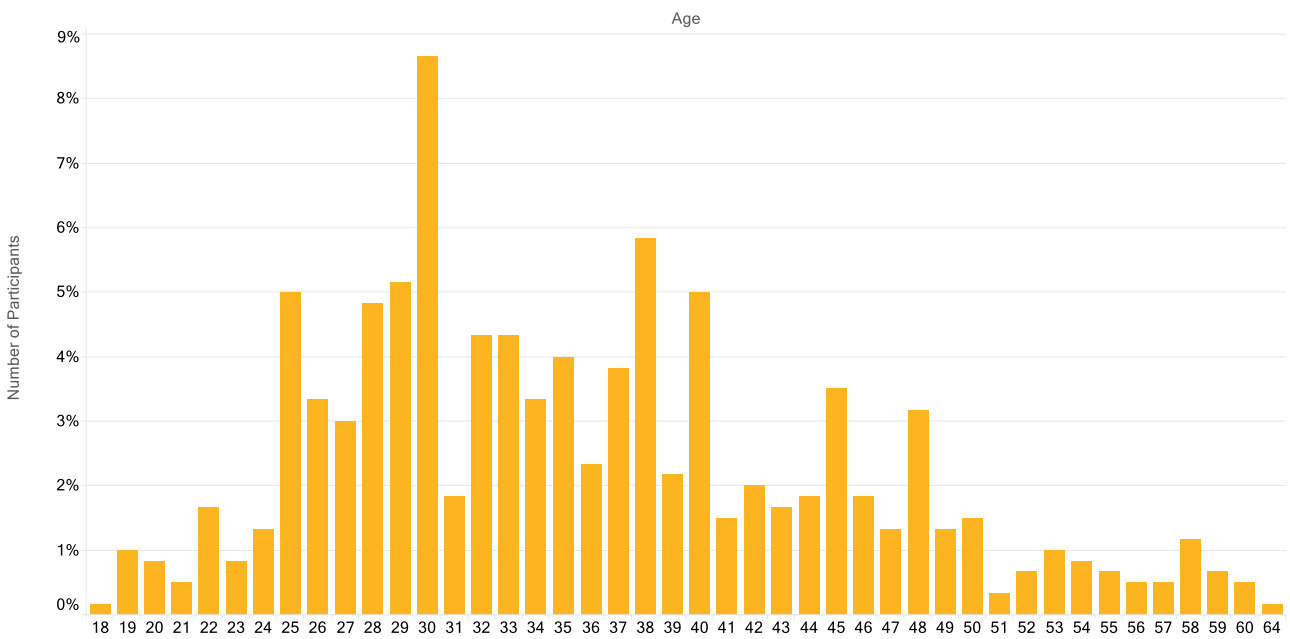
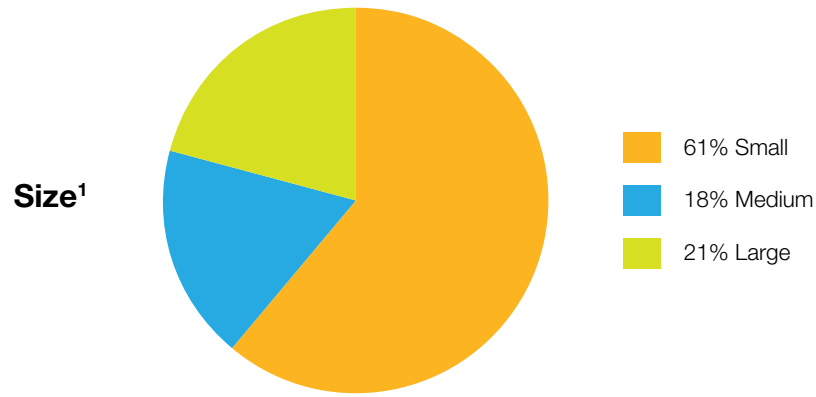
Overall sample size = 600

Gender



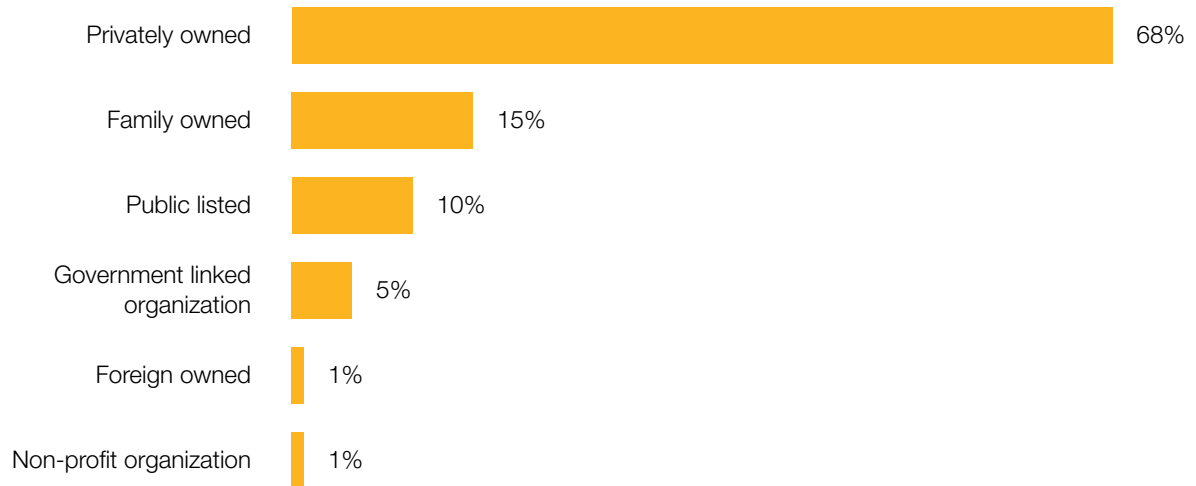
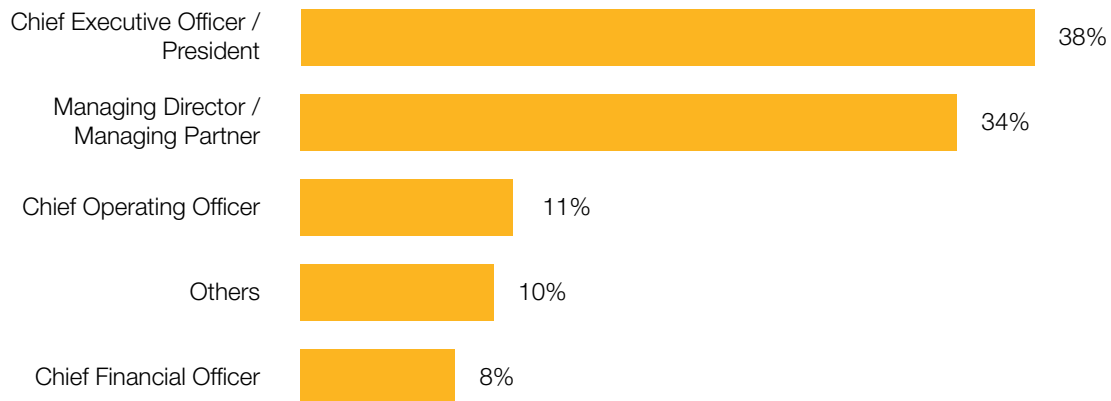
46% Female  
54% Male





A sample of 600 questionnaires were completed by CEOs and senior managers from companies operating in Malaysia. Around 46% of the respondents were females and 54% were males. A majority (51%) of the sample firms are from the hospitality, business services, manufacturing, and retail industries. The sample firms were from all the states in Malaysia, with Selangor and KL making up the majority at 49% of the total sample. Close to 61% of the firms are small; 21% are large and 18% are medium-sized firms. The age profile of the respondents shows that a majority are in the age group between the mid-20s and thirties.

<sup>1</sup>Small (includes micro): < 75 employees for manufacturing; < 30 employees for services and other sectors  
 Medium: 75 – 200 employees for manufacturing; 30 – 75 employees for services and other sectors  
 Large: > 200 employees for manufacturing; > 75 employees for services and other sectors (SMECorp)

**Which of the following best describes your company or parent company?****Which of the following best describes your role/function within your company?**

Majority of firms that participated in this study are privately-owned companies, making up 68% of the sample. Around 15% were family-owned businesses, 10% were public listed firms, 5% were government-linked companies, 1% foreign-owned companies, and 1% non-profit organisations.

In terms of the role of the respondents, close to 38% were Chief Executive Officers/President; 34% were Managing Directors or Managing partners; 11% Chief Operation Officer; 8% Chief Financial Officers; and 10% hold other roles in their organisation.

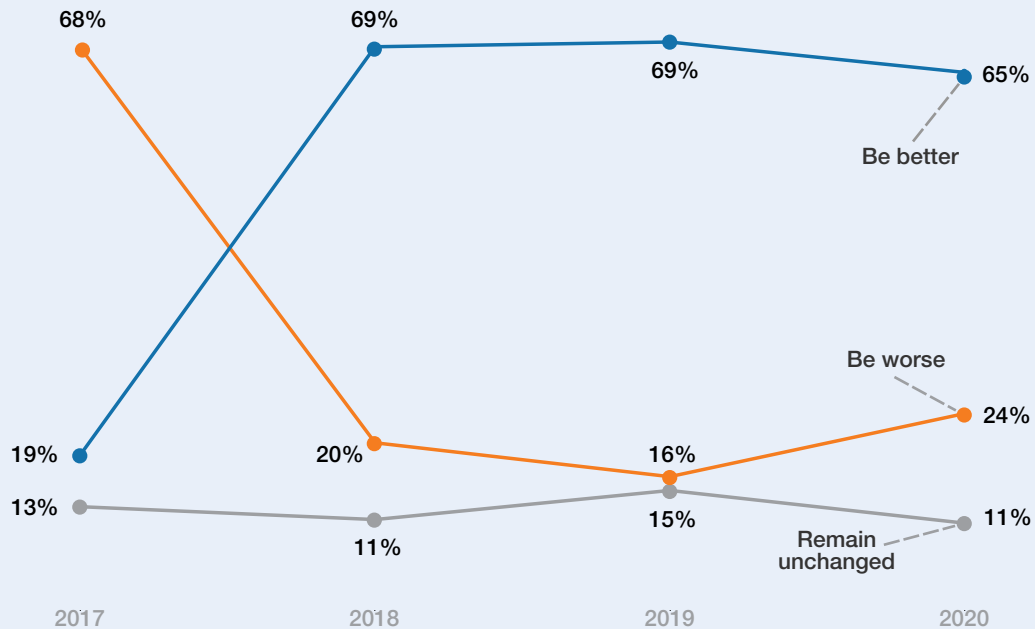




# Research Findings

## Business Environment

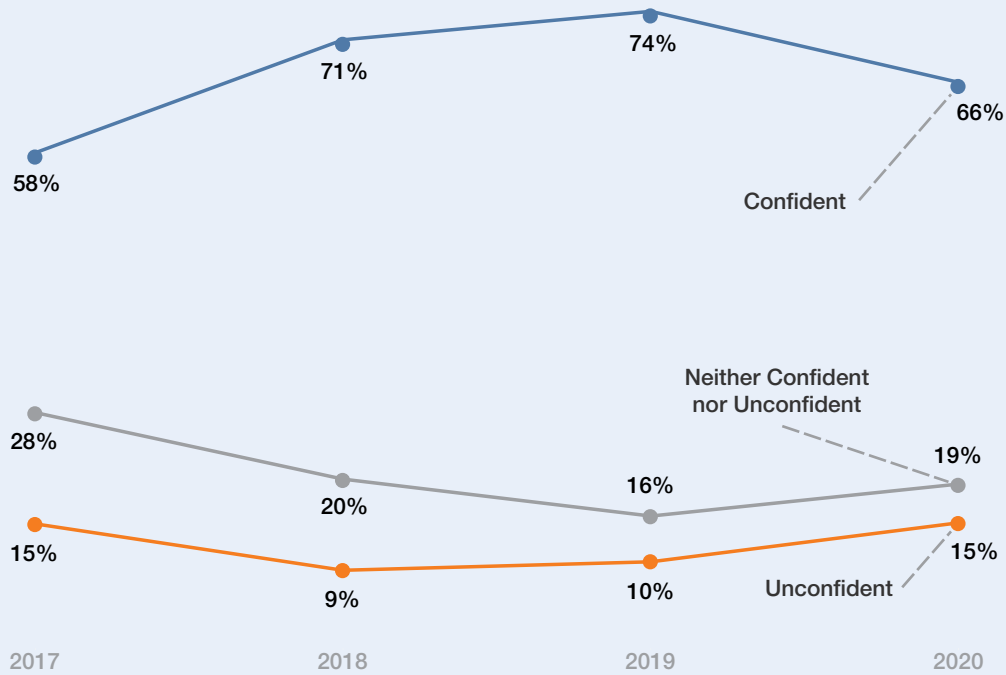
In your opinion, do you think the business environment over the next 12 months will:



The survey this year indicates an increase in the level of negative outlook as compared to 2019. Specifically, there is an 8% increase in negative sentiment, with business leaders expecting a worse year ahead. The percentage of business leaders are of the view that the business sentiment will get better declined from 69% in 2019 to 65% in 2020. The negative sentiment is attributed to the political uncertainty in the country and the Covid-19 pandemic. The latter resulted in the Movement Control Order (MCO), which disrupted many business supply chains and adversely impacted business operations. Many businesses are of the view that the MCO was a 'necessary inconvenience' to reduce the transmission of the virus and believe the economy will eventually, over time, get back to a steadier trajectory. The survey showed that the business sentiment was not as severe as expected due to the fact that the survey was undertaken in September when the Covid-19 infection rate was improving. At this point in time the government was relaxing the MCO, businesses were gradually opening up and some of the government financial support schemes were introduced to assist firms that were struggling to keep their businesses in operations.

## Company Prospects

How confident are you about your company's prospects for the next 12 months?

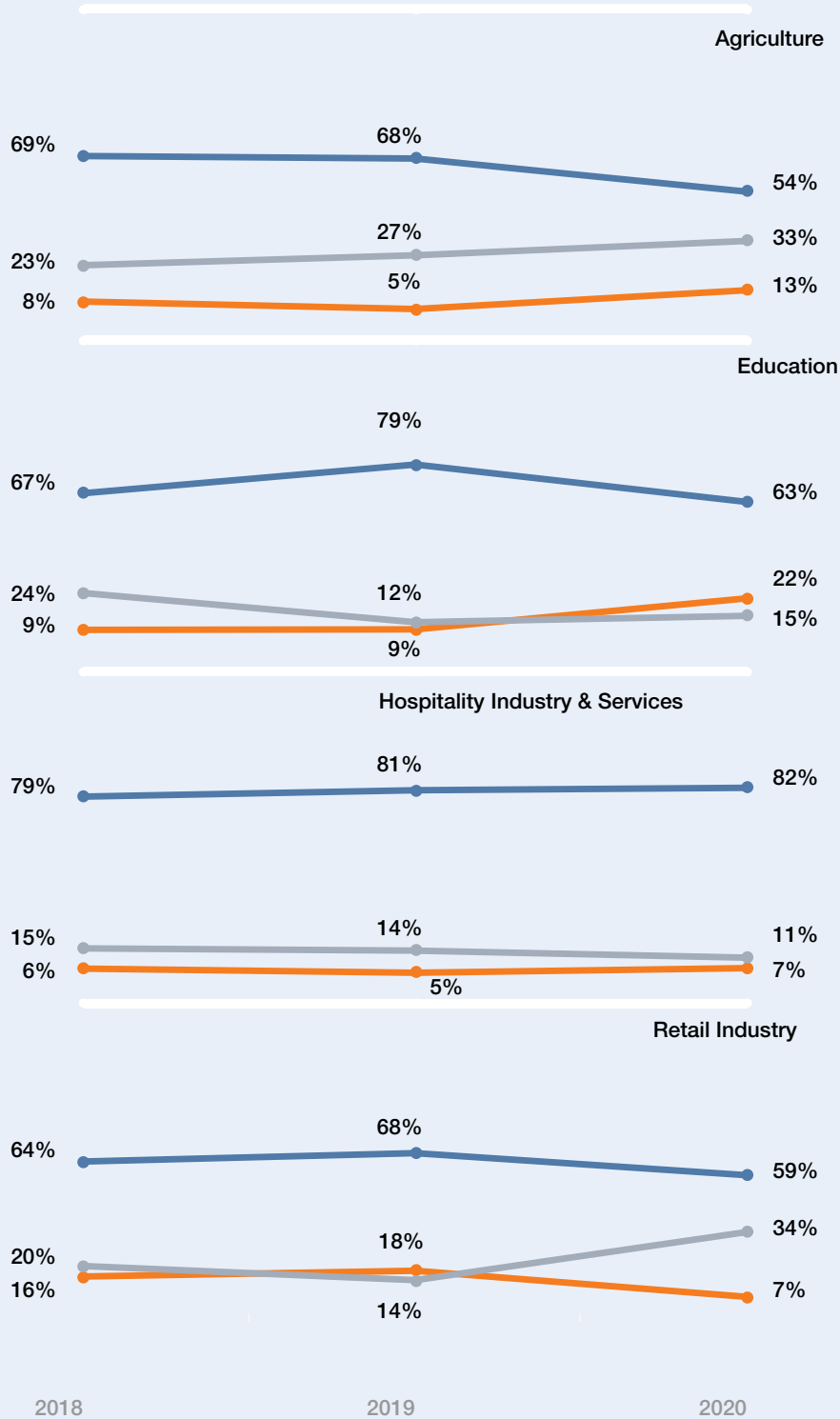


Overall, business leaders are less confident of their company prospects over the next 12 months in 2020, as compared to 2019. The percentage of firms who were confident declined from 74% in 2019 to 66% in 2020. On the other hand, the percentages of those who were not confident increased from 10% to 15%, respectively. This lower level of confidence is attributed to uncertainties as a result of the Covid-19 pandemic, which has disrupted business operations in most sectors of the economy. Again, the decline in the confidence level was not as severe as expected due to the timing of the survey, the gradual re-opening of the economy from the MCO and the implementation of the government stimulus packages to assist firms cope with the economic uncertainties.

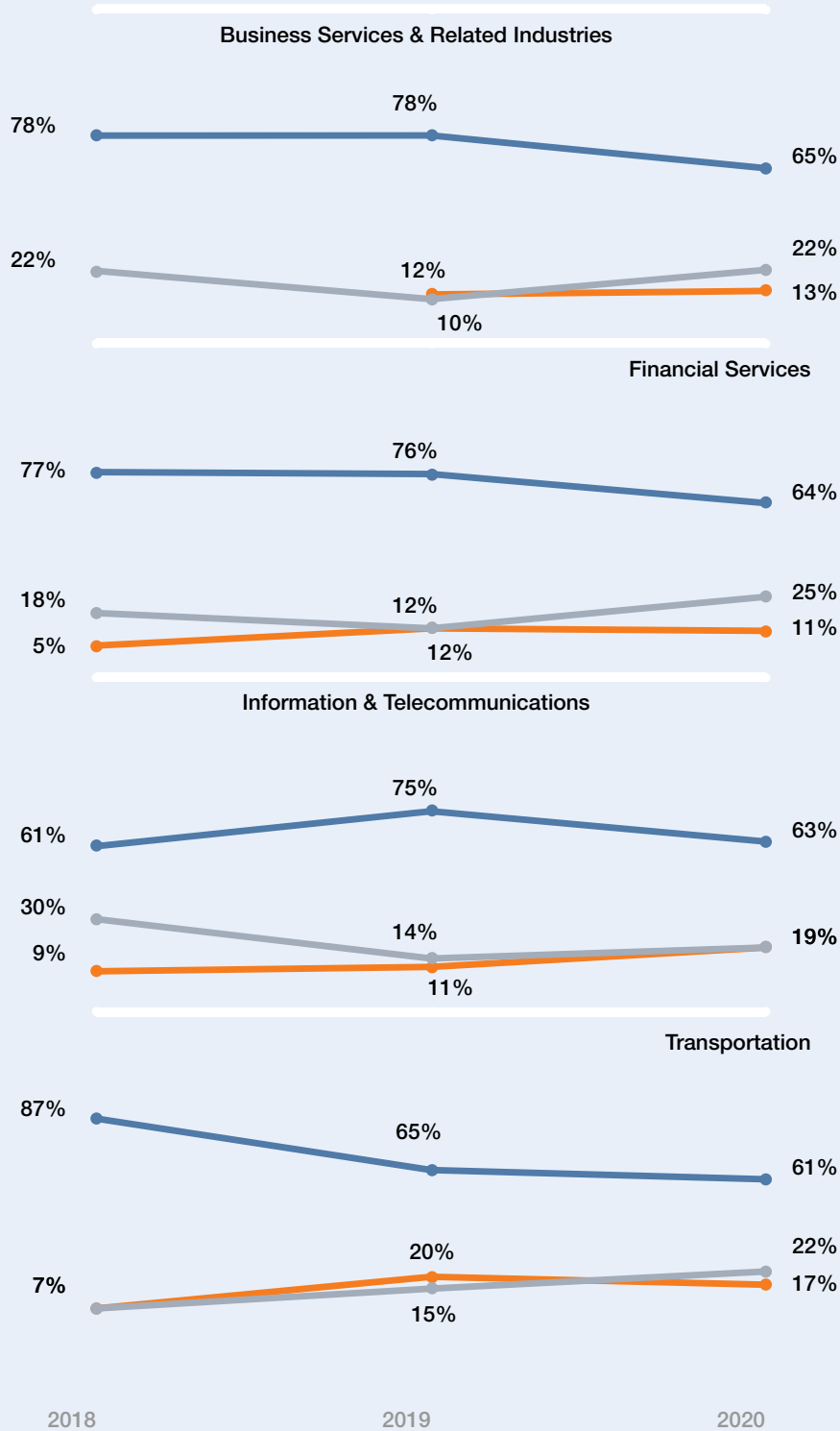
# Company Prospects By Industry

How confident are you about your company's prospects for the next 12 months?

■ Confident      ■ Neither Confident nor Unconfident      ■ Unconfident

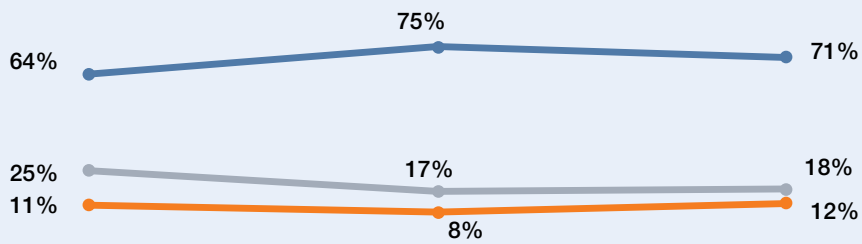


■ Confident      ■ Neither Confident nor Unconfident      ■ Unconfident

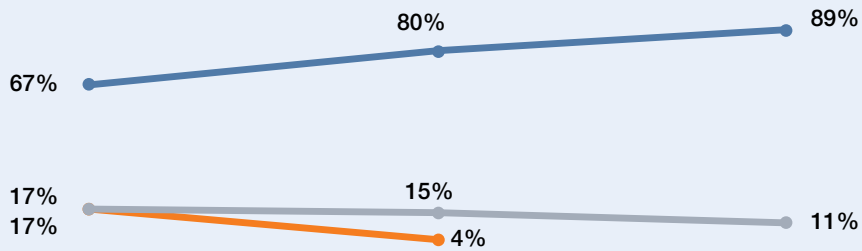


■ Confident      ■ Neither Confident nor Unconfident      ■ Unconfident

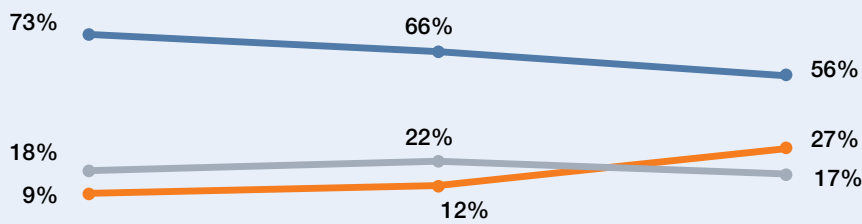
Construction & Real Estate Industry



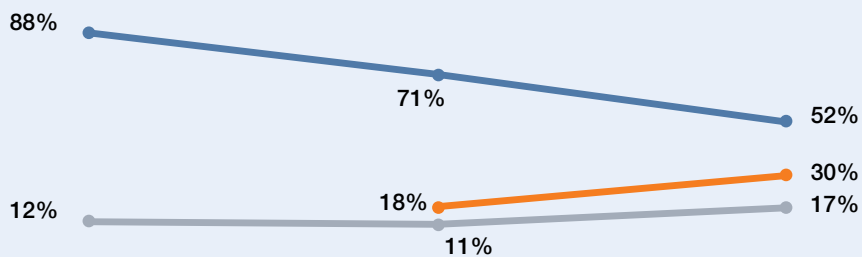
Healthcare & Pharmaceutical Industry



Manufacturing & Related Industries



Wholesale



2018

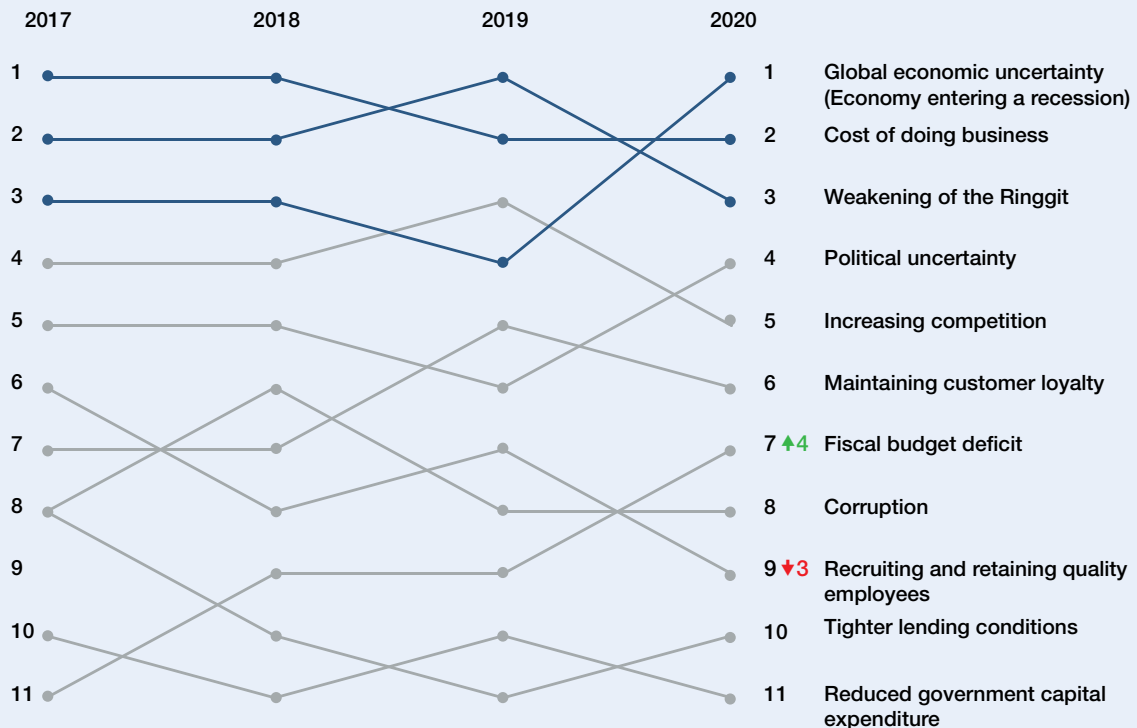
2019

2020

The initial MCO that started in March has had devastating effect on a wide swathe of sectors as many businesses were not allowed to operate at all. This has severely shaken the confidence of such companies in these heavily impacted sectors, such as education, manufacturing, retail, transportation, and wholesale. Not surprisingly, the healthcare and pharmaceutical and related industries, such as rubber, are optimistic about their prospects as demand for better health-related products and services remains high. Interestingly, the hospitality and services industry remained sanguine despite a global shutdown of international tourism. Given the adverse impact of the restriction in foreign tourists, firms in this hospitality sector pivoted focus to domestic demand as it waited for international tourism to recover. The sector also includes a large services sector, which was still growing at a steady state. During this period too, the infection rate was low and government provided various incentives and financial support, including intensification of promotion campaigns such as 'Cuti-cuti Malaysia Promo' campaigns. These enable the domestic tourism and related industries to maintain their business prospects.

## Issues Of Concern

Thinking about the next 12 months, which of the following issues are you most concerned will impact your business prospects?



Note: Only options that have increased/decreased by 3 ranks or more between 2017-2020 have been highlighted.

Ranks from previous years might have changed due to changes in options.

Top 3 options in 2019: Weakening of the ringgit; Cost of doing business; Increasing competition

Top 3 options in 2018: Cost of doing business; Weakening of the ringgit; Global economic uncertainty

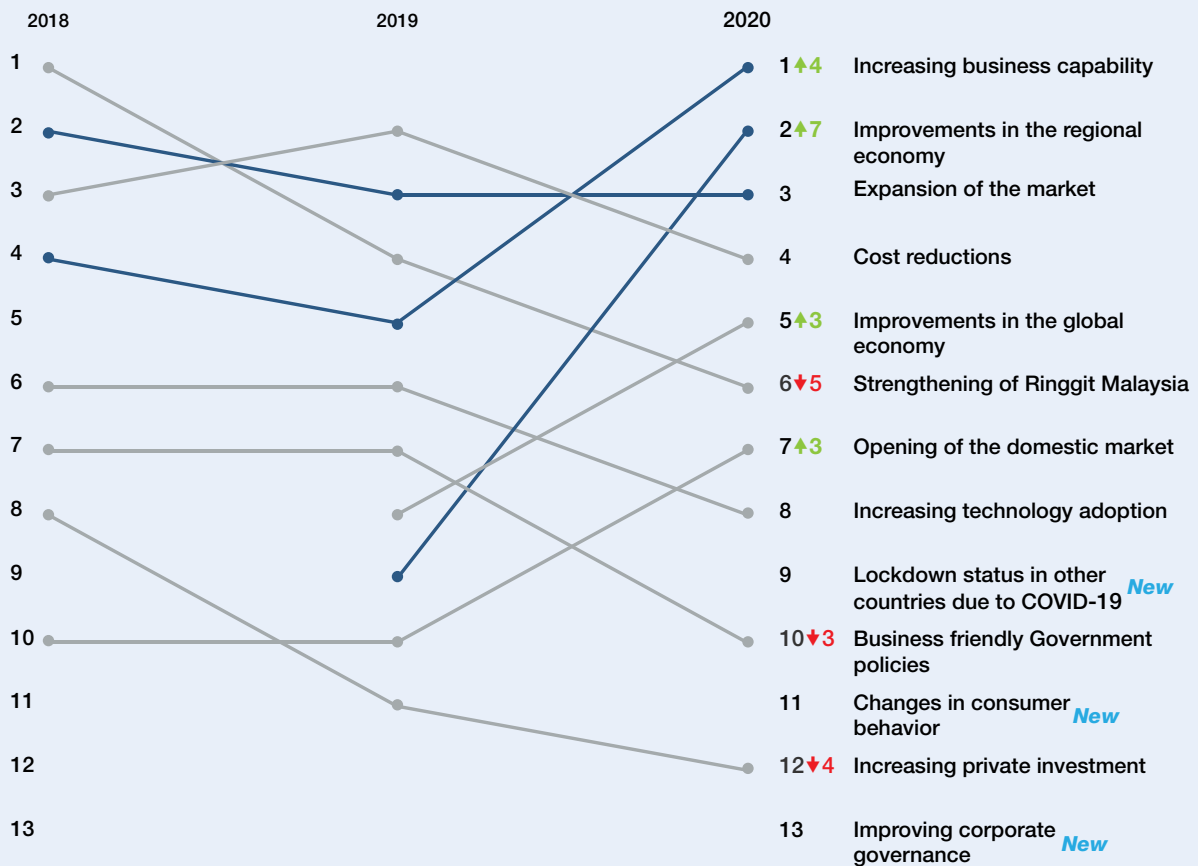
Top 3 options in 2017: Cost of doing business; Weakening of the ringgit; Global economic uncertainty

In 2020, the top three issues that concern businesses are global economic uncertainty (possibilities of the economy entering into a recession); the cost of doing business and a weakening Ringgit. Political uncertainty was ranked the 4th major concern for businesses in 2020. As the economy of Malaysia is heavily intertwined with other economies, the potential of a further economic recession or slow economic recovery weighs on business leaders' minds, despite large fiscal support from governments globally, including the Malaysian government.



# Positive Impacts On Business

Thinking about the next 12 months, which of the factors will have a positive impact on your business prospects?

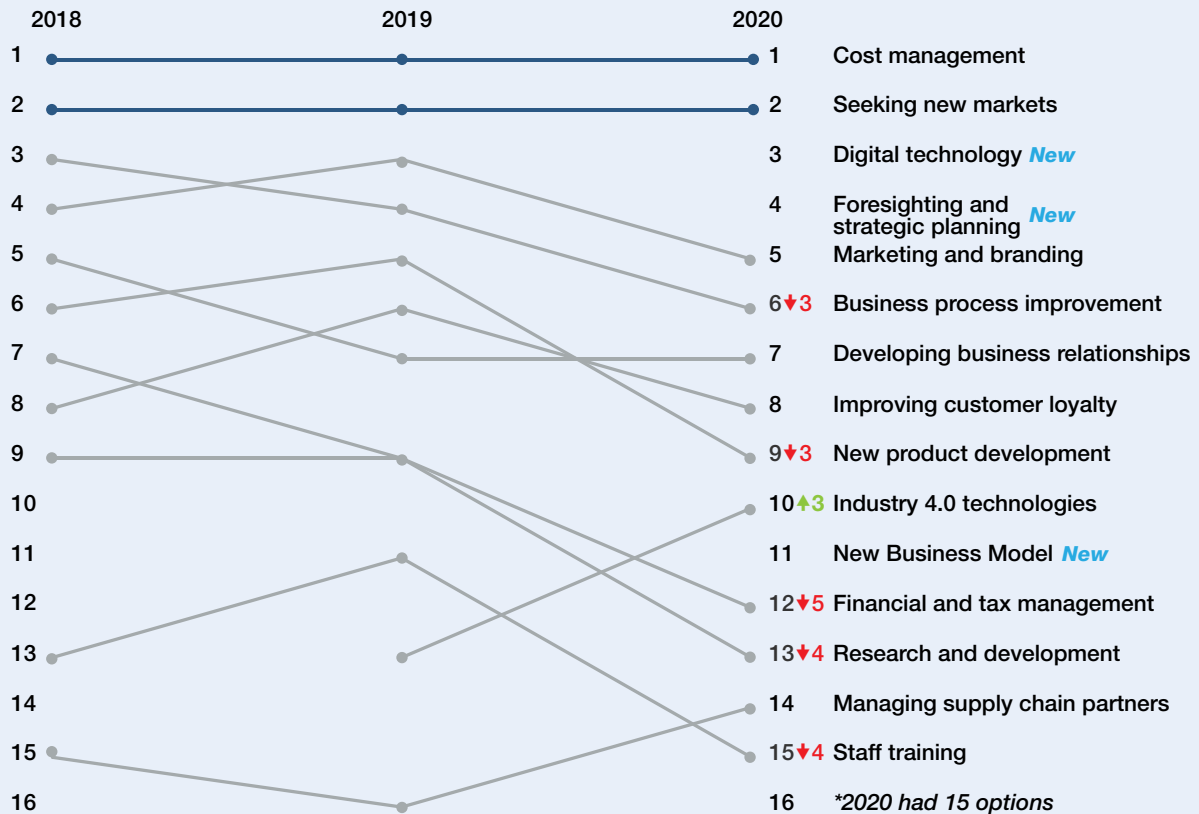


Note: Only options that have increased/decreased by 3 ranks or more between 2018-2020 have been highlighted. Ranks from previous years might have changed due to changes in options.  
 Top 3 options in 2019: Customer loyalty (option removed in 2020); Cost reductions; Expansion of the market  
 Top 3 options in 2018: Strengthening of Ringgit Malaysia; Expansion of the market; Cost reductions

Senior managers in 2020 are of the view that the main three factors that will have positive effects on businesses in the next 12 months are rising business capability, improvements in the regional economy and market expansion. Increasing business capabilities, such as the speed of decision making, maintaining/improving productivity, and accelerating the scope and scale of innovation are perceived to be vital in building business resilience to weather challenges of the future. Amidst the severe disruption of the global supply chains and international trade, as a result of the pandemic, firms have been necessitated to pivot and leverage on the domestic and regional economy. Southeast Asia in particular has been relatively more successful in containing and controlling the spread of the pandemic compared to their European and American counterparts. This success will undoubtedly buoy the prospects of a strong regional recovery in the next 12 months.

## Investment Priorities

In the next 12 months, which of the following areas will you be spending more time and resources on?



Note: Only options that have increased/decreased by 3 ranks or more between 2018-2020 have been highlighted.

2020 only had 15 options. Ranks from previous years might have changed due to changes in options.

Top 3 options in 2020: Cost management (30%); Seeking new markets (30%); Digital technology (28%)

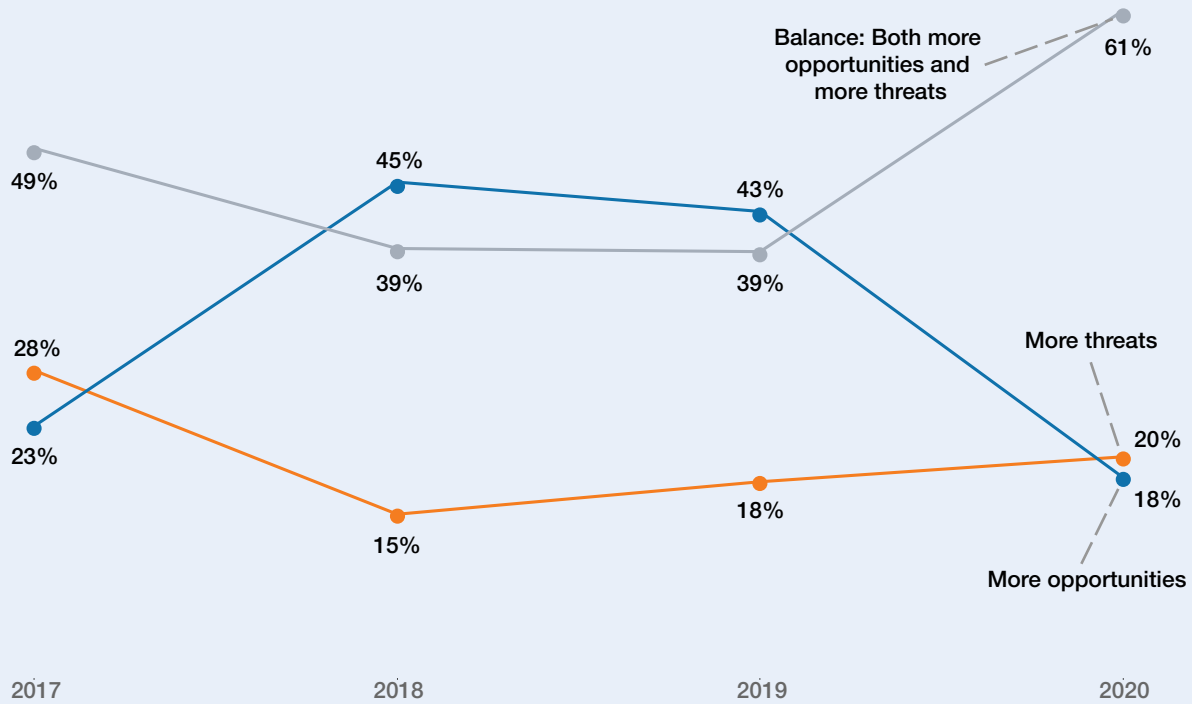
Top 3 options in 2019: Cost management (35%); Seeking new markets (29%); Marketing and branding (27%)

Top 3 options in 2018: Cost management (36%); Seeking new markets (33%); Business process improvement (24%)

In 2020, the business leaders informed that over the next 12 months, the four main areas that they will focus time and resources on include cost management, seeking new markets, digital technology, and fore-sighting and strategic planning. In 2019, the focus was on cost management, seeking new markets, marketing and branding. Interestingly, we observe that in 2020, firms are planning to invest more in technology, in particular digital technology to enable them to be more cost-effective, expand their market reach and undertake more strategic planning. For many firms, transformation of their business models using digital technology was critical for keeping their businesses operational during the MCO period. Business leaders envisage these efforts will intensify in the coming months as there is still uncertainty as to when the Covid-19 pandemic will end.

## Opportunities Or Threats

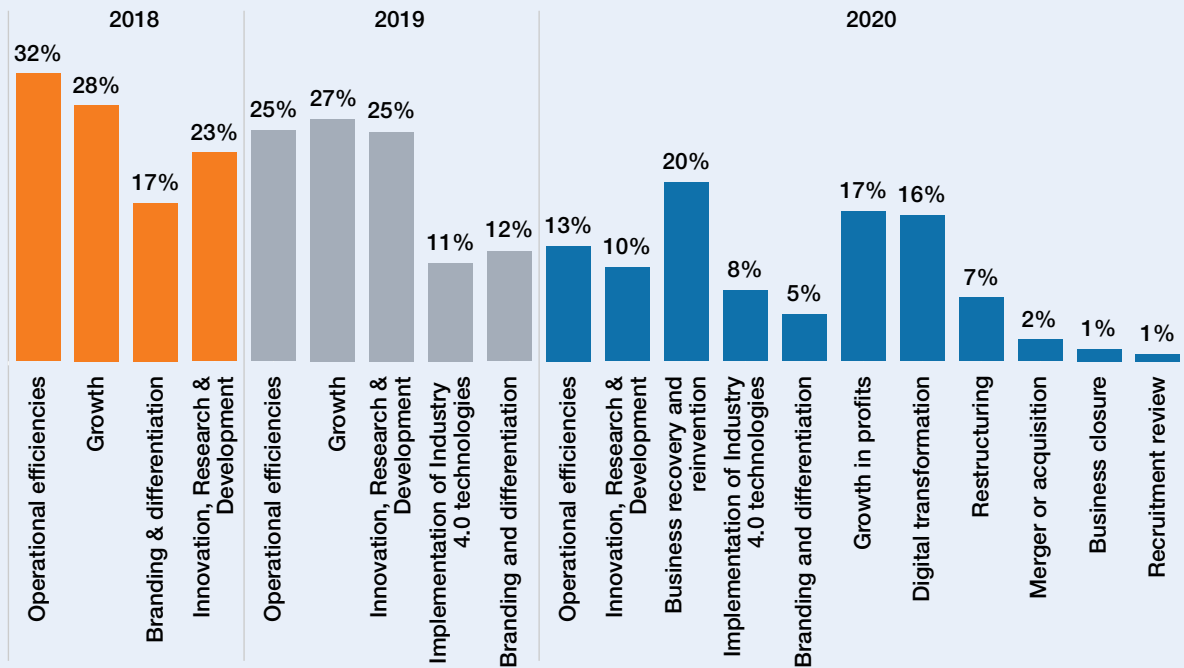
In your opinion, are there more growth opportunities/threats for your company now than there were 3 years ago?



Compared to the past two years, the current survey observes a significant dip in the proportion of business leaders who perceive more opportunities for their companies, falling from 43% in 2019 to 18% in 2020. The proportion of business leaders who perceive more threats for their business operations increased from 15% in 2018 to 18% in 2019 and 20% in 2020, despite the Covid-19 disruption. The biggest jump in the sentiment is the percentage of business leaders who see both more opportunities and threats now than over the last three years. The sentiment signals apprehensive optimism in that while Covid-19 has resulted in severe disruption of the local and global supply chains, it has also opened up opportunities for firms that are able to respond proactively to take advantage of the opportunities in the disruption. For instance, a number of firms initiated long postponed move to automate their production processes and develop new business models underpinned by sound digital technologies.

## Focus Areas

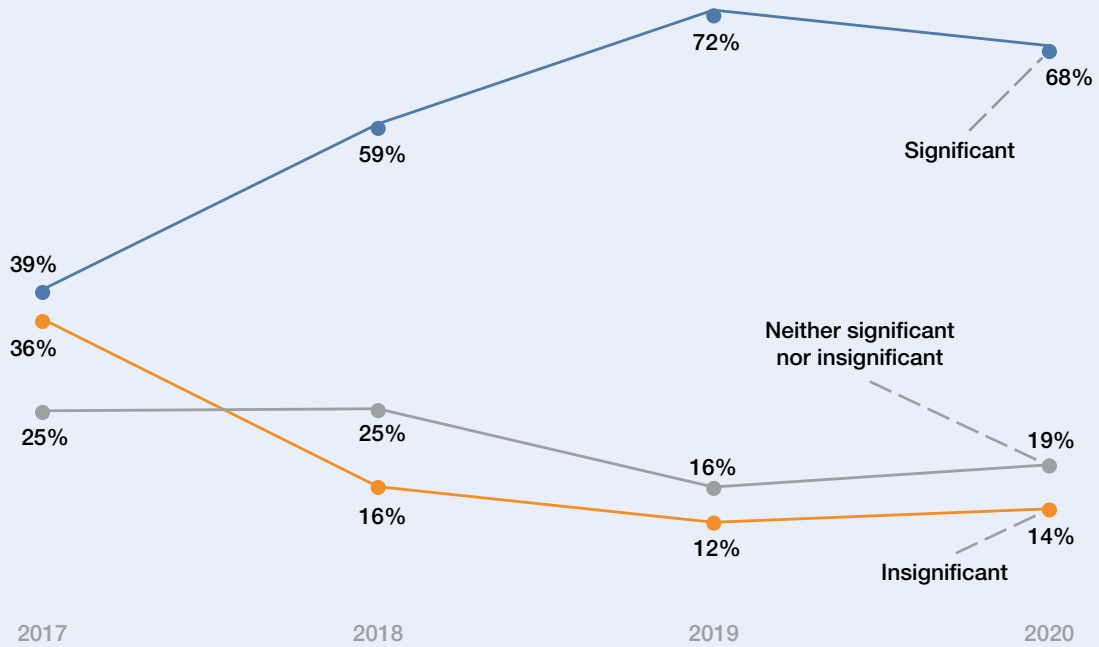
Which of the following is the most important focus area in the next 12 months for your company?



This year's survey presents diverging results as compared to 2019 - specifically, while operational efficiencies, growth, and innovation and R&D were the main priorities in 2019; business recovery and reinvention, growth in profits, and digital transformation appear to be the focal points in the next 12 months. These results are not unexpected, given that the unprecedented turbulence has forced many companies to undertake major transformations to maintain profitability and ensure sufficient cash flow is available to keep their businesses afloat during a period of declining demand conditions.

## Government As A Buyer

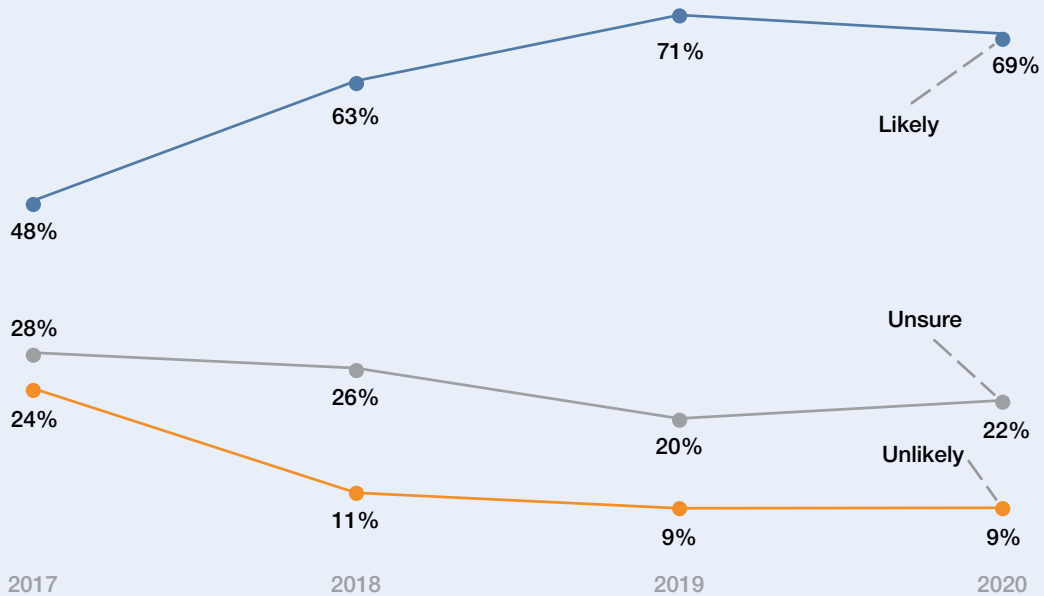
How significant or insignificant is the government as a buyer to your business?



The Government's role as a buyer has increased over time from 2017 to 2019. However, in 2020 there is a decline from a peak of 72% in 2019 to 68% in 2020. Nonetheless, the result suggests for many businesses the role of government remains essential to their operations. This is the case in context of the government increasing various stimulus plans over the last 12 months to help businesses stay afloat in a period of tight cash flows.

## Competing In New Industries

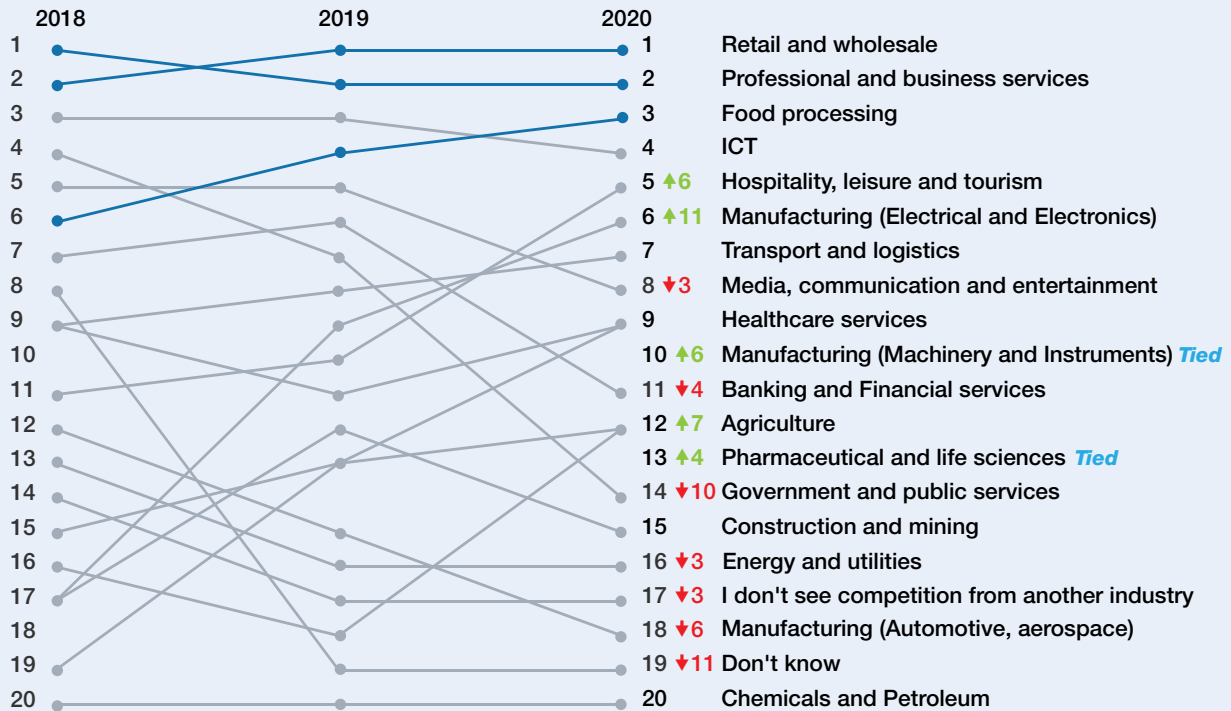
Over the next 3 years, how likely is it that your company will compete in new industry sector(s) other than the current one(s)?



The survey results in 2020 show a similar trend as previous years, with more than two-thirds of surveyed companies indicating they are likely to explore and compete in new industry sectors. In a world of “VUCA” (volatility, uncertainty, complexity, and ambiguity) companies are realising the importance of rethinking their business models, redesigning supply chains, and diversifying their business portfolio to expand their market to other industrial sectors. Businesses also are preparing for greater competition from other sectors with better technology and new business models.

# Source Of Competition

From which industry or industries outside of your own do you think significant competitors are most likely to emerge?



Note: Only options that have increased/decreased by 3 ranks or more between 2018-2020 have been highlighted. Ranks from previous years might have changed due to changes in options.  
 Top 3 options in 2019: Retail and wholesale; Professional and business services; ICT  
 Top 3 options in 2018: Professional and business services; Retail and wholesale; ICT

The survey suggests that the top 3 sectors that are likely to present significant competition (outside of their own sector) are the retail and wholesale industry, professional and business services, and food processing industry. While the first and second industry ranking remains the same as 2019, the food processing industry surpassed ICT to become the third most significant rival. Beyond the top three sectors, there were some significant changes in sources of potential competition in recent years. Most notably, competition from government and public services has dropped 10 ranks, and companies who are not aware of potential competition has dropped 11 ranks since 2018. On the other hand, manufacturing (electrical and electronics) have increased 11 ranks while agriculture has risen 7 ranks since 2018. These changes could suggest the emergence of a hyper-converged economy where traditional sectoral boundaries are becoming more permeable as businesses constantly search for new markets to leverage economies of scale and scope as well as build new capabilities to develop new products/services.

## Types Of Strategic Partnerships

For each of the categories below, please indicate if you are currently engaged with or considering engagement through joint ventures, strategic alliances, or informal collaborations

	Currently engaged		Considering engaging with		Not engaged	
	2020	2019	2020	2019	2020	2019
Customers	71%	70%	23%	23%	6%	7%
Suppliers	68%	64%	24%	28%	9%	8%
Technology partners / enablers	45%		42%		13%	
Government	45%	40%	34%	40%	22%	20%
Business networks, clusters, or trade organisations	41%	38%	43%	46%	17%	16%
Start-ups	30%	28%	44%	46%	26%	27%
Employer/industry associations (e.g. FMM)	30%		41%			
Employee associations (e.g. trade unions, NTUC, etc.)	27%		39%		34%	
NGOs	27%	25%	40%	44%	34%	31%
Firms from other industries	26%	30%	48%	45%	26%	25%
Academia	25%	27%	41%	41%	34%	31%
Recruiting agencies	22%		42%		37%	
Competitors	22%	25%	45%	45%	34%	29%

Note: Options with no data for 2019 were newly added in 2020.

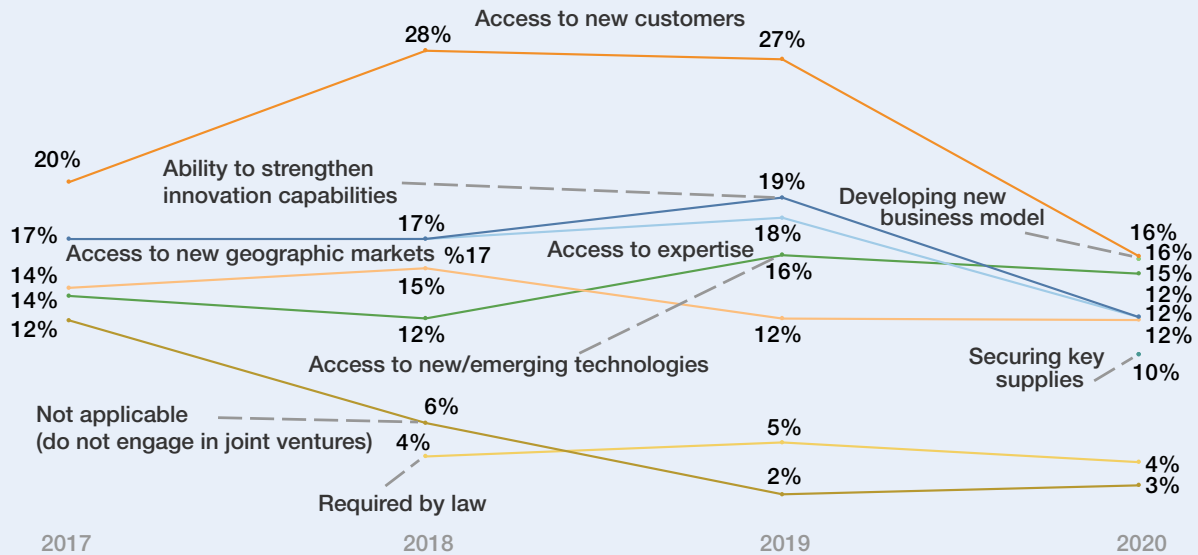
Similar to 2019, customers and suppliers are leading collaboration partners for businesses in 2020, at 71% and 68% respectively. As customers and suppliers constitute the core stakeholders of local companies, such results come as no surprise. In 2020, with the incorporation of new options for employee associations, employer associations, recruiting agencies and technology partners, the survey reveals that recruiting agencies are in least demand for collaborations, with 37% of them not being engaged in any collaboration with businesses. On the other hand, 45% of businesses are currently engaged with technology partners, with a further 42% considering engaging with them.

After recruitment agencies, the lack of engagements with academia, competitors, and NGOs are ranked at the second highest at 34%, which is similar to 2019. One of the concerns from this survey is the low collaboration between firms and academic institutions. These business leaders attribute that low university-industry collaboration can lead to a mismatch in the supply and demand in the talent needed for the corporate sector in Malaysia.



## Reasons For Strategic Partnerships

Which of the following is the main reason for collaborating in joint ventures, strategic alliances or informal collaborations?



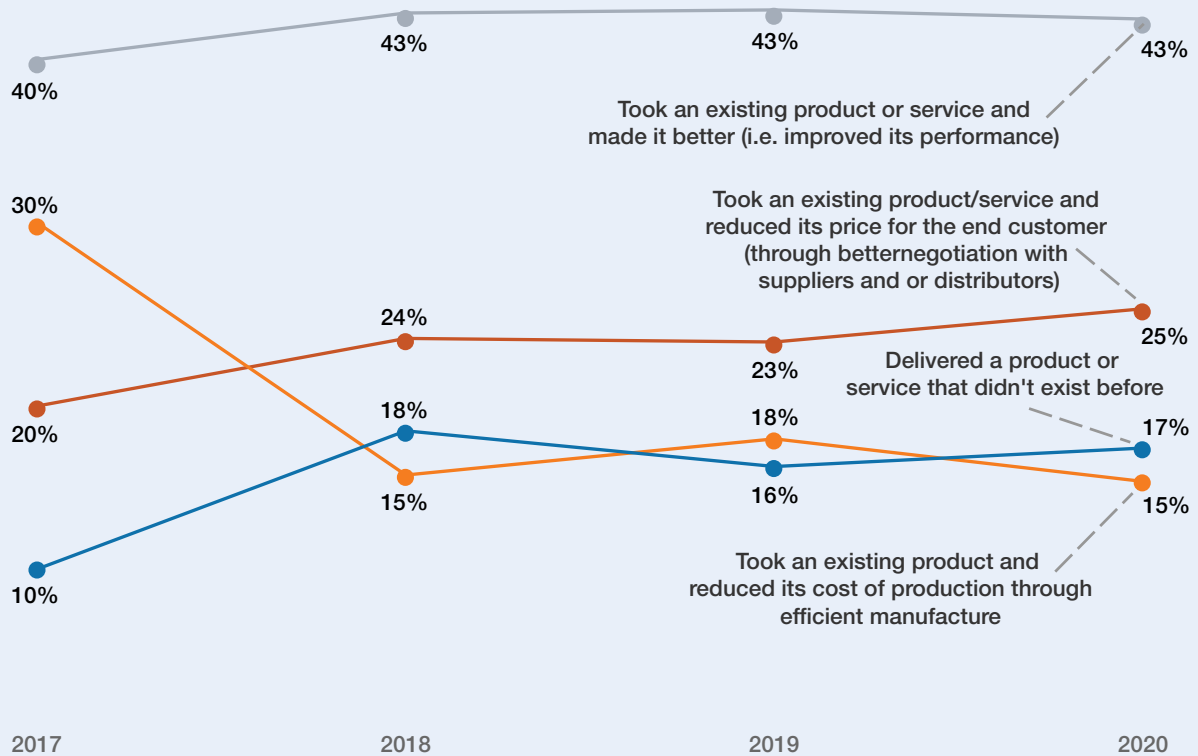
The 2020 survey indicates a substantial decrease in incentive levels to collaborate from the previous year. For example, access to new customers decreased from 27% in 2019 to 16% in 2020. Ability to strengthen innovation capabilities decreased from 19% to 12%, while access to expertise declined from 16% to 15%, respectively over the same period. Nonetheless, it is important to note that this drop may be partly attributed to the inclusion of new answer options in the survey. Interestingly, with the addition of new questions in 2020, the top three reasons for collaborating are:

- Access to new customers;
- Developing new business models; and
- Access to new technologies.

These results are not surprising as firms are trying to adapt to a new-normal during the Covid-19 period by fostering new collaboration to access new markets using new business models and technologies.

## Business Model

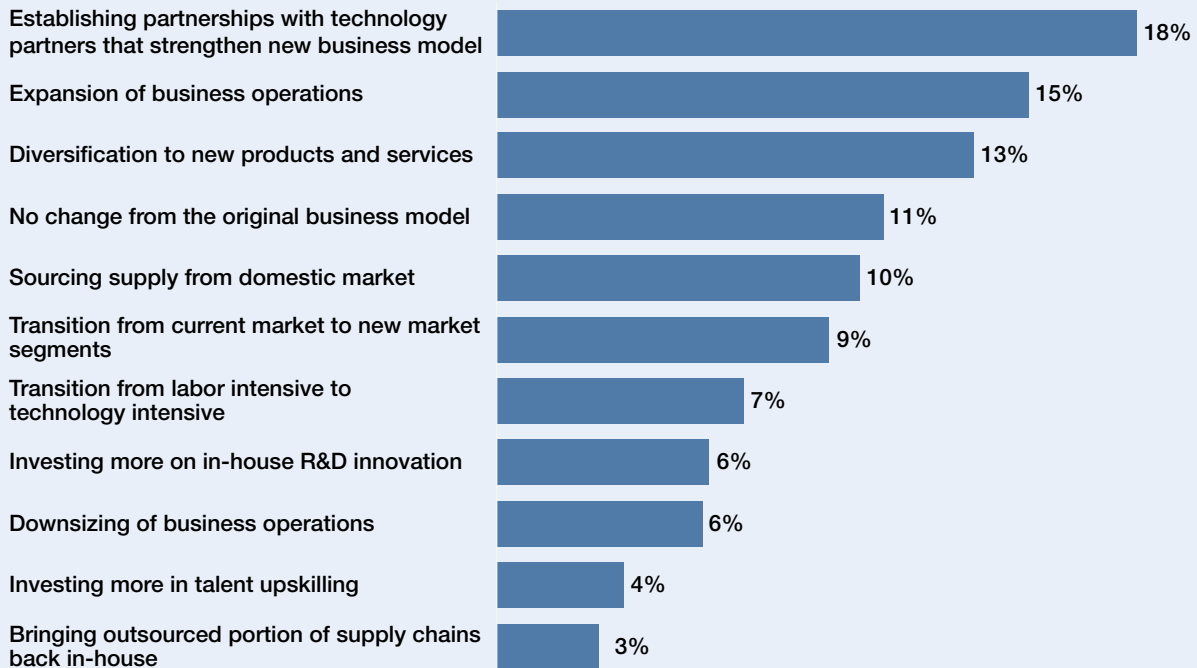
Which of the following best describes your company's original business model?



Consistent with previous years, the predominant business model most commonly used by the firms in Malaysia is the continuous improvement of existing products/services - the percentage of firms that adopt this business model remains at 43%, similar to the proportion in 2018 and 2019. On the other hand, we see a slight increase in the percentage of firms that reduced the selling price of existing products/services by actively managing suppliers and/or distributors, from 23% in 2019 to 25% in 2020. Similarly, there is a slight increase in the percentage of firms that focus on delivering novel products/services, from 16% in 2019 to 17% in 2020. In summary, the best business model that describes firms in 2020 is that a majority of firms are undertaking incremental innovation to improve the quality of service, ensure cost-competitiveness and exploration of new delivery channels.

## Business Model Evolution

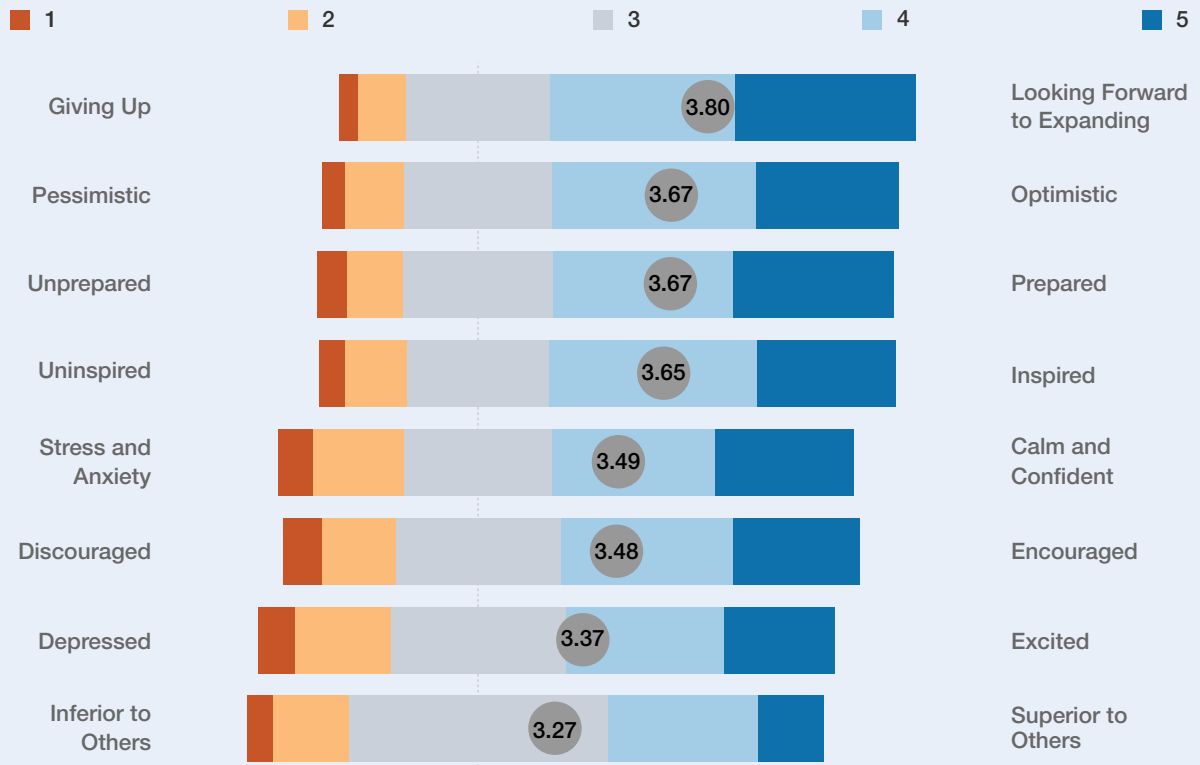
Which of the following best describes how your company's business model has evolved in the past 12 months?



Consistent with the survey's earlier responses, businesses are investing significant resources into developing new capabilities and operations. 18% of respondents have established technological partnerships to innovate on their business models, while 15% and 13% have expanded on their business operations and product and service offerings, respectively. While many companies are still in survival mode trying to stay afloat during the pandemic, there is also a strong sense of looking into the future and keeping pace with leading competitors, so that they can come out ahead or are not left behind during the recovery period.

## Sentiments Experienced

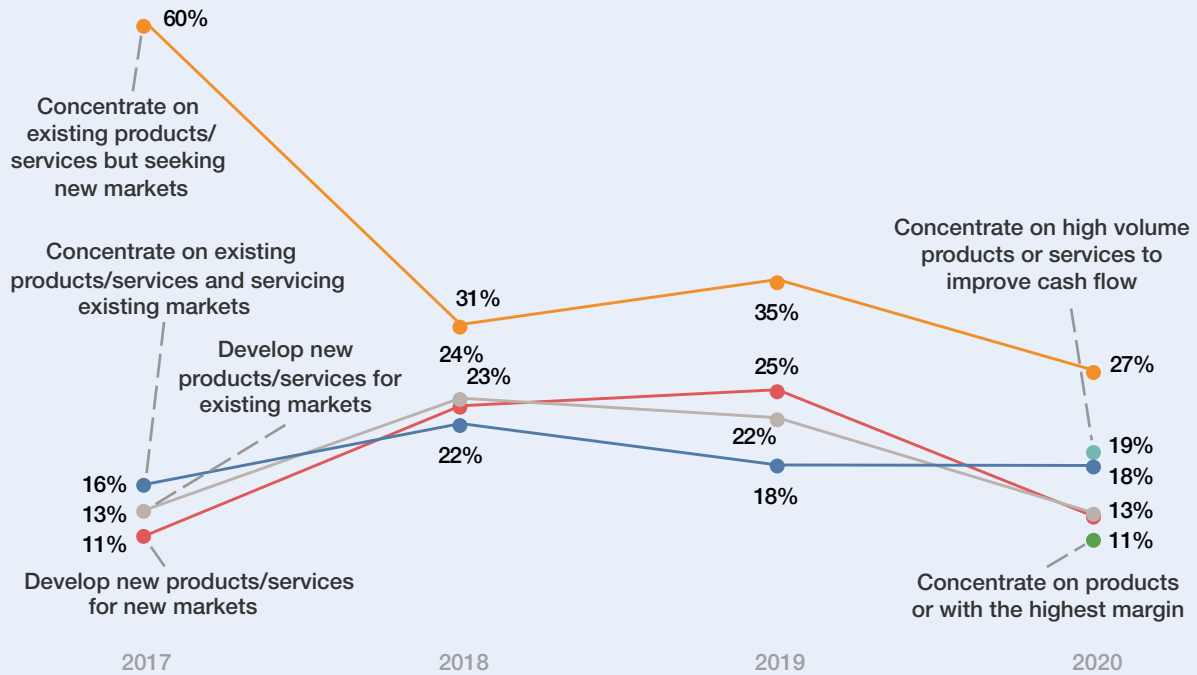
One the last 6 months, did you experience any of the following with respect to your business?



The survey shows that companies remain marginally positive in their outlook despite the on-going pandemic. Even small and medium enterprises, facing the highest risk of faltering maintain an apprehensive yet sanguine attitude towards managing the effects of the pandemic.

## Sales Priority

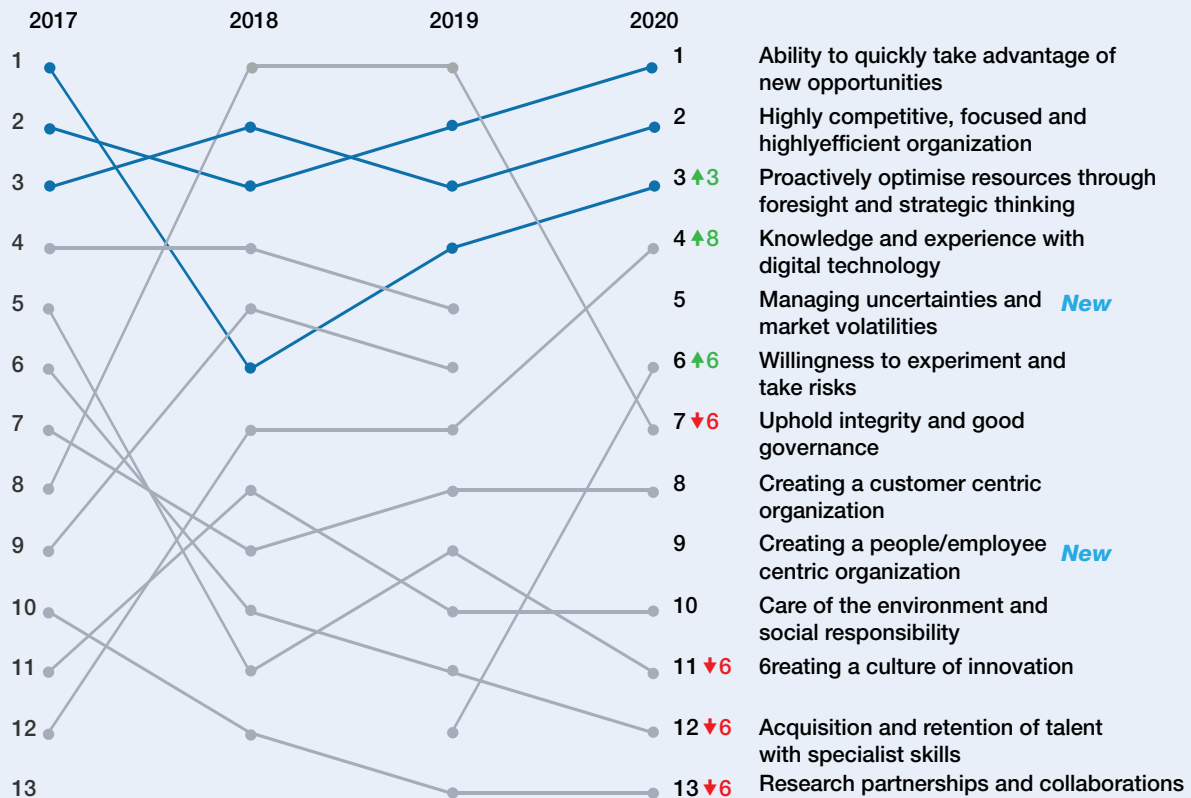
Please indicate below what you think your sales priority will be for the next 12 month:



When asked about their respective sales priority for the next year, 27% of firms indicated that they would focus their efforts on existing products/services whilst seeking new market opportunities. This percentage is lower from the survey undertaken in 2019 of 35% but nevertheless suggests companies continue to look out for emerging business opportunities while ensuring continuity for their existing core products and services as a key strategic posture of firms. The next priority for firms is to concentrate on improving cash flow through high volume products/services (19%). This is to ensure that the firms have adequate liquidity during a dampened demand period due to Covid-19. Closely tailing this is the strategy to concentrate on existing products/services whilst servicing existing markets (18%), which is followed by the options to develop new products/services in both new and existing markets (13%). The least preferred option amongst the firms surveyed is to focus their efforts on high volume products/services with the highest margin (11%).

## Strategic Directions Of Tomorrow's Ceos

In your opinion, what are the top FIVE (5) strategic directions that tomorrow's CEOs must focus on in their companies?



Note: Only options that have increased/decreased by 3 ranks or more between 2017-2020 have been highlighted. 2020 only had 13 options. Ranks from previous years might have changed due to changes in options.

Top 3 options in 2019: Uphold integrity and good governance; Ability to quickly take advantage of new opportunities by creating an agile and adaptive organisation; Highly competitive, focused and highly efficient organisation.

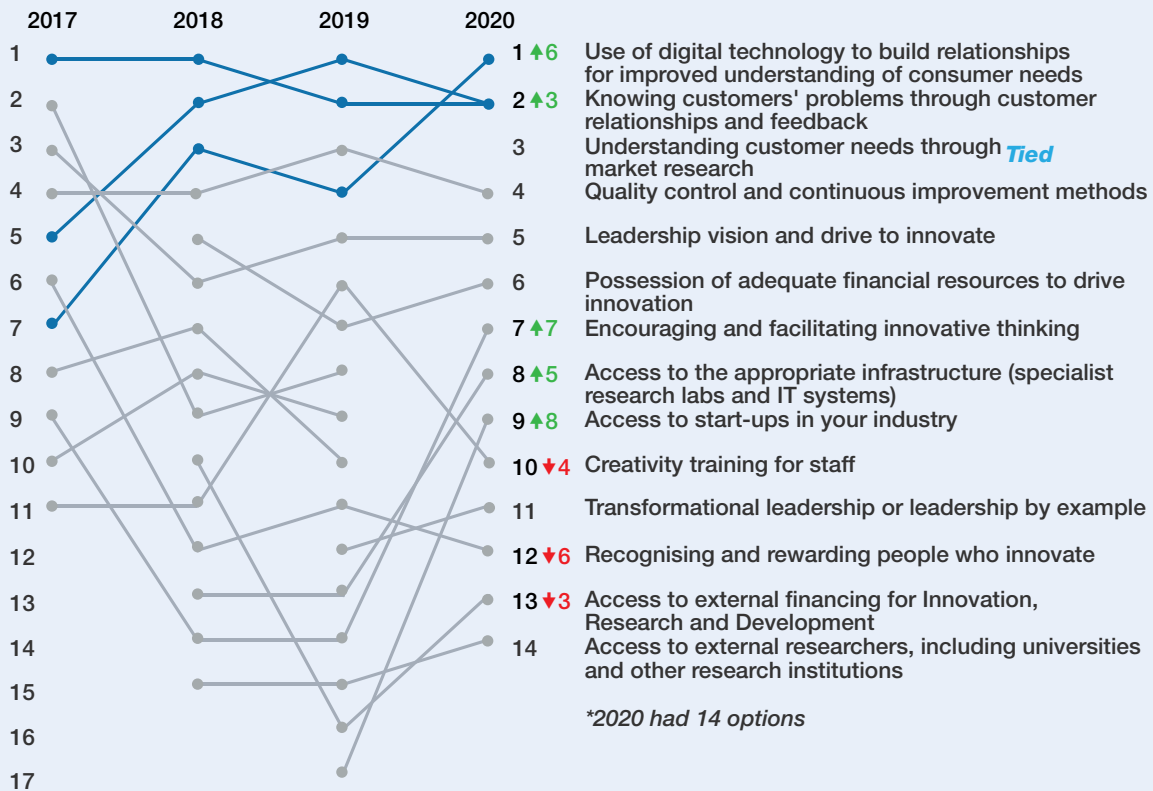
Top 3 options in 2018: Uphold integrity and good governance; Highly competitive, focused and highly efficient organisation; Ability to quickly take advantage of new opportunities by creating an agile and adaptive organisation.

Top 3 options in 2017: Proactively managing the business environment through strategic foresight and thinking; Ability to deal with change by creating an agile and adaptive organisation; Highly competitive, focused and highly efficient organisation.

The ability to compete and act swiftly to leverage on emerging opportunities remains the most critical agenda for CEOs in their companies. In the face of unprecedented challenges posed by the coronavirus, it is vital for leaders to promptly assess and respond to growth opportunities. This is to not only survive the crisis but also thrive in the post-crisis world. The survey shows that high percentage of leaders concur that it is vital for CEOs to actively optimise resources through foresight and strategic analyses of the present and future business environments. The results are not surprising as the current mesh of crises has produced not just a plethora of temporary changes but also some lasting shifts. This heightened period of change and uncertainty necessitates leaders to stay focused on the horizon, whilst simultaneously executing in-time in-depth analysis to take decisive actions in navigating the current challenges of short-term survival.

# Key Drivers Of Innovation

What are the top contributors to your company's ability to innovate?



Note: Only options that have increased/decreased by 3 ranks or more between 2017-2020 have been highlighted. 2020 only had 14 options. Ranks from previous years might have changed due to changes in options.

Top 3 options in 2019: Understanding customer needs through market research; Knowing customers' problems through customer relationships and feedback; Quality control and continuous improvement methods.

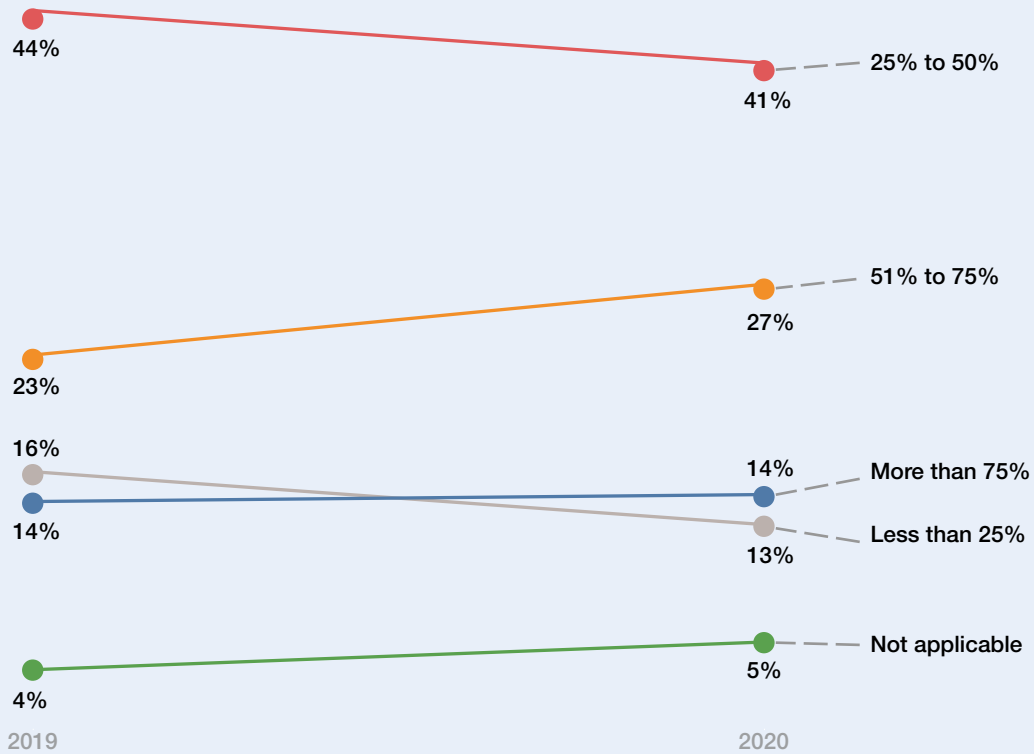
Top 3 options in 2018: Knowing customers' problems through customer relationships and feedback; Understanding customer needs through market research; Use of digital technology to build relationships for improved understanding of consumer needs.

Top 3 options in 2017: Knowing customers' problems through customer relationships and feedback; Depth of specialist knowledge and skills of people; Leadership vision and drive to innovate.

In 2020, the top contributors to firms' innovative capabilities are the use of digital technology to communicate with and understand consumers' needs. This is followed by understanding customers' needs via market research and knowing customers' problems by establishing strong customer relationships and feedback. In 2019, the top three factors contributing to firms' innovative capabilities were understanding customer needs through market research, knowing customers' problems via customer relationships and feedback, and quality control and continuous improvement methods. Interestingly, we observe that in 2020, digital technology is the key driver for firms to drive customer-centricity. This is attributed to Covid-19, MCO and intensive global competition, all of which have provided a strong impetus for firms to use digital technology to connect with their customer base and expand their market reach.

## New Products And Services

What portion of your revenue comes from products or services you introduced in the past three years?

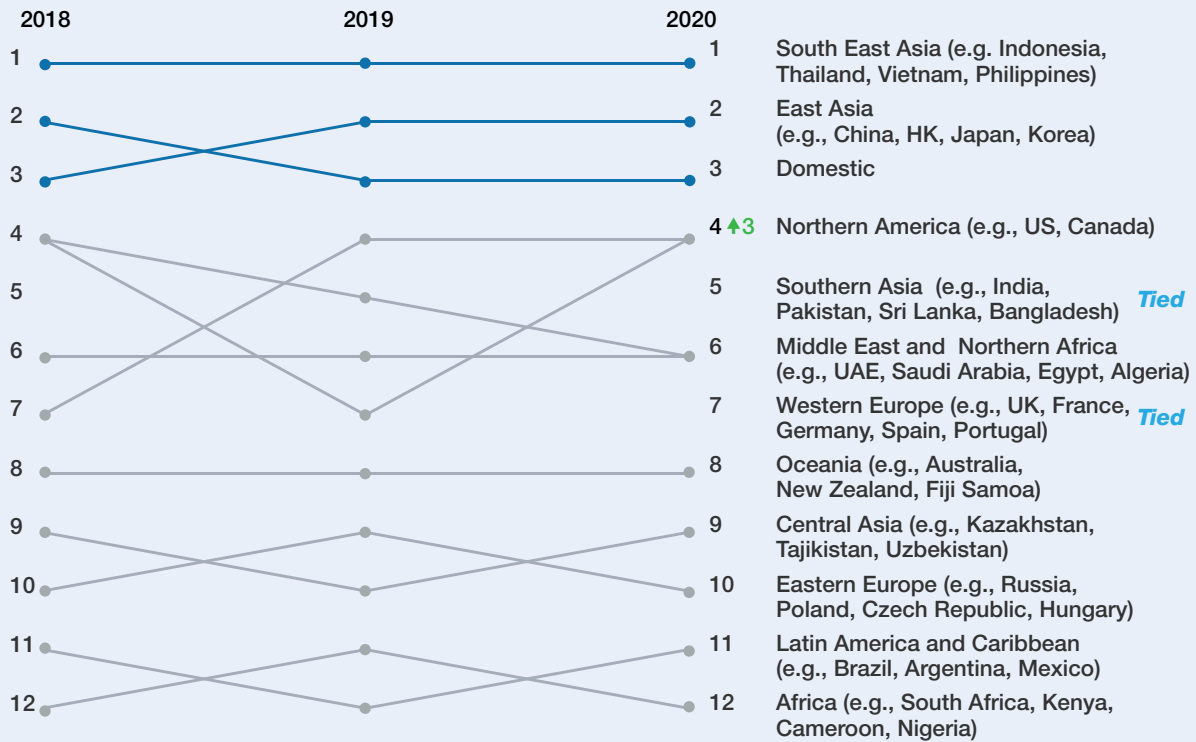


The 2020 survey reveals that 41% of companies obtained more than 25% to 50% of their revenue from products or services introduced within the past three years, which is a decline of 3% from the previous year. On the other hand, the percentage of companies that state that 51% to 75% of their revenue comes from products and services introduced in the past three years has increased from 23% to 27%, respectively. The percentage of firms that state that more than 75% of the revenue comes from the products and services introduced in the last three years has maintained at 14%. On the other hand, only 13% of companies surveyed in 2020 responded that less than 25% of their revenue originates from products or services launched in the aforementioned period.



# Global Market Expansion Priorities

Which of these markets do you consider to be important for your company's overall growth in the next 3 years?



Note: Only options that have increased/decreased by 3 ranks or more between 2018-2020 have been highlighted. Note: Only options that have increased/decreased by 3 ranks or more between 2018-2020 have been highlighted.

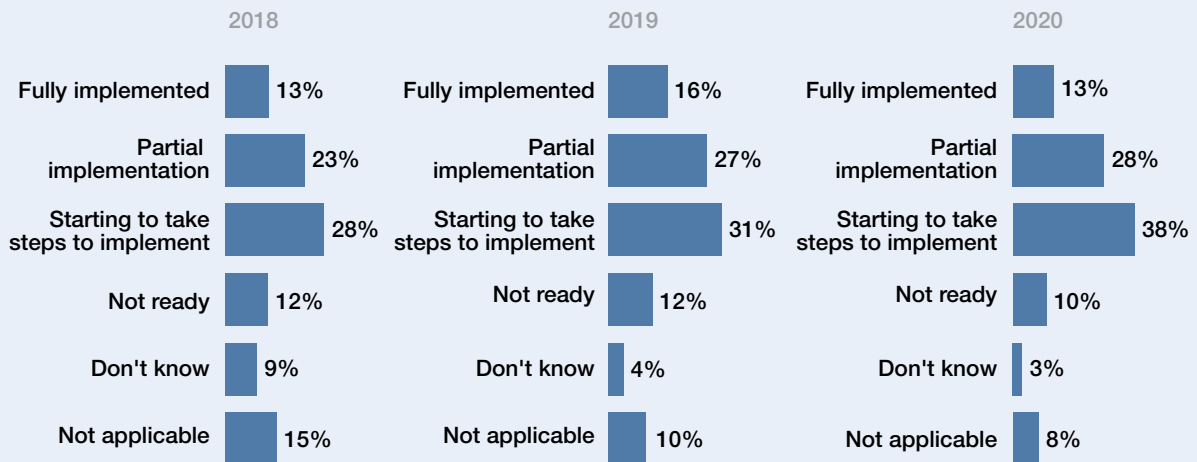
Regional markets remain a priority focus for Malaysian businesses, with East Asia gaining prominence over the domestic market in recent years. The trade war between China and the US has also opened up opportunities for Malaysian exporters as firms in the US and China seek to diversify their imports and relocate their supply networks to more neutral regions.

## Industry 4.0 Implementation

Is your organization taking steps towards Industry 4.0 implementation?

*(Note: Industry 4.0 refers to the trend of automation and data exchange in technologies.*

*It represents the digital transformation of processes across various industries and include the internet of things (IoT), cyber-physical systems, smart manufacturing, cloud computing, artificial intelligence, real-time data feedback and analysis, etc.)*



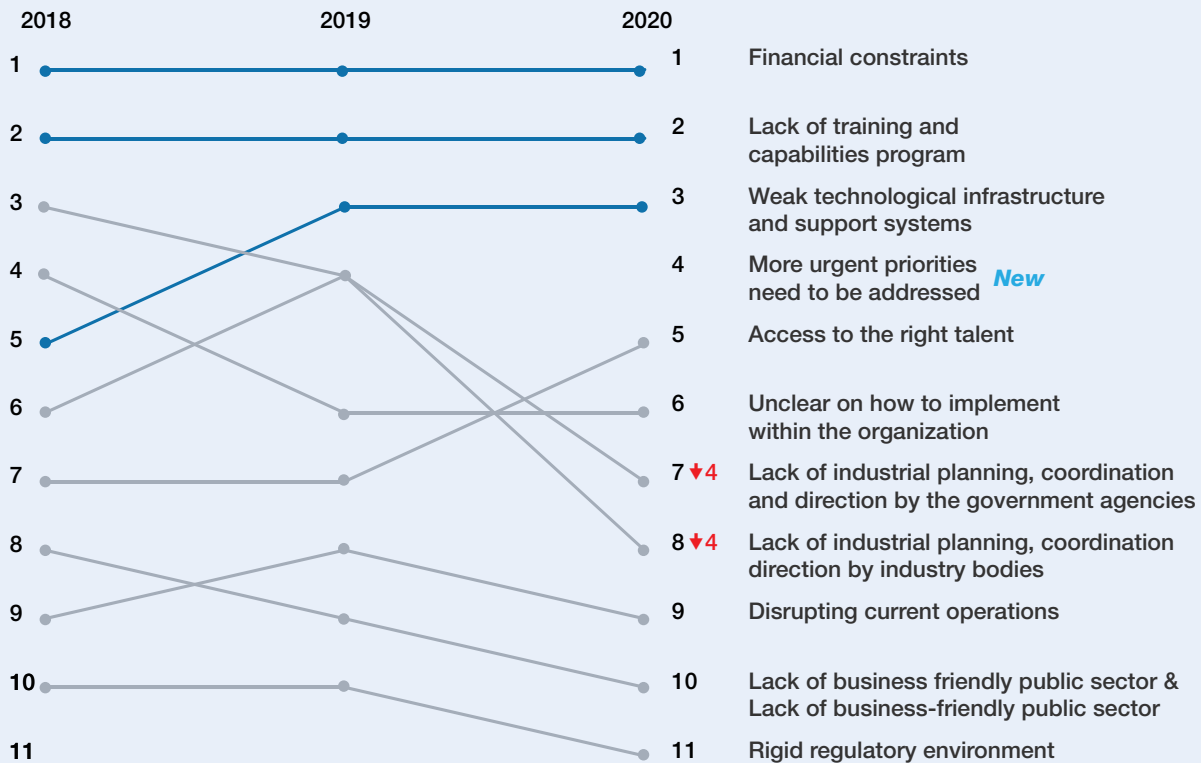
Compared with 2019, the percentage of firms that have fully implemented I4.0 shows a slight decline from 16% to 13% in 2020. Nonetheless, there are small increases across the other two implementation levels, notably an increase in the preliminary adoption stage (i.e. starting to take steps to implement), from 31% in 2019 to 38% in 2020. The percentage of firms that are either not ready or do not know about I4.0 has declined slightly. Even though the survey suggests that the overall adoption of I4.0 is on an upward trajectory, there remains considerable scope for improvement in the adoption of the I4.0.

I4.0 technologies, which consists of automation, enhanced connectivity, advanced analytics and manufacturing technologies, were gaining momentum before the emergence of the Covid-19 pandemic. The adoption of I4.0 technology enables firms to enhance their operational transformation, which includes increases in production efficiency, higher level of product customisation, faster speed to market, improved service quality and facilitates the move to novel-business models to increase market reach. The role of I4.0 has become even more pivotal in the backdrop of the Covid-19 pandemic as it forces firms to adapt to the “new normal”. These results are reflected in the increase in the percentage of those already in the process of adopting and those considering to adopt I4.0 technologies.

# Challenges Of Implementing Industry 4.0

## What are the challenges in implementing Industry 4.0?

(Note: Industry 4.0 refers to the trend of automation and data exchange in technologies. It represents the digital transformation of processes across various industries and include the internet of things (IoT), cyber-physical systems, smart manufacturing, cloud computing, artificial intelligence, real-time data feedback and analysis, etc.)



Note: Only options that have increased/decreased by 3 ranks or more between 2018-2020 have been highlighted. Ranks from previous years might have changed due to changes in options.

Top 3 options in 2019: Financial constraints; Lack of training and capabilities program; Weak technological infrastructure and support systems

Top 3 options in 2018: Financial constraints; Lack of training and capabilities program; Lack of industrial planning, coordination and direction by industry bodies.

The top three challenges that firms face in 2020 in implementing I4.0 technologies are the same as in 2019, which are:

- financial constraints (35%)
- deficiencies in training programs (33%)
- weak technology infrastructure and support systems (30%)

While there have been numerous government initiatives to enable the digital transformation and implementation of I4.0 technologies, firms indicated that the same fundamental challenges remain unresolved. These obstacles are the main bottleneck to the evolution of Malaysian businesses. Future policies and government initiatives need to appropriately target their solutions at addressing the above-mentioned core issues.

## Digital Technologies In Use

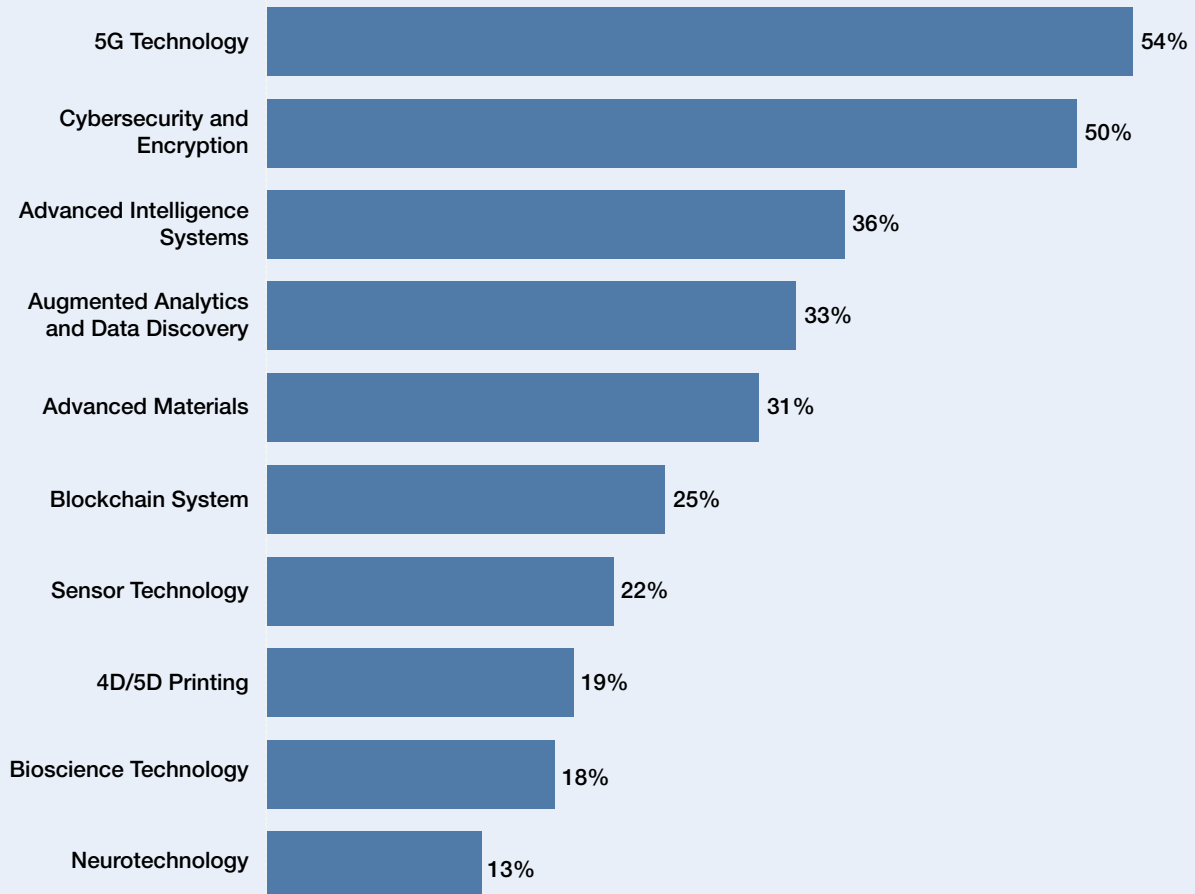
Which of the following Industry 4.0 technologies are you currently using in your organisation?



The top three Industry 4.0 technologies that companies are presently utilising or intend to adopt are digital payment technologies (59%), mobile technologies for customer engagement (54%), and cloud services for products (52%). The top two uses of Industry 4.0 technologies are the same as the 2019 findings. However, the use of cloud services replaced big data collection and analytics as the third ranked technology in 2020.

## Science & Technology Drivers

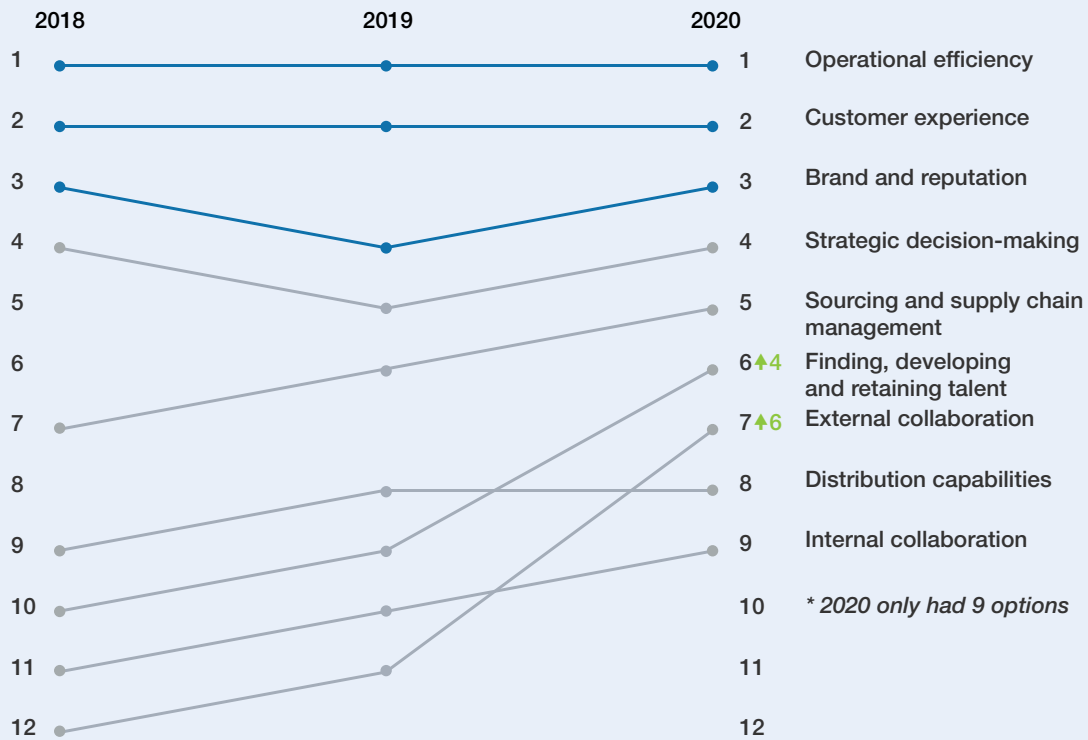
Which of the following Science & Technology Drivers will be critical for your organization in the future?



5G technologies and cybersecurity are the top 2 critical technology drivers for companies in Malaysia. Following that, there is also a strong emphasis on advanced intelligence systems and data analytics. As businesses in Malaysia embrace digital transformation to streamline their operations and provide seamless services to their customer base, there is a shift in focus towards technology enabled generation of business insights. This is accompanied by change in the way new information is captured and analysed, whilst ensuring security and trust.

## Value Creation Of Industry 4.0 Technologies

Which of the following areas in your organization are most impacted by the value creation of Industry 4.0 technologies?



Note: Only options that have increased/decreased by 3 ranks or more between 2018-2020 have been highlighted.

Ranks from previous years might have changed due to changes in options.

Top 3 options in 2019: Operational efficiency; Improvement of product quality (option removed in 2020); Customer experience

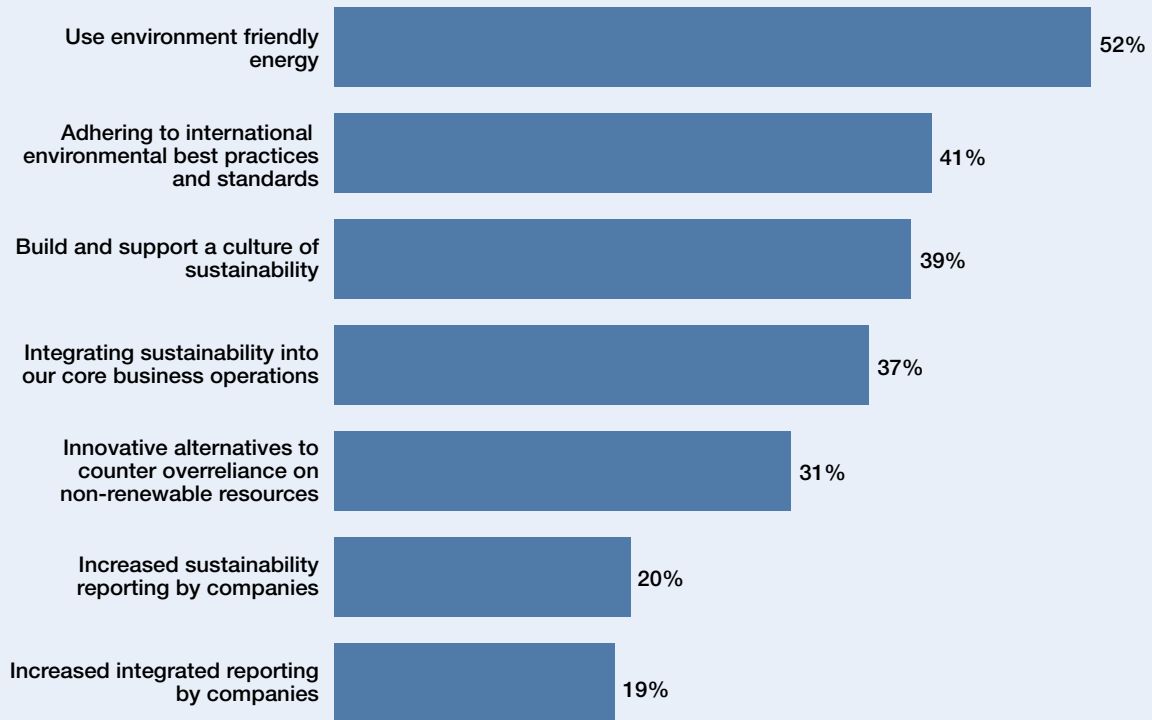
Top 3 options in 2018: Operational efficiency; Customer experience; Brand and reputation

The top key areas that I4.0 technology contributes to the organisation are similar for all three periods and they are:

- Operational efficiency (e.g. RFID to help in the identification of product components and raw materials during the manufacturing process);
- Customer experience (e.g. cloud-based Software-as-a-Service services with improved sociability, reliability, and security);
- Brand and reputation; and
- Strategic decision making

## Sustainability Activities

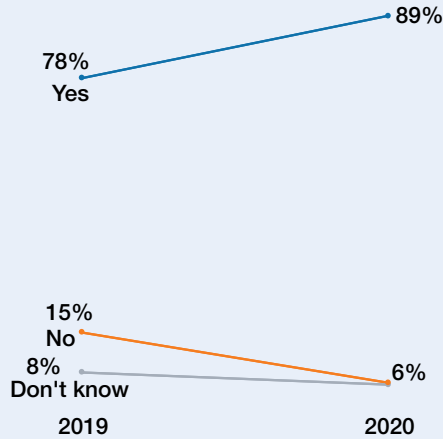
In your opinion, what are the activities needed to create a green and sustainable environment?



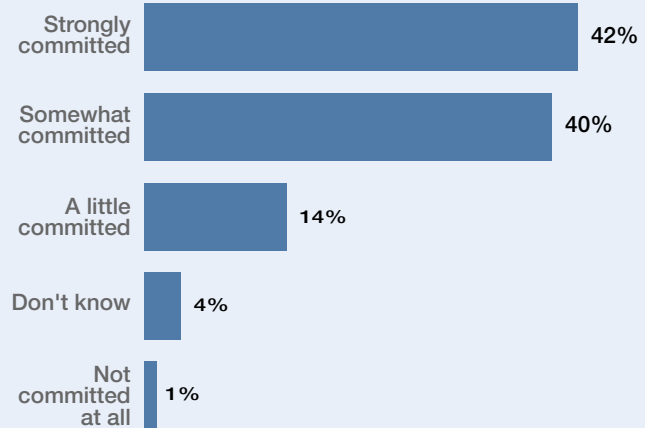
In the 2020 survey, business leaders identified the following as top three initiatives to nurture a green and sustainable environment - the utilisation of environmentally friendly energy; adherence to global best standard and practices; and the cultivation of sustainable culture in companies. Interestingly, initiatives involving sustainability and integrated reporting are not viewed as high focus areas for Malaysian companies.

## Diversity And Equal Opportunities

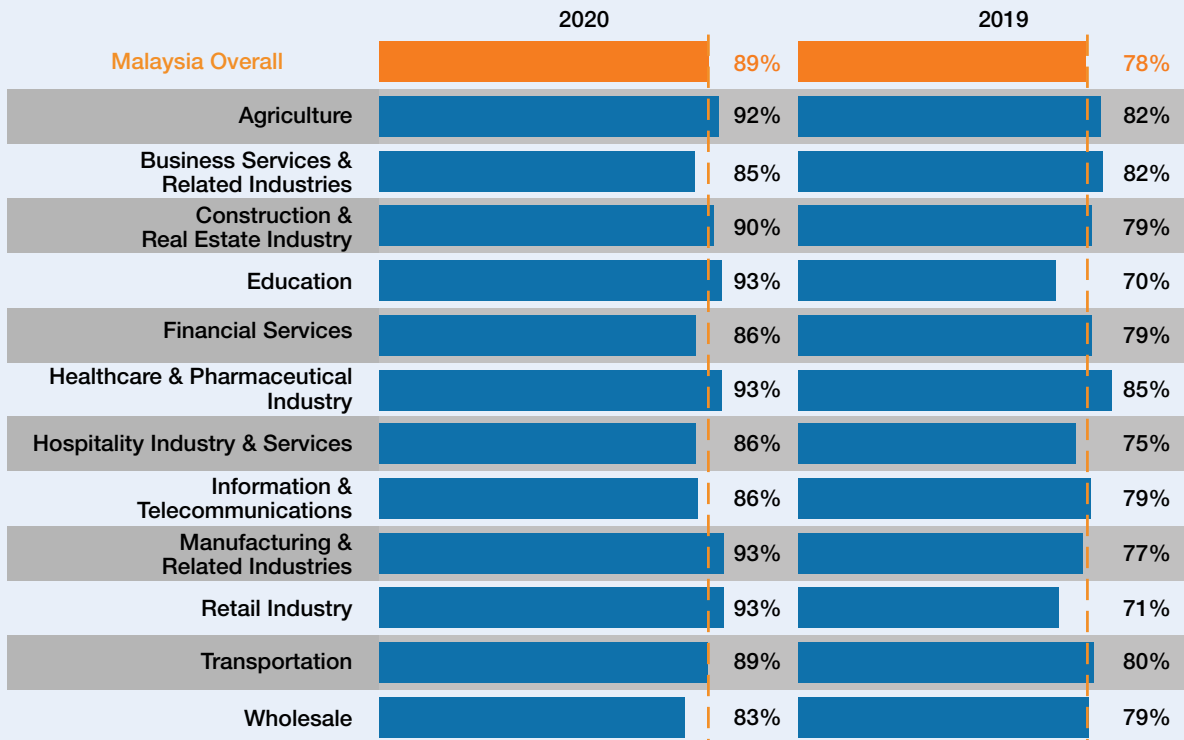
Are diversity and equal opportunities amongst your organization's top priorities?



To what level is your organization committed to improving diversity and equal opportunities?



Are diversity and equal opportunities amongst your organisation's top priorities?

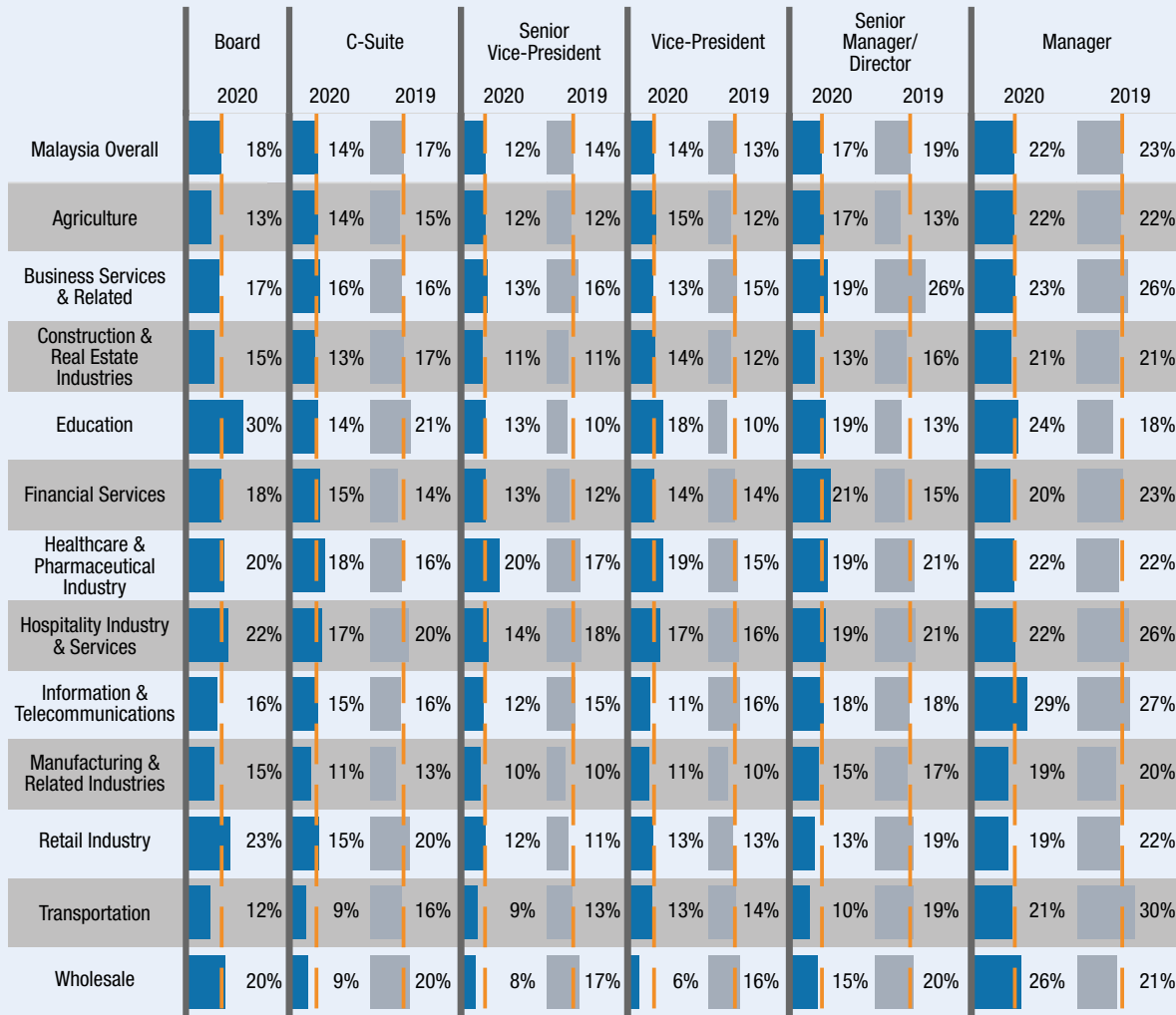


Business leaders were asked about the importance of diversity and equal opportunities in their organisations. There was an increase from 78% in 2019 to 89% in 2020 in the number of business leaders according importance to diversity and equal opportunities. The survey results observe an increase in the importance of diversity and equal opportunities programs across all sectors.



## Women In Leadership

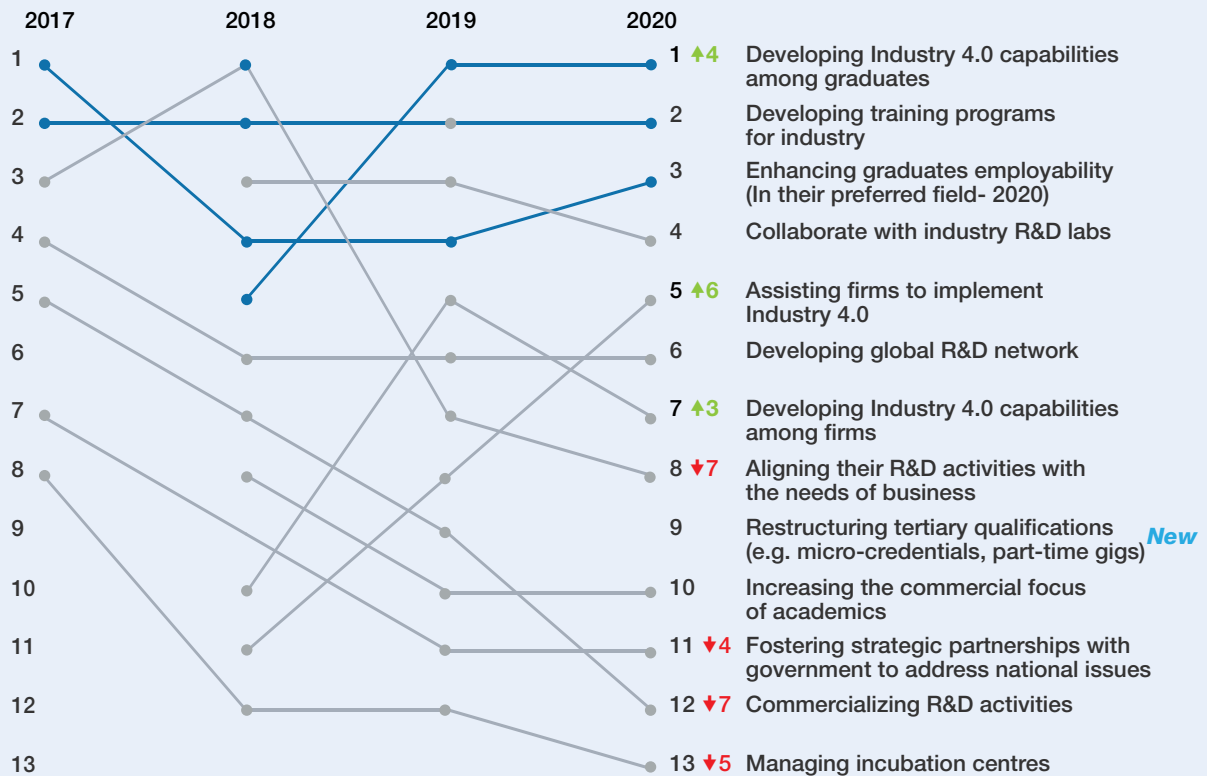
Please indicate the estimated percentage of women holding key positions in your organization



Based on the 2020 survey, women have the strongest presence in middle management as compared to upper executive management levels, with 22% occupying managerial positions. This percentage decreases as we move towards higher positions (senior manager: 17%, vice-president: 14%, senior vice-president: 12%), and increase again in the c-suite (14%) and board level (18%).

## Future Priorities For Malaysian Universities

In your opinion, what are the areas that Malaysian Universities should focus on developing into the future?



Note: Only options that have increased/decreased by 3 ranks or more between 2017-2020 have been highlighted. Ranks from previous years might have changed due to changes in options.

Top 3 options in 2019: Developing industry 4.0 capabilities among graduates; Developing training programs for industry; Collaborate with industry R&D labs; Enhancing graduates' employability

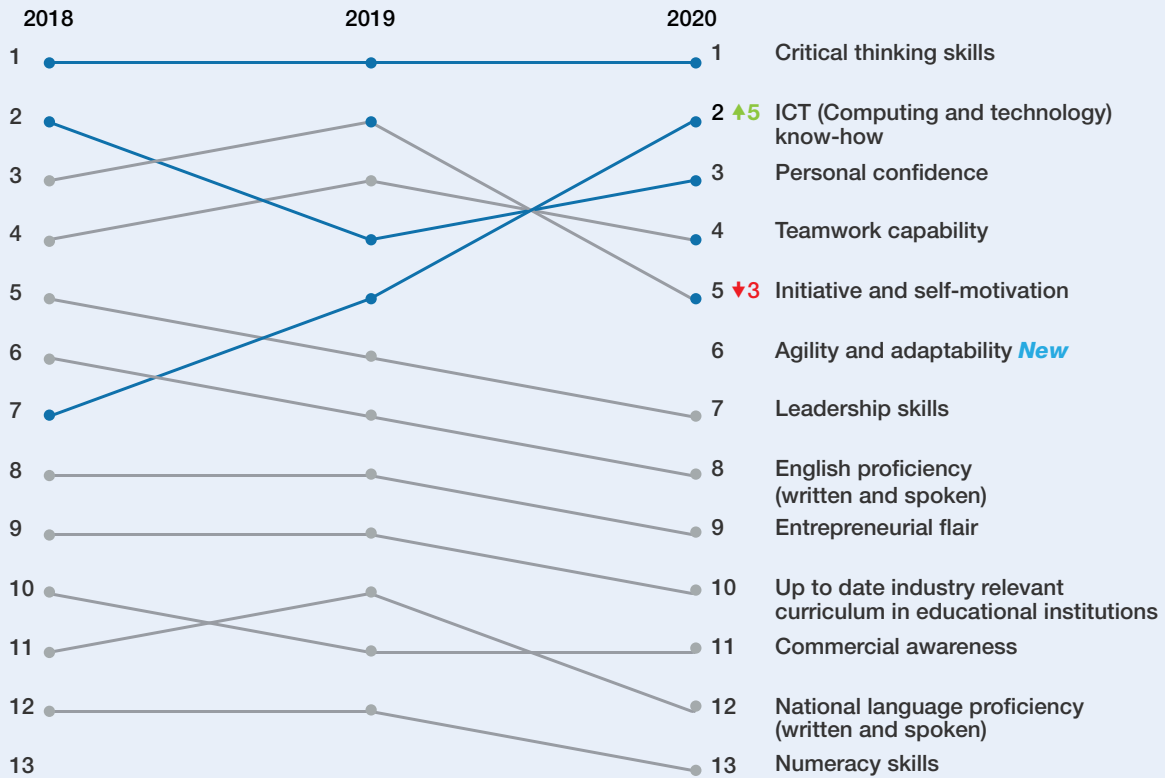
Top 3 options in 2018: Aligning their R&D activities with the needs of business; Developing training program for industry; Collaborate with industry R&D labs; Enhancing graduates' employability

Top 3 options in 2017: Enhancing graduates' employability; Developing training program for industry; Aligning their R&D activities with the needs of business; Developing global R&D network

As in previous years, the development of industry 4.0 capabilities, development of training programs for industry, enhancing graduates' employability and industry collaboration remain key areas that universities should focus to support the needs of the industry. These results are not surprising as there exists a serious mismatch in the supply and demand of graduate competencies needed for a future world shaped by I4.0 technologies. Business leaders are of the view that strong collaboration between academia and industry will go a long way to meet industry needs and reduce graduate unemployment in the country.

# Top Graduate Skills In Demand

Please indicate the estimated percentage of women holding key positions in your organization

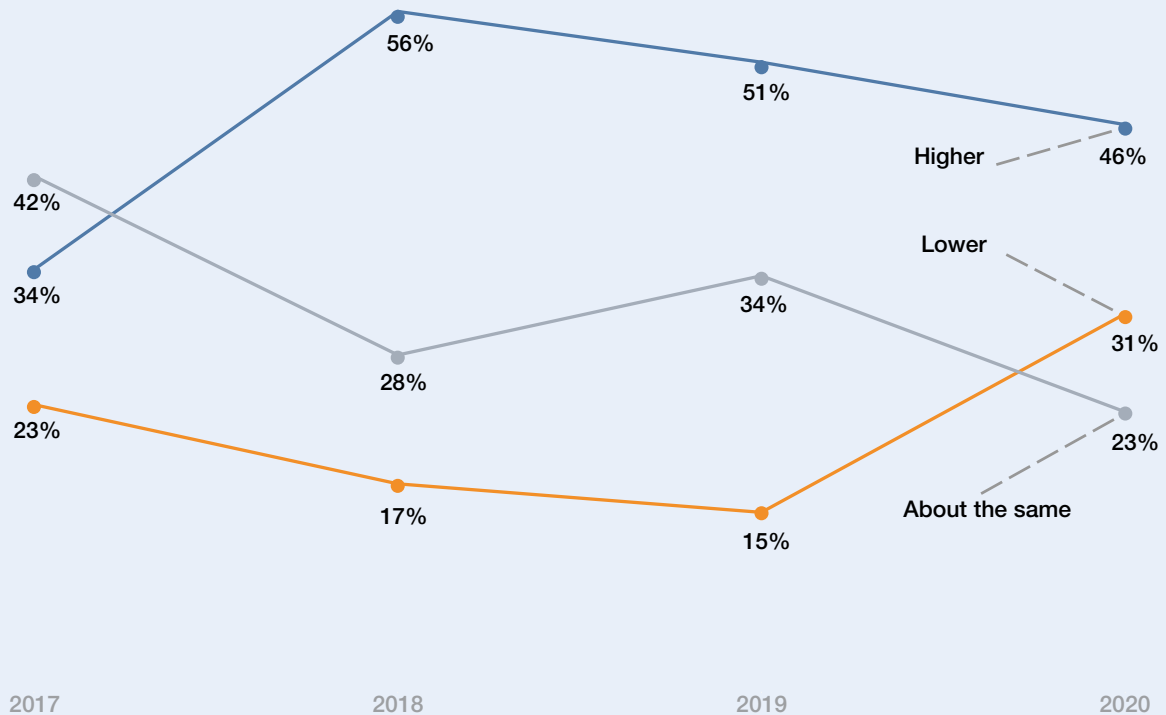


Note: Only options that have increased/decreased by 3 ranks or more between 2018-2020 have been highlighted. Ranks from previous years might have changed due to changes in options.  
 Top 3 options in 2019: Critical thinking skills; Initiative and self-motivation; Teamwork capability  
 Top 3 options in 2018: Critical thinking skills; Personal confidence; Initiative and self-motivation

Business leaders have consistently rated critical thinking skills, personal confidence, and teamwork capability as the few cardinal skills that university graduates should possess. In 2020 however, ICT skills surpassed personal confidence and teamwork capability to become the second most important skill. Critical thinking skills remains as the top skill for graduates to possess. This result is in line with the transition that is taking place in the Malaysian economy, which is increasingly becoming information-driven and knowledge-driven powered by ICT. As firms transition to adopt new digital platforms, the demand for graduates with sound ICT skills will also increase.

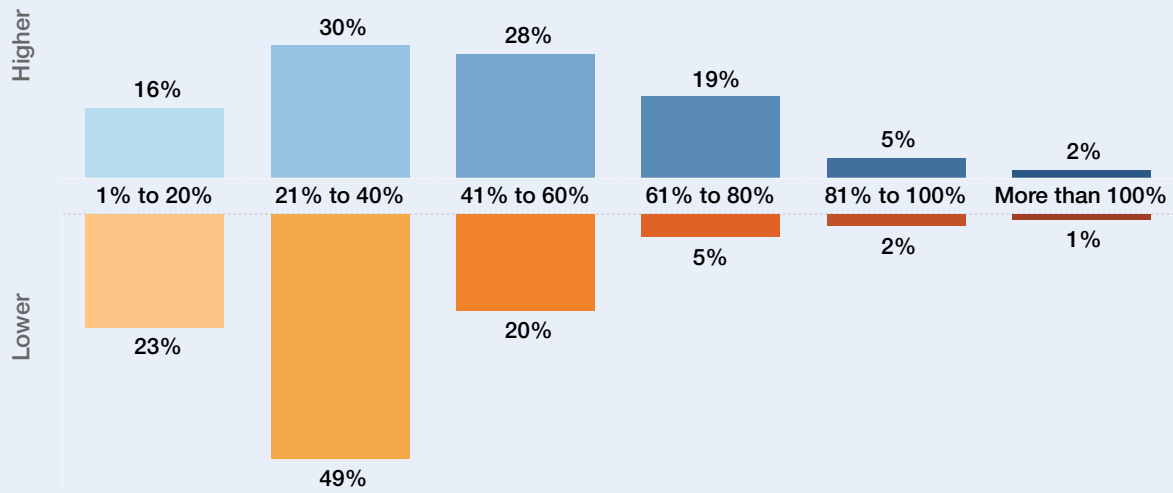
## Estimated Revenue

When compared with the previous 12 months, would you say your company's estimated gross revenue for the next 12 months will be:



The percentage of business leaders holding the view that their company's gross revenue over the next 12 months will increase declined from 51% in 2019 to 46% in 2020. On top of this the percentage with the view that gross revenue over the next 12 months will reduce increased from 15% in 2019 to 31%. In other words, business leaders are more pessimistic of their firms' ability to grow their revenue over the next 12 months, compared to in 2019. These results reflect the fact that the economy is fraught with uncertainties, particularly arising from the Covid-19 disruption and instability within the political landscape of Malaysia. Business leaders are of the view that Covid-19 pandemic will continue to be disruptive to business operations until a vaccine or effective medical therapeutics are discovered. These will adversely impact the economy and revenue growth of the firms over the next 12 months.

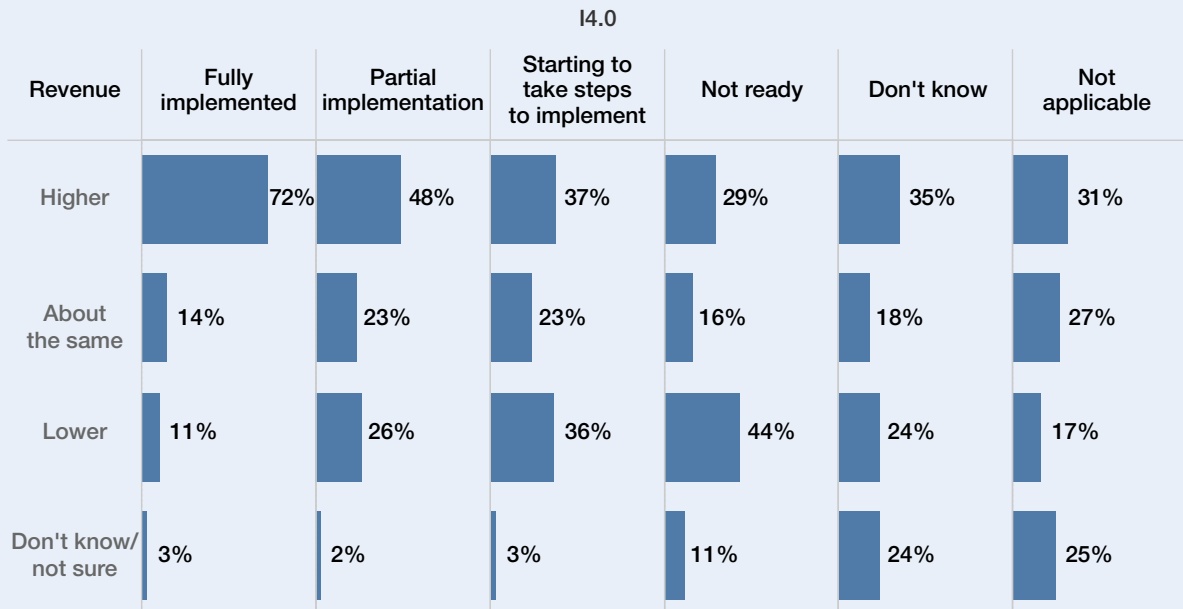
**What is the estimated percentage change (higher/lower) in your company's estimated gross revenue for the next 12 months compared with the previous 12 months?**



Among the respondents who estimated lower revenues for the next 12 months, most companies (49%) indicated a reduction of around 21% to 40%. On the other hand, among the respondents who estimated higher revenues for the next 12 months, a majority of the companies (30%) anticipated an increase in revenue ranging from 21% to 40%.

## Impact Of I4.0 On Revenue

When compared with the previous 12 months, would you say your company's estimated gross revenue for the next 12 months will be:



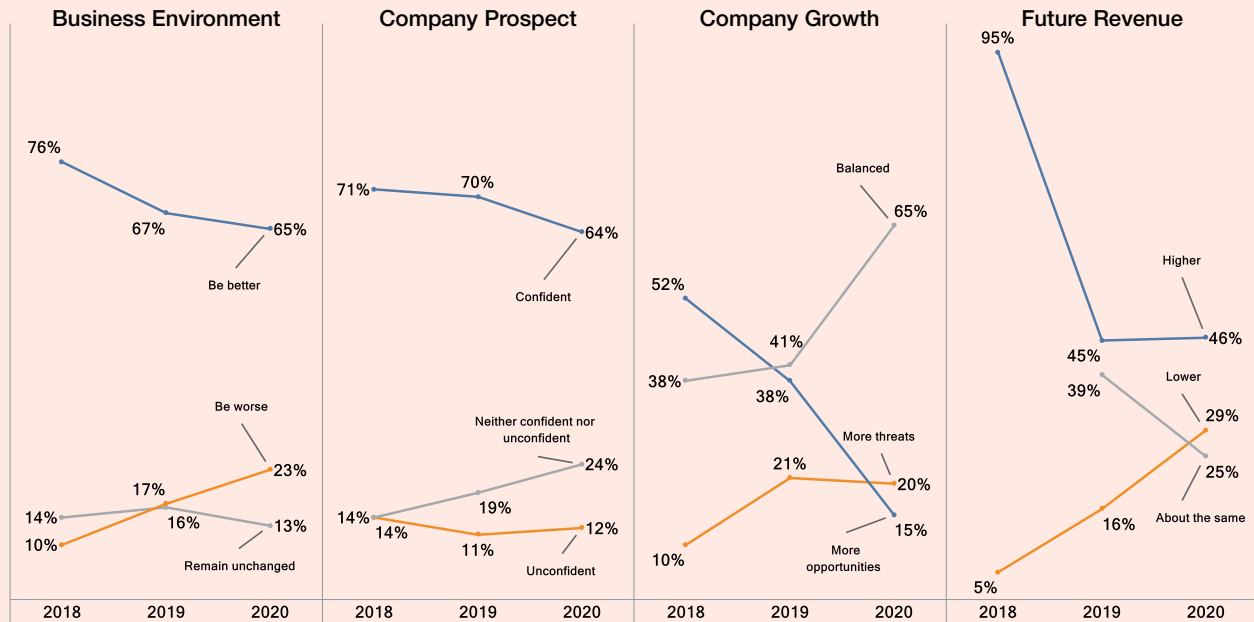
Firms that have higher levels of I4.0 implementation generally expect higher revenues compared to firms that have just started implementation or are not transitioning to I4. This underscores the importance of being technologically enabled and connected in terms of firm performance.



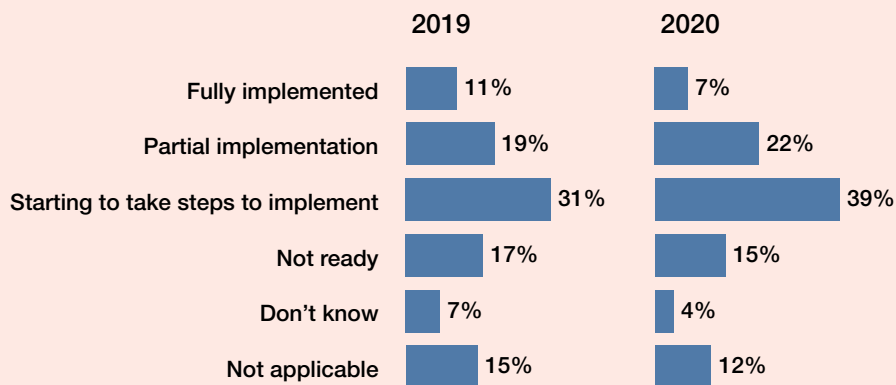
# Disaggregate Analysis: Firm Sizes

- SMALL
- MEDIUM
- LARGE

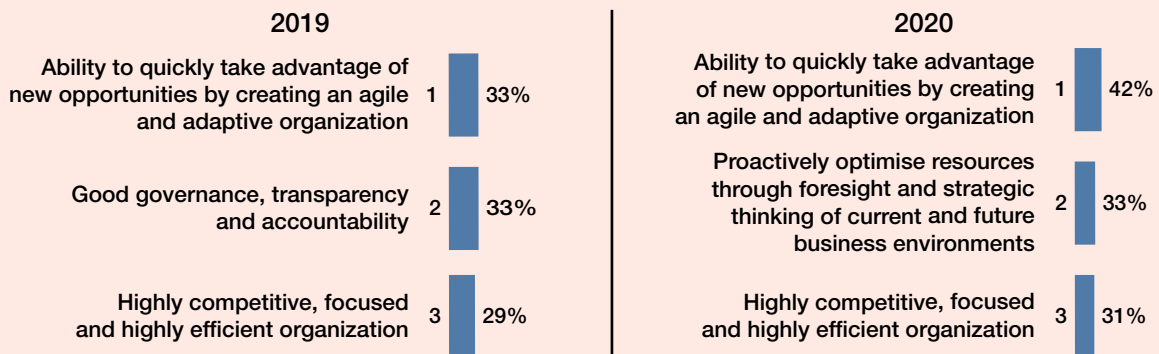
## Small Firms<sup>2</sup>



### Industry 4.0 Status



### Key Company Culture

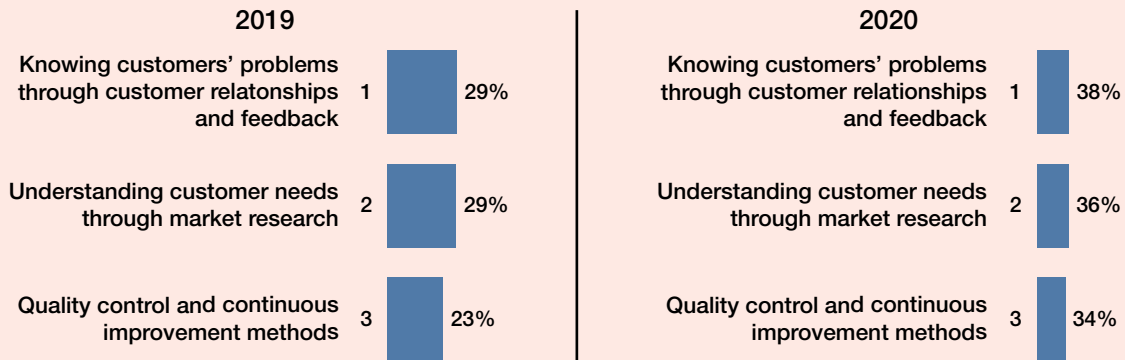


<sup>2</sup> The small-sized businesses (including micro-sized firms) are defined as firms with less than 75 employees for the manufacturing sector and less than 30 employees for services and other sectors (SMECorp Malaysia).

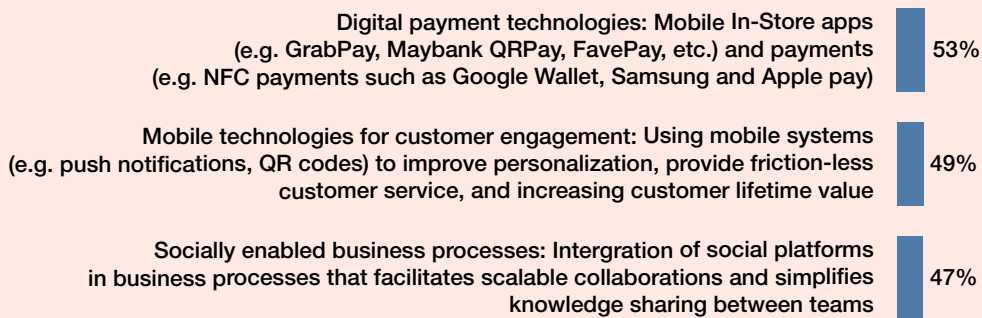


## Small Firms

### Key Contributors to Innovation



### Key Digital Technologies

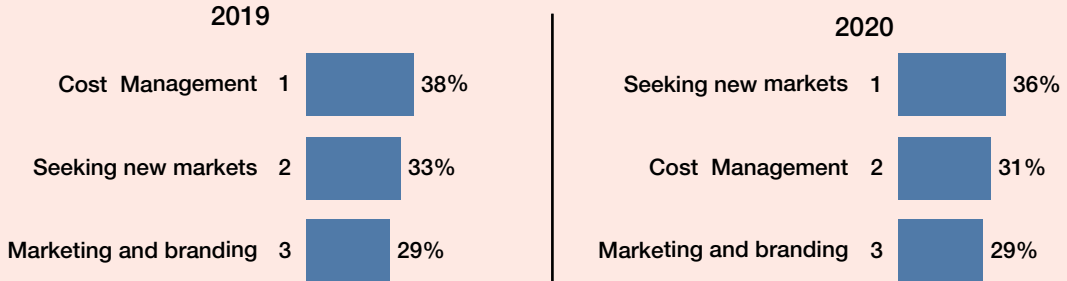


### Key Challenges

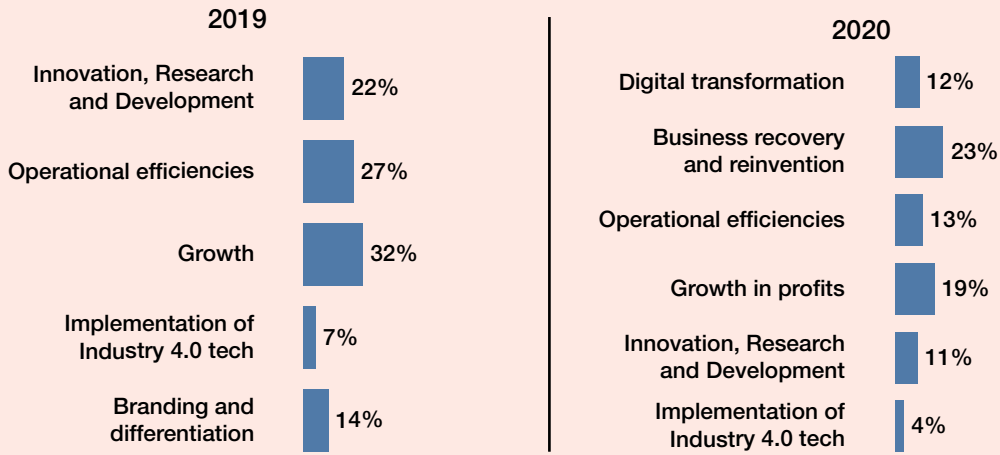


# Small Firms

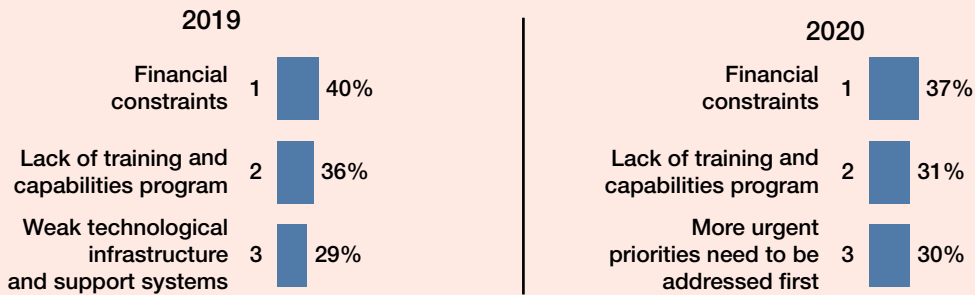
## Key Resource Allocation



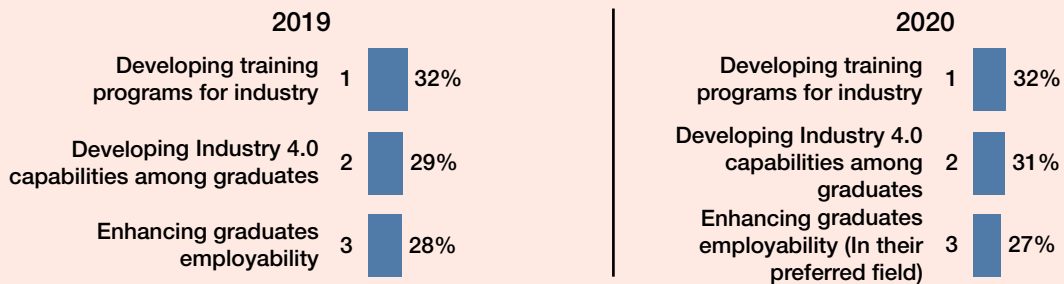
## Key Focus Area



## Key Industry 4.0 Implementation Challenges

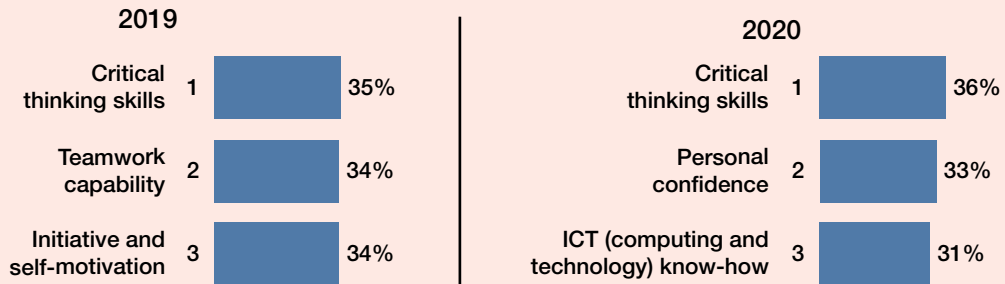


## Key Roles of Malaysian Universities

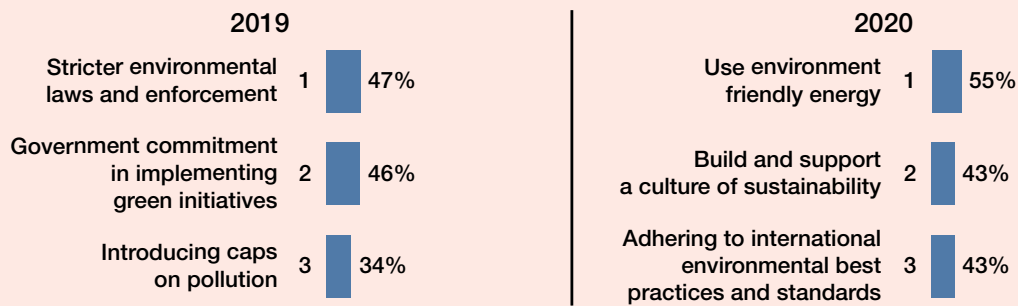


## Small Firms

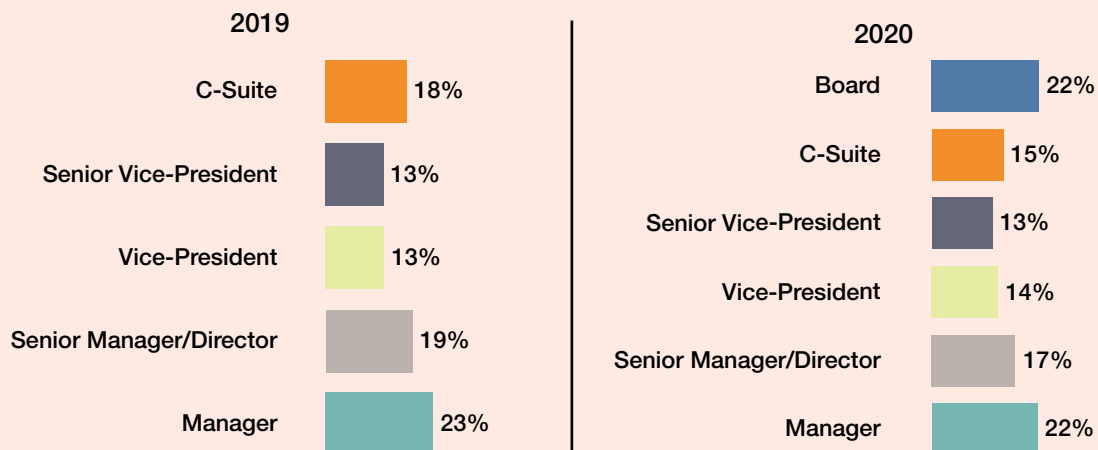
### Key Graduate Skills



### Key Sustainability Initiatives



### Diversity: % of Women in Key Positions



## Small Firms

The 2020 survey shows that small businesses are less optimistic about the business environment, company prospects, company growth and future revenue over the next 12 months as compared to the same period in 2019. The study shows that business leaders who state that their firm will grow in the next 12 months fell from 41% in 2019 to 15% in 2020. Further, those who state their revenue will be lower increased significantly from 16% in 2019 to 29% in 2020. These results are not surprising, given the global and domestic economic environment has deteriorated as a consequence of Covid-19 and subsequent closure of many sectors of the economy due to the Movement Control Order (MCO). Many business leaders are of the view this economic uncertainty will persist over the next 12 months.

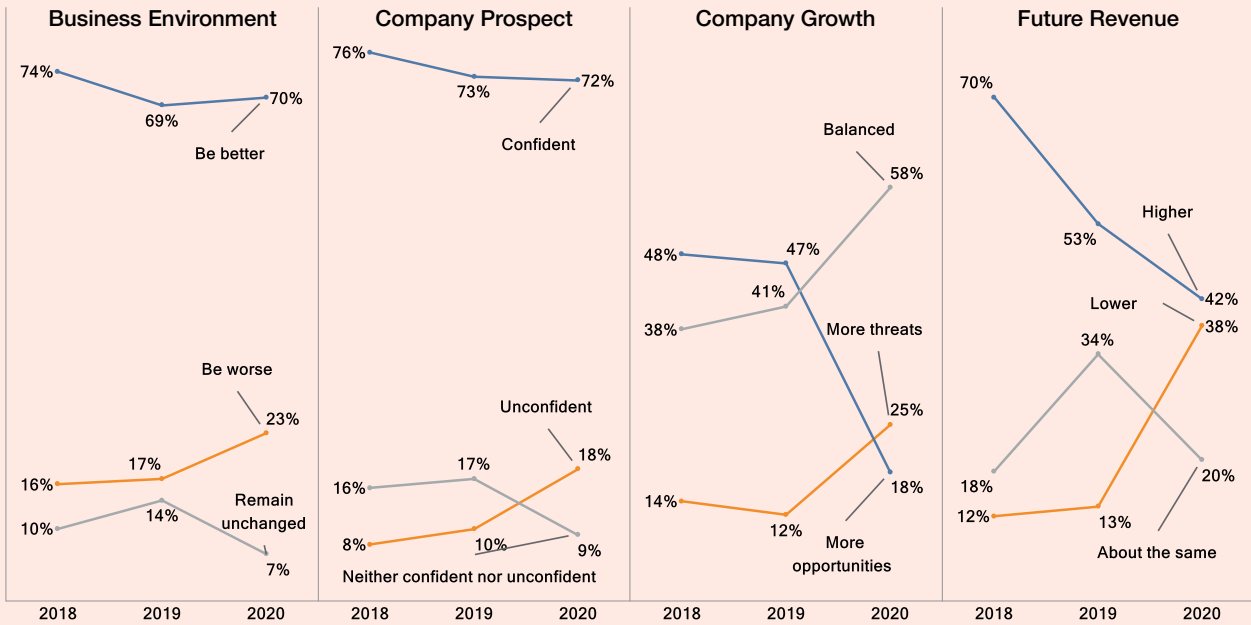
In 2020, the top concern for firms was over the economy entering into a recession. Key priorities for firms during the pandemic are to seek new markets, manage costs and promote their products and services. These priorities appear to be underpinned by the adoption of digital technology and new business models. One key positive trend over the last 12 months was the general increase in the awareness and adoption of Industry 4.0 technologies. These digital technologies enable adopting firms to quickly take advantage of new opportunities by creating an agile and adaptive organisation. Benefits include fast response to the needs of customers and higher service quality for clients. Among the top digital technologies used by small firms are digital payment technologies and mobile technologies to deliver improved customer engagement and socially enabled business processes. The major challenges faced by firms in the adoption of Industry 4.0 technologies are financial constraints, lack of training & capabilities program and other immediate priorities to keep the business operational.

A major challenge faced by the small firms in 2020 is the access to talent that enables them to undertake major transformation in a VUCA world. These include talent who possess critical thinking skills and confidence to operate effectively during severe disruptions of the business supply chain. A majority of the business leaders see ICT literacy and the use of new digital technologies as being critical for their firms during these challenging times. Many of the firms are of the view that universities should work closely with them to develop training programs for industry so as to ensure the talent they nurture meets the needs of industry.

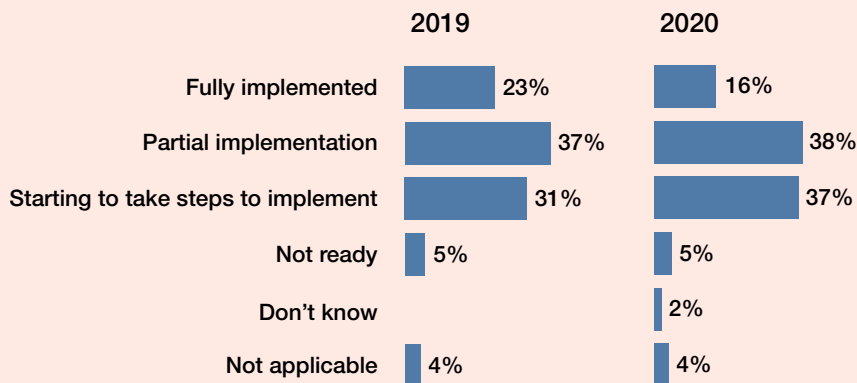
With regard to environmental sustainability, there appears to be a change in the sentiment from government-driven initiatives in 2019 to a more pro-active corporate-driven push to adopt environmental practices. The survey in 2020 showed that the top priorities for firms include the use of environmentally friendly energy sources, a conducive culture of sustainability and adhering to international environmental best practices. The latter is critical if firms are to build strong partnerships with foreign multinational companies and expand their footprints to developed economies.

Small firms also recognise that diversity in leadership is critical in bringing in new ideas and strategies to transform firms during challenging times. In this context, the percentage of women sitting on the company board of small firms is 22%. Based on the survey in 2019 and 2020, there is minimal change in the percentages of women in senior leadership roles. The 2020 surveys shows that a majority of women remain in managerial roles (22%). The percentage in C-suite, senior Vice-President, Vice-President and Senior Manager/Director are approximately 15%, 13%, 14% and 17%, respectively.

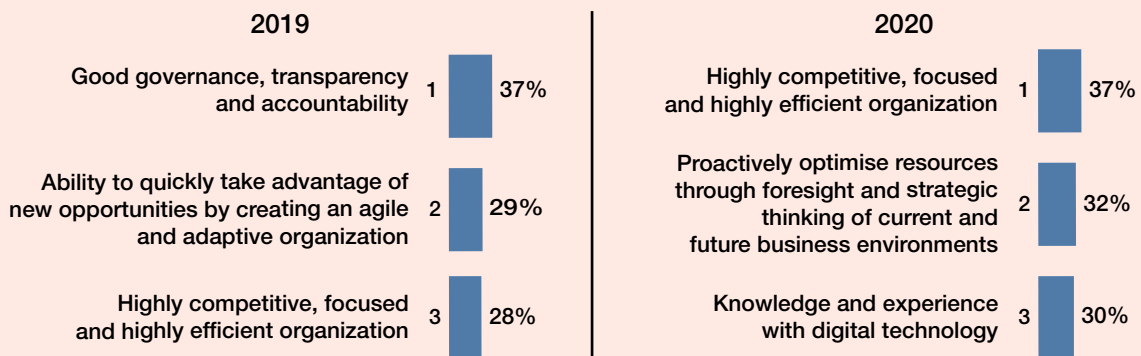
## Medium Firms<sup>3</sup>



### Industry 4.0 Status



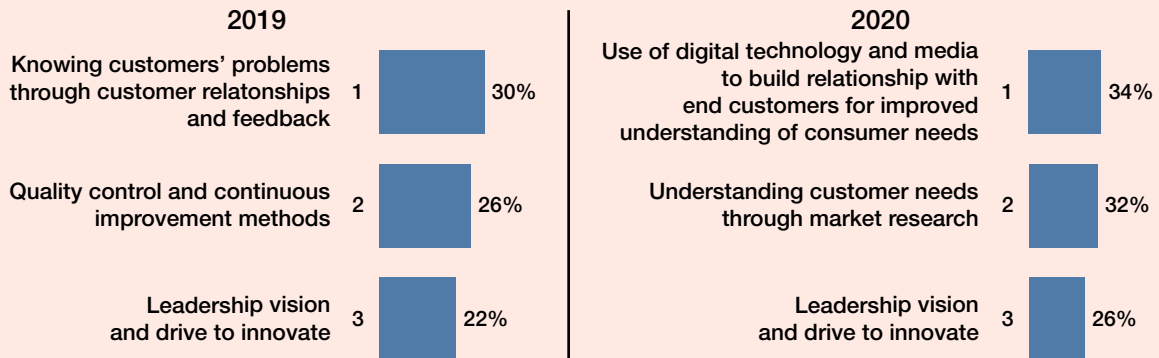
### Key Company Culture



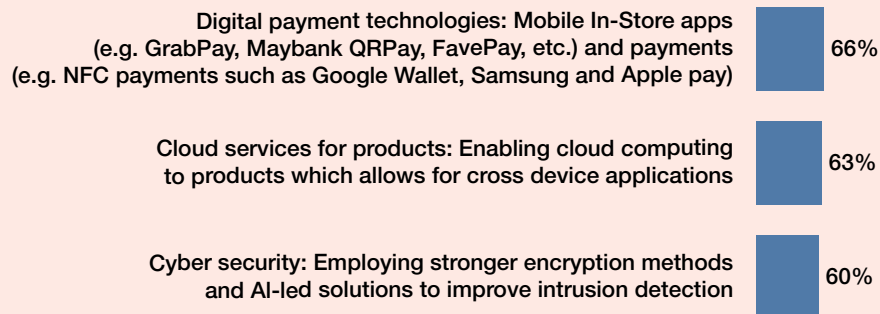
<sup>3</sup> The medium-sized businesses are defined as firms with 75 to 200 employees for manufacturing and 30 to 75 employees for services and other sectors (SMECorp Malaysia).

## Medium Firms

### Key Contributors to Innovation



### Key Digital Technologies

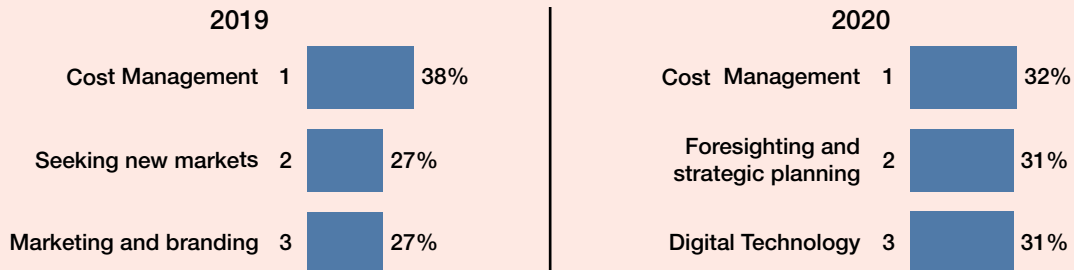


### Key Challenges

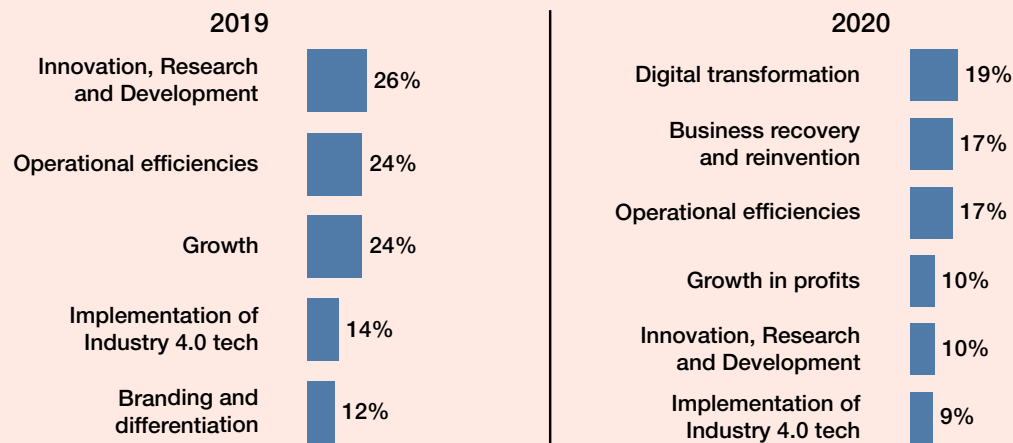


## Medium Firms

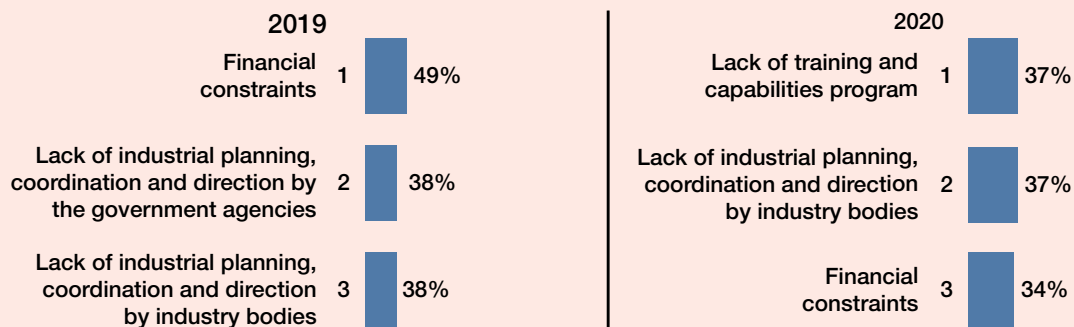
### Key Resource Allocation



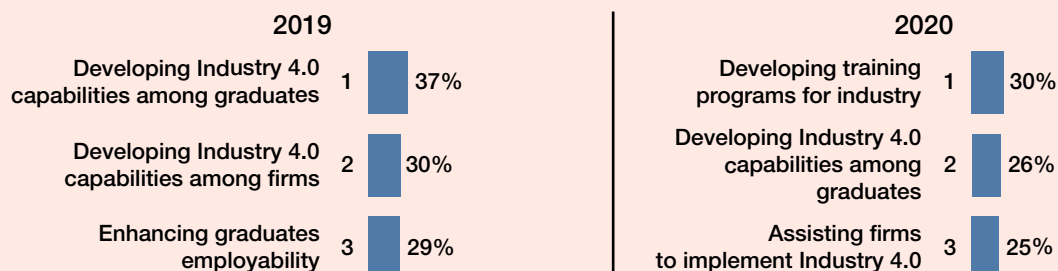
### Key Focus Area



### Key Industry 4.0 Implementation Challenges

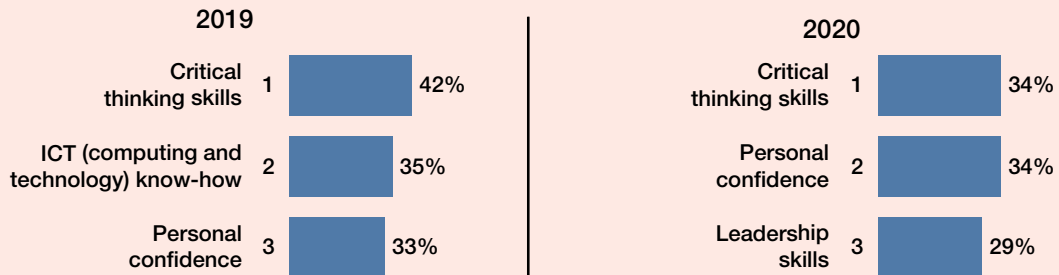


### Key Roles of Malaysian Universities

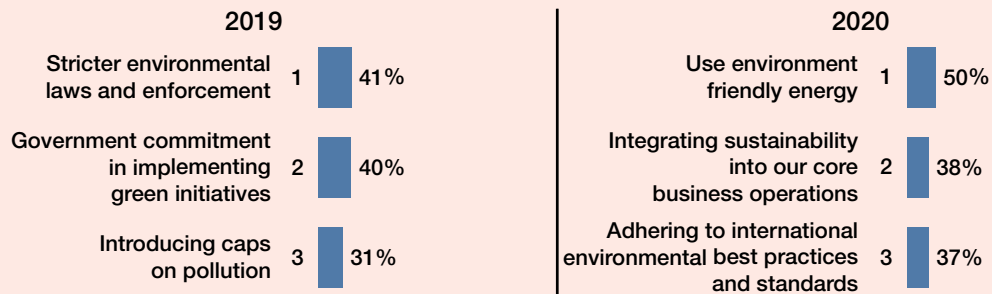


## Medium Firms

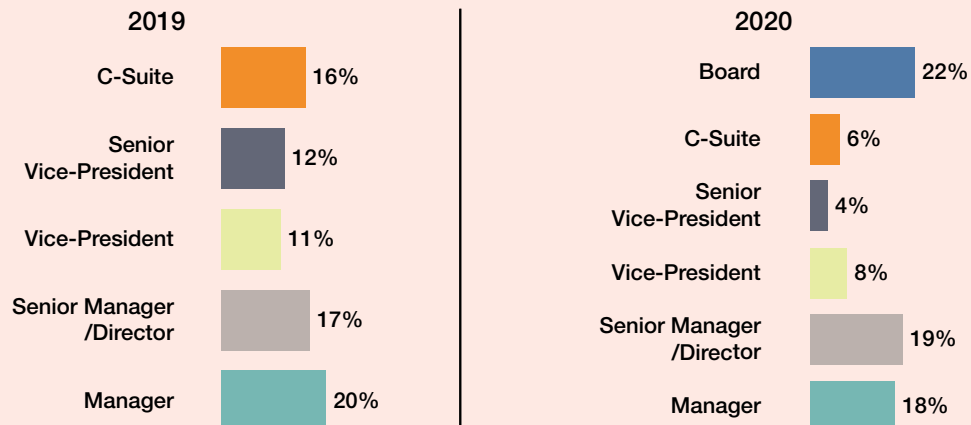
### Key Graduate Skills



### Key Sustainability Initiatives



### Diversity: % of Women in Key Positions





## Medium Firms

Similar to small businesses, senior managers of medium-sized firms in 2020 were of the view that the business environment had become worse in 2020. The percentage of leaders who noted that opportunities for their companies' growth declined from 47% in 2019 to 18% in 2020. They also highlighted that the threat to the companies' growth has increased from 12% in 2019 to 25% in 2020. One of the major changes in 2020 as compared to 2019 expressed by the business leaders is concern over future revenue. In 2019, close to 53% were of the view that their future revenue will increase. However, in 2020, this figure is 42%. Over the same period, the percentage of leaders noting that future revenue will decline increased from 13% to 38%, respectively.

In 2020, the top three concerns for these firms are around the economy entering into a recession, cost of doing business and political uncertainty. Key priorities for firms during the pandemic are to manage costs, intensify fore-sighting & strategic planning and increase the use of digital technology. For most businesses, digital transformation is important for business recovery and reinvention underpinned by new business models. Digital technology is also envisaged to give them operational efficiency, build strong customer relationships and drive innovation. The key digital technologies that are deemed to be important for business transformation are digital payments systems, cloud services and cyber-security systems. Key challenges these firms encounter in the implementation of the digital plan (Industry 4.0) are the lack of training, lack of industrial planning & coordination and financial constraints.

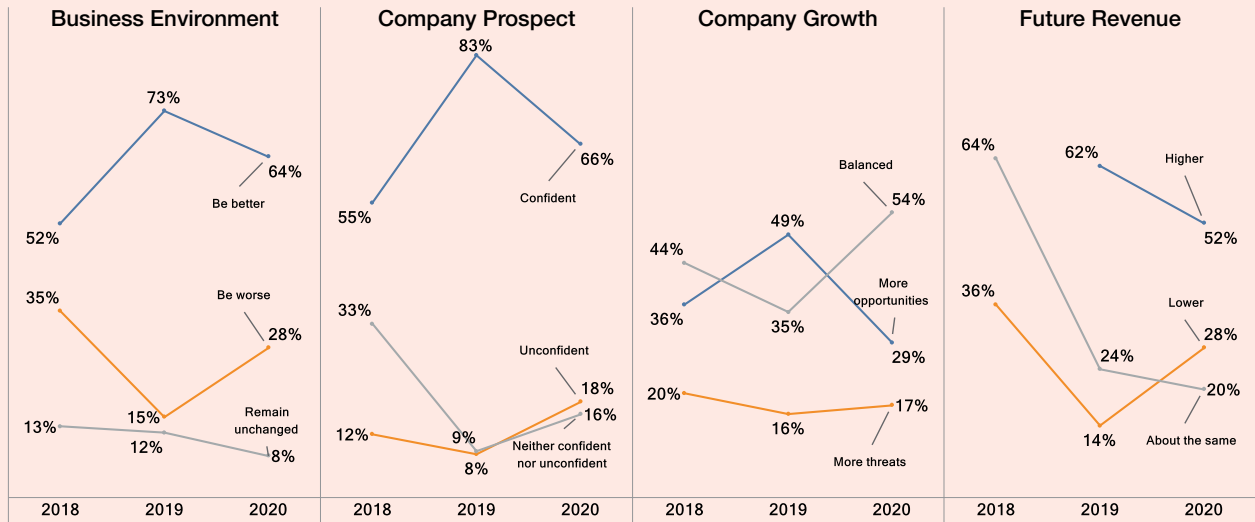
In terms of talent development, firms in the 2020 survey indicate that the top three graduate skills needed to navigate through this challenging period are critical thinking, personal confidence and leadership skills. To this end, they state that universities should develop training programs that are relevant for industry, help firms build Industry 4.0 capabilities and assist firms implement Industry 4.0 plans.

There is a change in perception from 2019 to 2020 among business leaders on key initiatives that are critical for ensuring environmental sustainability. In the survey in 2019, the top three initiatives include the following: stricter environmental laws, government commitment in implementing green initiatives and introduction of pollution caps. In 2020, they were use of environmentally friendly energy, integrating sustainability into the core business operations and adherence to international best practices and standards. The latter initiative is interesting, as a more careful probe reveals that some of the firms are expanding their markets into developed countries, where environmental standards are higher compared to the standards in domestic and regional markets.

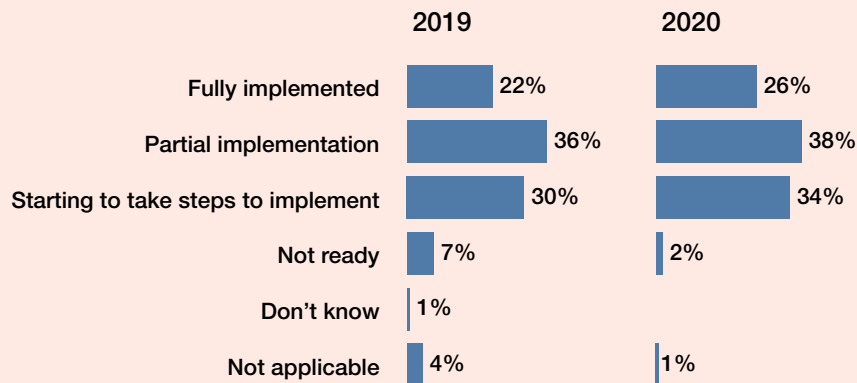
In terms of diversity in leadership, around 22% of workforce on the boards of these firms are women. The percentage of women in senior roles (C-suite, Senior Vice-President and Vice-President) appears to have dropped significantly from 2019 to 2020. The percentage of C-suite women appointments declined from 12% to 6%, senior vice-presidents from 11% to 4% and vice president from 11% to 8%. However, those in senior manager/director and managerial roles have remained similar to those found two years ago.

# Large Firms<sup>4</sup>

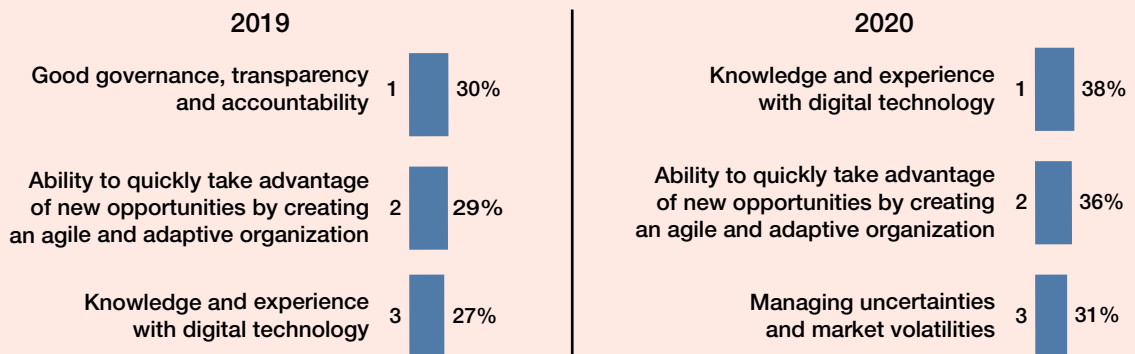
## Optimism



## Industry 4.0 Status



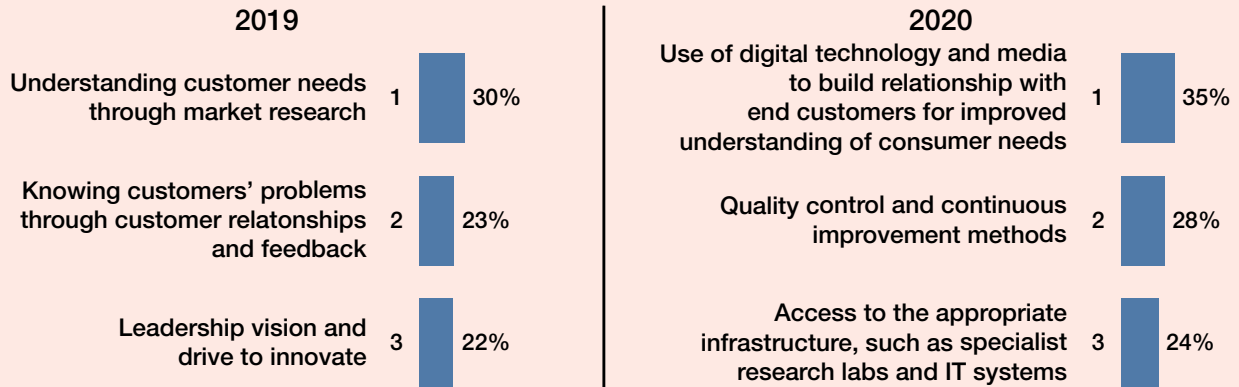
## Key Company Culture



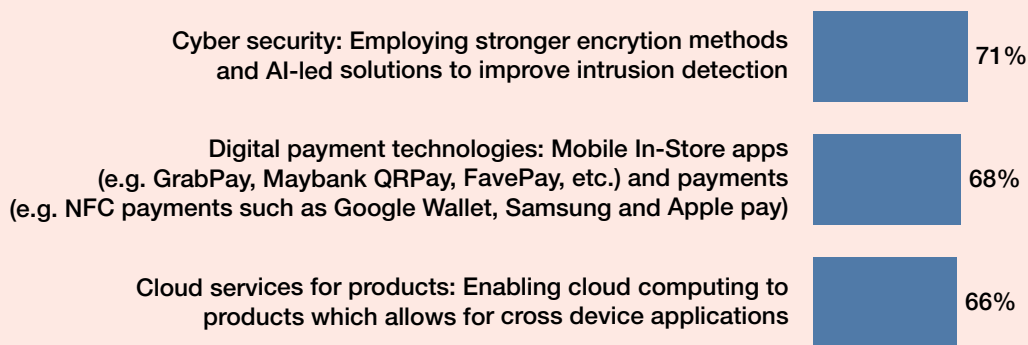
<sup>4</sup> The large-sized businesses are defined as firms with more than 200 employees for the manufacturing sector and more than 75 employees for services and other sectors (SMECorp Malaysia).

## Large Firms

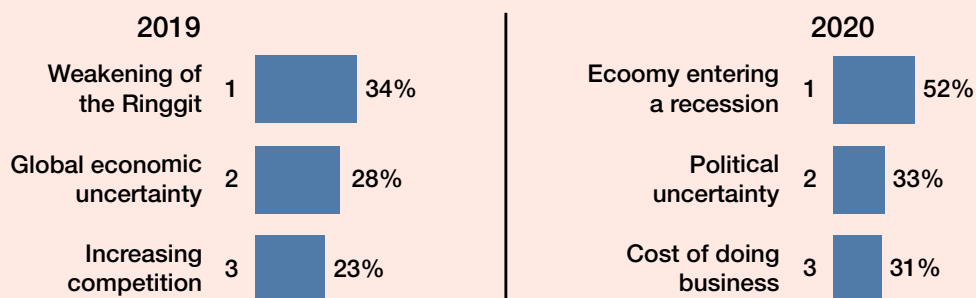
### Key Contributors to Innovation



### Key Digital Technologies

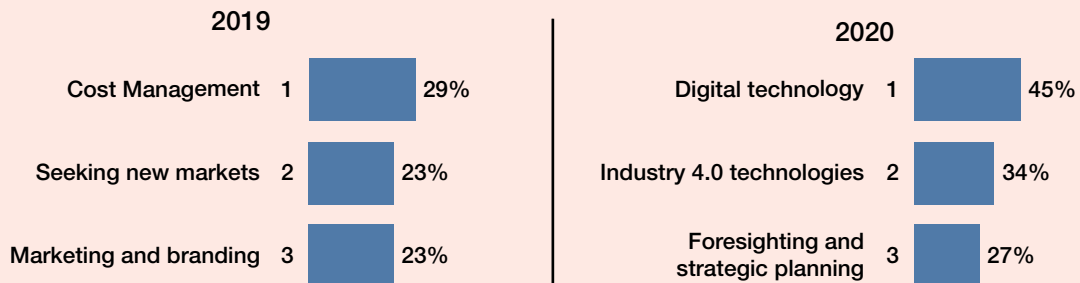


### Key Challenges

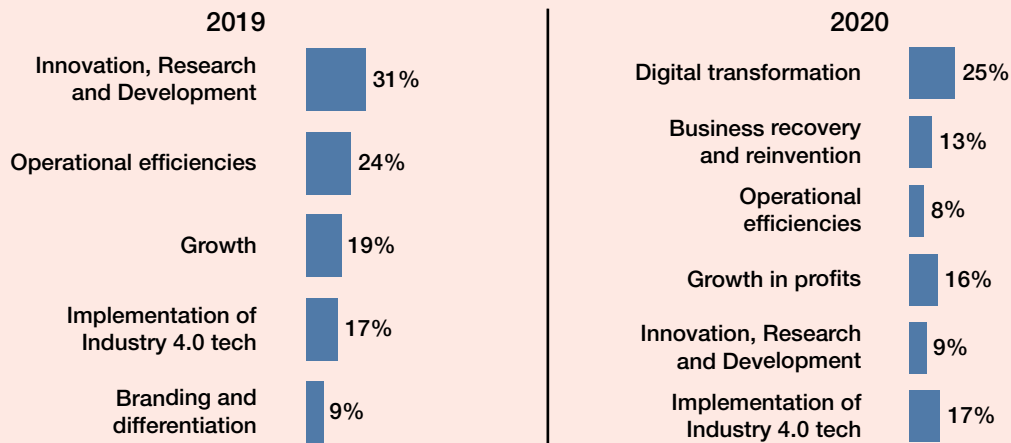


## Large Firms

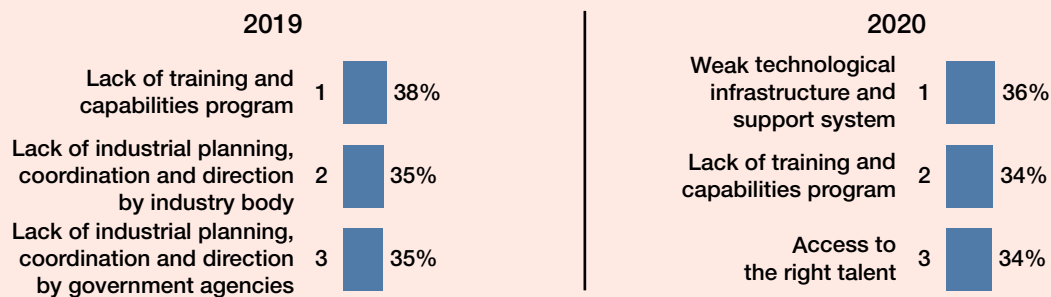
### Key Resource Allocation



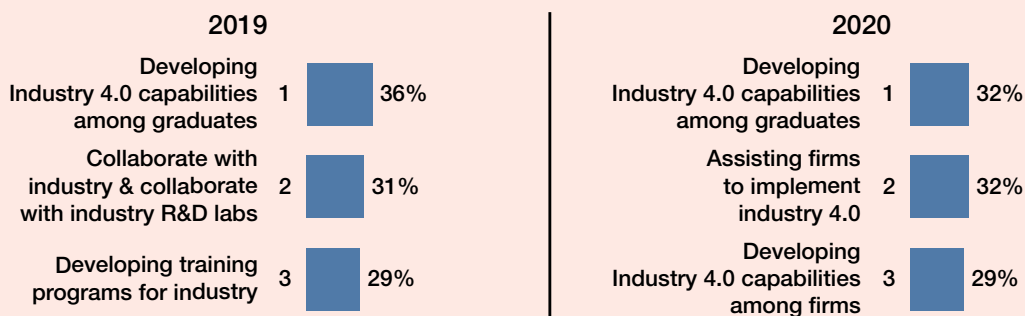
### Key Focus Area



### Key Industry 4.0 Implementation Challenges

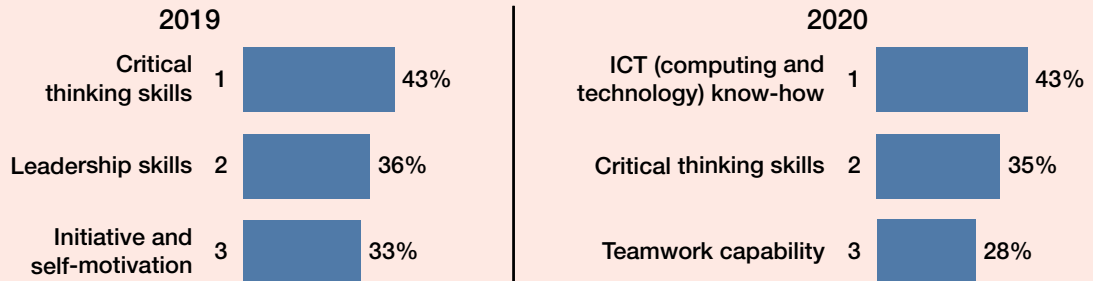


### Key Roles of Malaysian Universities

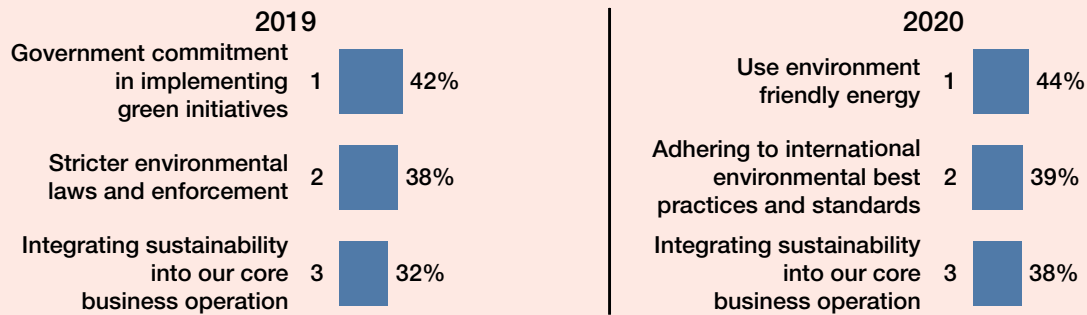


## Large Firms

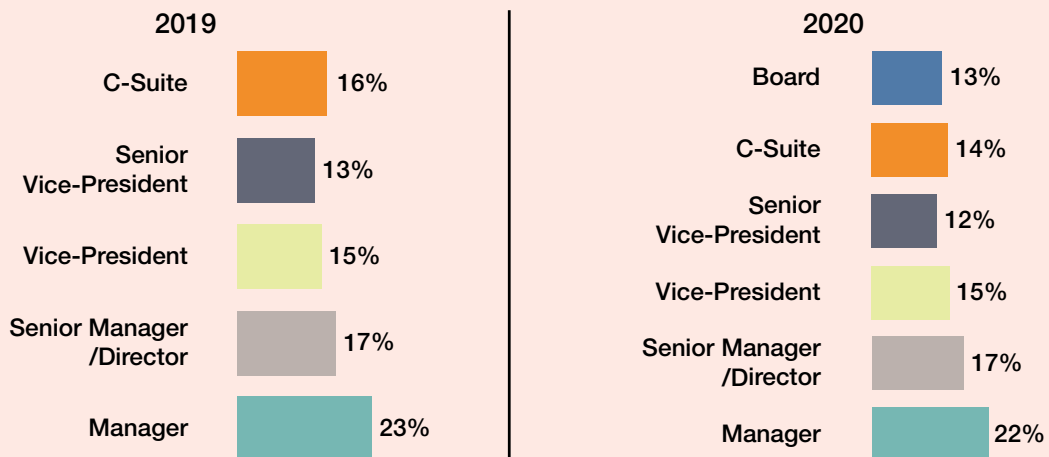
### Key Graduate Skills



### Key Sustainability Initiatives



### Diversity: % of Women in Key Positions



## Large Firms

Industry captains from large firms are of the view that the business environment in 2020 has deteriorated compared to 2019. The percentage of leaders indicating that the business environment had gotten worse increased from 15% to 28% in 2020. Further, the percentage who were confident in their companies' prospects declined significantly, from 83% in 2019 to 66% in 2020. Also, in 2019, approximately 49% of the firms' stated that they expected a higher growth, but firms with this sentiment dropped to 29% in 2020. The number of firms that expect their future revenue to decline increased from 14% in 2019 to 28% in 2020.

In 2020, business leaders expressed the following as their top three concerns: the economy entering into a recession, political uncertainty and cost of doing business. A more detailed look into the matter reveals that the higher costs are due to measures that firms had to take to adhere to the Covid-19 standard operating measures and investments in better technologies to keep the firms operational. Key focus areas for these firms include investing in digital and Industry 4.0 technologies. The survey in 2020 shows that there is an increase in the adoption of Industry 4.0 technologies by large firms compared to the same time in 2019. Key digital technologies that these firms plan to invest in are as follows: cybersecurity, digital payments systems and cloud services.

These above-mentioned technologies are critical for these firms, especially in their ability to undertake better fore-sighting and strategic planning. A technology-driven organisational culture also plays a role in enabling these firms to be agile in taking advantage of new opportunities and mitigate risks associated with market uncertainties. The new technologies are also helping firms build customer relationships & feedback, undertake quality control & continuous improvement and have greater leverage to access to specialist technology as part of the corporate innovation ecosystem. All of these factors help these firms to expand their profits, undertake innovation and R&D whilst containing their operational costs. The key challenge facing many of these firms in 2020 with regard to implementation of the digital plan (Industry 4.0) are weak technological infrastructure and support systems, lack of training and capabilities program, and access to appropriately skilled talent.

Concerning talent, business leaders are of the view that the key graduate attributes required to help them navigate this challenging period are ICT skills, critical thinking and teamwork capability. To this end, they are of the view that Malaysian universities should work closely with industry to develop Industry 4.0 capabilities among graduates and assist firms in implementing Industry 4.0 technologies.

Business leaders were of the view that environmental issues are an important consideration when venturing into advanced markets. In 2019, a majority of business leaders were of the opinion that environmental sustainability drivers should be government-driven – that is, government should lead green initiatives and also be stricter in the enforcement of environmental laws. In 2020, there is a change in the sentiment, with a majority of the business leaders noting that environmental sustainability initiatives should be driven by firms themselves. These initiatives include the use of environmentally friendly energy, adhering to international environmental best practices and standards and integrating sustainability into core business operations.

On matters related to diversity in leadership, business leaders highlighted that company boards are constituted by 13% of women members. In terms of senior leadership roles by categories, there is little variation from 2019 to 2020. Close to 22% of managerial positions are occupied by women. However, those in C-suite, Senior Vice-President and Vice-President roles are 14%, 12% and 15%, respectively.

# Research Methodology

## Mixed Methods Approach

This study used a mixed-method, four-stage approach to assess the sentiments of corporate sector leaders in Malaysia.

### PHASE 1

#### Scoping and Content Analysis

This stage employs scoping and content analysis involving sourcing secondary data from press releases, media reports and commentaries from other stakeholders. While the themes identified were neither comprehensive nor definitive; they, however, assisted the researchers in identifying relevant, contemporary and contextual themes. These themes are captured in the Appendix: Businesses in 2020/2021.

### PHASE 2

#### Face-to-Face Interviews

This stage involves face-to-face interviews with industry captains from diverse industry groupings. From the interviews, an inductive interpretative analysis was undertaken to obtain key insights on the business environment and strategies undertaken by firms in their respective industries to navigate the business environment. These interviews provided the basis for the development of the questionnaire.

### PHASE 3

#### Online Survey

An online survey was undertaken using a questionnaire designed by the research team. The questionnaire was administered by a market research consultancy company. Respondents were chosen from a wide range of industries, covering top-level employees. The respondents include managers, Chief Executive Officers/ Presidents, Chief Financial Officers, Chief Operation Officers and Managing Directors/ Managing Partners. The questionnaires were administered in both English and Bahasa Malaysia. Items in the questions were randomised (i.e., items did not appear in the same sequence) to minimise response bias. The online survey was conducted in September 2020.

### PHASE 4

#### Validation of Survey Results

The findings of the survey results were validated with industry players via roundtable discussions. The responses from these industry players were very valuable in providing the context and insights to the various trends and patterns in the data.

# Appendix:

## BUSINESSES IN 2020/2021



### CUSTOMER SENTIMENT



- Covid-19 health pandemic, lower business activity and job losses
- Cost sensitive customers
- Cautious spending – only necessary products and services
- Customer sensitive decision making due to rapid changes in the environment



### ECONOMY



- Covid-19, disruption of supply chains and lower economic growth
- Risk of business closure due to low demand conditions
- Job losses undermine consumer demand and economic growth
- Low investor confidence due to political uncertainties
- Increasing use of digital technology
- Devaluation of the Ringgit Malaysia
- Anticipation of economic recovery due to adherence of strict SOPs and possibility of a vaccine and more effective medical therapeutics.
- Firms on drastic cost management and restructuring to ensure survival of business operations



### INTERNATIONAL TRADE



- Rapid transmission of Covid-19 and border closure impacting trade
- Disruption in global supply chains reducing global demand and trade
- Recessionary pressures in global markets dampening trade.



### NATURE AND ENVIRONMENT



- Climate change and reduction of carbon footprints
- Environmental standards as non-tariff barriers.
- Increasing investments into renewable energy



### PUBLIC POLICY



- Movement Control Order
- Economic Stimulus Packages to address Covid-19 pandemic
- Employer Covid-19 Assistance Package
- Shared Economic Prosperity Vision 2020



### GOVERNANCE



- Political uncertainty
- Effectiveness to flatten the Covid-19 curve
- Improving public service delivery system
- Rent-seeking behaviour (political appointments of leadership of GLCs)



### TALENT



- Mismatch of supply and demand of talent
- ICT literacy and Industry 4.0 skills
- Multidisciplinary and multitasking skills
- New working environment – work from home
- Leadership in managing change in a VUCA (Volatile, Uncertain, Complex and Ambiguous) environment



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This survey has been made possible with the support of CPA Australia, Global Asia in the 21st Century Research Platform – Monash University Malaysia and Monash Malaysia R&D Sdn Bhd.

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Produced by:

**Global Asia in 21st Century (GA21)  
Research Platform  
Monash University Malaysia**

In Collaboration with:

**Monash Malaysia R&D Sdn Bhd  
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December 2020

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