THE SUSTAINABILITY OF BUMIPUTERA-OWNED SMALL AND MEDIUM ENTERPRISES FACING COVID-19: DEAD OR ALIVE!

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ABSTRACT

The emerging of the deadly mysterious disease stirs peacefulness and creates the domino effect around the nations. Known as Coronavirus disease 2019 or COVID-19, this infectious disease caused by a novel coronavirus that hazardous to human respiratory system, sending the borderless possibility of death wreath warrant to them. COVID-19 is not only placing health systems under unprecedented pressure in saving human life, the pandemic also caused local and international economics as well as their businesses suffered to their last breaths. The impacts of COVID-19 are unbearable as businesses seize their operation temporarily or completely dissolve, causing people to lost their job without steady income. In addition, the developments of physical effects of infection and the mental trauma creating stress, fear, confusion, lonely and anger among people because of self-isolation or social lockdown in their own homeland. Indeed, the disease also squeezed small and medium enterprises (SMEs) around the world, particularly in Malaysia into a dramatic consequence of losing their business sustainability and capability of competing in the red ocean market. Bumiputera-owned SMEs for instance, facing difficulties in maintaining their business livelihood during the pandemic lockdown and movement control order (MCO). This paper accentuates the sustainability and survival acts among Bumiputera-owned SMEs in Malaysia in facing COVID-19 as recommendation to elevate their economic life. Moreover, COVID-19 should serve as a wake-up call for everyone in heightening multilateral collaboration across communal conversion of shared dilemmas without looking the pandemic as rigorously belongs to the public health domain.

\textbf{Keywords}: Bumiputera-owned SMEs, mitigation, sustainability, capability, digital business, social media, co-creation, COVID-19

1.0 INTRODUCTION

The surrounding glitches of the world of macroenvironment today portrayed like a novel – mystery, science fiction, fantasy, horror, thriller, romance, historical and realist! The complete novel coloured the macroenvironment over the past 70 decades after the World War 2 and brought tremendous transformation into human civilisation without any doubt particularly in Asia. The continent witnessed several conflicts of human disputes namely the Korean and Vietnam War beginning in 1950s, the Cambodian Civil War in 1960s, the Iranian Revolution 1978, the Tiananmen Square Incident 1989, the Gulf War 1990, the Asian Financial Crisis 1997, the Handover of Hong Kong to China in 1997 and the admission of China to the World Trade Organisation (WTO) in 2001 had dramatically changed the macroenvironment of Asia particularly in terms of political, legal, social, economic
and technology. In addition, Asia has been home to various perilous influenza including the Avian or Bird Flu, H5N1 influenza, Swine Flu and Middle East respiratory syndrome (MERS-CoV) or Camel Flu. Recently, the newly Coronavirus disease 2019 or COVID-19 has shattered the macroeconomy of several nations around the globe especially in Asian region.

COVID-19 is the infectious disease that strikes human respiratory systems especially among senior citizen and those with common medical problems such as high blood pressure, diabetes, cardiovascular and chronic respiratory disease as well as cancer. The disease has officially been designated a pandemic by the World Health Organization (WHO) as it was spread into more than 200 countries (Menickella, 2020; WHO, 2020). Undeniably, COVID-19 arose and fiercely spreading the infections disease across the nation, disrupting health and businesses, particularly the topmost economies namely the US, China, UK, Germany, France, Italy, Japan and other nations (Jones et al., 2020; Mahar, 2020). In Asia, COVID-19 rocked its population and turned out to be worse in Southeast Asia especially in Indonesia, Philippines and Myanmar (Shira & Associates, 2020). Malaysian Government implemented the Movement Control Order (MCO) on 18 March 2020, Enhanced Movement Control Order (EMCO), Conditional Movement Control Order (CMCO) and Recovery Movement Control Order (RMCO) until 31 August 2020 in order to curb the pandemic from spreading across the nation. The pandemic has culturally changed Malaysian lifestyles into more cautious and hygienic rather than before! However, the sustainability of Bumiputera-owned SMEs become the hot button of discussion, mainly among local business entrepreneurs as well as politicians. The livelihood of Bumiputera-owned SMEs become the matters of dead or alive as this pandemic shows no sign of retrieve or surrender in its own environment!

2.0 PROBLEM STATEMENT

The lockdown in Malaysia for more than three months has freeze the economy as many business activities were temporarily closed. Majority of Malaysian stayed at their home except going out for groceries, food and medicine during daytime. However, some selected business entities were allowed to resume their activity beginning 4 May 2020 under CMCO followed by reopening of almost all social, educational, business, economic and religious activities on June 10, 2020. Certainly, the pandemic has changed the “game plan” entirely namely to Malaysian SMEs. Their business activities were affected during the lockdown as many of them have less resilience in managing with the shocks in costs and limited supplies from their suppliers, especially from the regions with more COVID-19 cases (Voon, 2020).

The pandemic caused Malaysian SMEs reduced their number of employees up to 42 percent with 63 percent of them reporting lower in sales specifically in the month of April 2020 (SME Magazine, 2020). Due to stern social and physical distancing in public as well as business premises, retailers, namely SMEs unable to operate at full capacity thus affect their revenues and incomes (MRA, 2020). The pandemic not only affect manufacturing sector but also hit the services industry such as hospitality, travel and tourism, food and beverage as well as agriculture industry, property, building and construction. According to Annuar (2020), majority of Malaysian SMEs (91.1%) reported that they faced several problems in their business due to COVID-
19. The problems include fewer requests for their service, cancellation of order as situation become worse, reduction in customer spending and avoiding face-to-face meetings (Annuar, 2020).

The situation led into 75 percent of Malaysian SMEs to voiced out their concern on the sustainability of cash flow as a result of company low sales volume (Annuar, 2020; Shankar, 2020). A study by Omar et al. (2020) confirmed that Malaysian SMEs faced problems in term of operation and supply chain disruption, to determine future business direction, cash flow, access to stimulus packages as well as facing the risk of bankruptcy due to MCO implementation and lockdowns. In a similar vein, Bumiputera-owned SMEs also affected by COVID-19 as they struggling into this business turbulence hoping to remain sustain in the market.

Normally, Bumiputera-owned SMEs encounter their problems in term of financial resources, technical and marketing knowledge of their business (Ishak et al., 2012). In addition, they also facing difficulties in managing their inventory and without proper financial records of their company (Ahmad et al., 2017). This further worsen their financial and cash flows during the pandemic and eventually affect their capability and sustainability to survive during the turbulence time. This paper will accentuate the way of mitigation among Bumiputera-owned SMEs in Malaysia in facing COVID-19 as recommendation to elevate their economic life, enhance capability and sustaining their business in the market alongside curbing the pandemic.

3.0 LITERATURE REVIEW

3.1 SMEs in Malaysia

Small and medium enterprises (SMEs) considered as a melting pot for entrepreneurs to gain experience and venture their business as a starter pack before progressing into higher level of business. Dubbed as economic juggernaut, SMEs contributes towards employment, gross domestic products (GDP) and entrepreneurial spirits. In Malaysia, SMEs is an economic booster that changed the local business environment into a higher level, providing sources of national income (38.3%), contributes to export (17.3%) and workforce among local (66.2%) since the Independent Day. SMEs in Malaysia was defined based on sales turnover and number of employees under manufacturing or services sectors. While Bumiputera-owned SMEs regarded as more than 50 percent of the equity belongs to Bumiputera shareholders (Marimuthu, 2010). There are 907,065 number of establishments by Sector and Size of SMEs in Malaysia. Services become the main sector with 89.2 percent in terms of share followed by manufacturing sector (5.3%) and construction (4.3%).
Table 1 New Definition of Malaysian SMEs (Effective 1 January 2014)

<table>
<thead>
<tr>
<th>Sector / Size</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales</td>
<td>Sales</td>
<td>Sales</td>
</tr>
<tr>
<td></td>
<td>Turnover</td>
<td>Turnover</td>
<td>Turnover</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>&lt; RM300,000</td>
<td>RM300,000 to &lt; RM15 million</td>
<td>RM15 million to ≤ 50 million</td>
</tr>
<tr>
<td></td>
<td>&lt; 5 Employees</td>
<td>5 to &lt; 75 Employees</td>
<td>75 to ≤ 200 Employees</td>
</tr>
<tr>
<td>Services &amp; Other Sectors</td>
<td>RM300,000 to &lt; RM3 million</td>
<td>5 to &lt; 30 Employees</td>
<td>RM3 million to ≤ 20 million</td>
</tr>
</tbody>
</table>

Note: < is less than
≤ is not exceeding
Source: National SME Development Council (NSDC)

Table 2 Number of Establishments by Sector and Size

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of SME Establishments</th>
<th>Share of SMEs (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Micro</td>
<td>Small</td>
</tr>
<tr>
<td>Services</td>
<td>649,186</td>
<td>148,078</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>22,083</td>
<td>23,096</td>
</tr>
<tr>
<td>Construction</td>
<td>17,321</td>
<td>17,008</td>
</tr>
<tr>
<td>Agriculture</td>
<td>4,863</td>
<td>4,143</td>
</tr>
<tr>
<td>Mining &amp; Quarrying</td>
<td>217</td>
<td>458</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>693,670</td>
<td>192,783</td>
</tr>
</tbody>
</table>

Source: Economic Census 2016: Profile of Small and Medium Enterprises (reference year 2015), Department of Statistics, Malaysia in National SME Development Council (NSDC)

3.2 The Bumiputera Community and Bumiputera-owned SMEs

Undoubtedly, SMEs uphold and shift the way of life of Malaysian from poverty into betterment, particularly with Bumiputera community. Bumiputera community comprised of 68.8 percent of the total population in Malaysia. Although, Bumiputera become the majority in their homeland, their participation in entrepreneurial activity is still insignificant with only 10 percent of the equity in Malaysia (Zainol et al, 2018). In addition, Institute Masa Depan Malaysia (Masa) stated that 71.3 percent Bumiputera households belong to Bottom 40 or B40 (The Star, 2019). Bumiputera agenda continuously become the main feature in Government commitment to uphold the community into further development in conjunction with Shared Prosperity Vision 2030 (SPV 2030) or Wawasan Kemakmuran Bersama 2030 (WKB 2030) (The Borneo Post, 2019). SPV 2030 is inclusive to Malaysian, however Bumiputera community will be given priority to increase their socio-economic status because their livelihood does not expand in line with national development.

According to Hanifah et al. (2019), Malaysian Government focus on Bumiputera-owned SMEs because of their ownership and market sharing are still relatively lower and still left behind compare to other races in Malaysia. In addition, they continue to have low contribution to Malaysia’s economic growth, particularly GDP (2015) with only below 9 percent (The Borneo Post, 2019). Regardless of the government incentives and programs, the rate of failure among Malaysian SMEs is still high, particularly among Bumiputera-owned SMEs (Bernama, 2017; Yusoff et. al, 2018).
Bernama (2017) stated that, only 18 Bumiputera-owned SMEs managed to sustain their business and survived in the last five years from 100 companies registered with the Companies Commission of Malaysia. The problems arise from their poor planning and lack in terms of management skills (Kaur, 2017).

Furthermore, the allocation of resources to Bumiputera-owned SMEs were overshadowed with political interest that eventually affect the performance of manufacturing and export sector (Chin & Lim, 2018). Bumiputera agenda was affected by corrupt practices, abuse of power and distribution leakages in the supply chain management that hinder economic development among them in competing with other community in Malaysia. This situation signifies that, Bumiputera were prone and susceptible to economic shocks such as infectious disease due to their livelihood traits. Similarly, Bumiputera-owned SMEs are vulnerable because majority of them also venture into micro and small enterprises. The company were badly hurt during lockdown as they are not fully prepared to face such situation.

4.0 DISCUSSION: MITIGATION TOWARDS ENDLESS SUSTAINABILITY

4.1 Solid Financial Reserved

Bumiputera-owned SMEs need to have at least 6 months of solid financial reserved and contingency funds as backup to their overhead and other fixed costs. This is because they need to settle the payment for full salary, rental, other statutory and miscellaneous payments. The deadly pandemic actually become the greatest lesson learning for them to prepare for the unforeseen future incident. This is crucial in order to sustain their presence in the market and to prevent their business from going insolvency or shut down. As reported by Shankar (2020) and Annuar (2020), SMEs in Malaysia faced zero cash flow for about three months due to MCO whereby 33.3 percent of SMEs has the reserves until March 2020, while only 37.8 percent can withstand until April 2020. The introduction of the National Economic Recovery Plan (PENJANA) has definitely brought hopes to Bumiputera-owned SMEs in mitigating and achieving their business recovery. In a nutshell, Bumiputera-owned SMEs need to learn this ordeal as a wake-up call for them to be more proper in managing their financial, inventory and record filling for future projections or market forecast.

4.2 New Technology Adoption

The pandemic is an absolutely an eye-opener to Bumiputera-owned SMEs. They need to step out from their comfort zone of doing the traditional brick-and-mortar. Regardless of any sector and industry, Bumiputera-owned SMEs must embrace and venture into new technology in order to sustain and enhance their business capability. The new technology enables them to rigorously plan for their business activities and guide them to conduct market forecast and profit projections. The pandemic also changes consumer behaviour 360 degree as many of them now rely and shift into online shopping. Previous study by Rahim et al. (2019) stated that, the development of Internet as well as information communication technology boost online businesses in Malaysia with more Malaysian shift to online shopping.

Therefore, Bumiputera-owned SMEs must take this opportunity to promote and sell their products online by shifting their business activity into click-and-mortar. In
addition, the ICT usage among Malaysian SMEs is increasing with majority of the them utilised computer (83.6%), smartphones or tablets (82.3%) and Internet services with 73.7 percent in their daily business routine (SME Corp Malaysia, 2019). This contributes to 30 percent of average online sales to total business sales from 37.9 percent of their involvement in online business activity compare to 28 percent back in 2017 (SME Corp Malaysia, 2019). Moreover, their online business is more focusing on local compare to international market. Majority of Malaysian SMEs use Facebook (87.7%) followed by WhatsApp and Instagram with 73.5 and 64.9 percent respectively (SME Corp Malaysia, 2019). The development of digital technology, social media and online business apps will help, particularly Bumiputera-owned SMEs (involved in supply chain for agriculture and foods products) on reaching their customers during difficult times.

4.3 Co-create with their Customers More Vital Now

According to Kotler et al. (2010), collaboration in social media also considered as new source of innovation especially through consumers participation. Moreover, marketers nowadays no longer have an absolute control over their brands as they are now competing with powerful consumers (Kotler et al., 2010). Consumers are no longer an isolated individual and passive in a dynamic network environment but become the integral part in development of product and brands (Kim & Choi, 2019; Kotler et al., 2010). They are more connected among each other and actively seeking information as well as delivery their useful feedback to companies (Kotler et al., 2010). Therefore, Bumiputera-owned SMEs need to collaborate with their consumers by listening to them in order to penetrate into their black box of minds and capture market insights using various social media platforms. Interestingly, Prahalad and Ramaswamy (2004) has introduced a mechanism of building greater relationship with customers through collaboration and involvement which became the basing of co-creation model. Prahalad and Ramaswamy (2004) donned the model by flexing into the elements of dialogue, access, risk assessment and transparency to become the DART Model in Figure 1. Bumiputera-owned SMEs can implement this model in understanding and further penetrate into consumer’s black box for their actual needs, wants and desires. Consumers’ black box is crucial in understand their utmost needs, wants and desires. Previous study by Azmi and Rahim (2015) stated that SMEs products faced difficulties in penetrating local and international markets due to poor presentation in terms of packaging and branding. Therefore, co-creation between Bumiputera-owned SMEs and their consumers will highlight collaboration between them to produce and promote the best products as well as brands with holistic that capture their real intention to purchase it particularly from the dialogue activity. According to Kotler et al. (2010), there are three key processes of co-creation beginning with the creation of a platform, a generic product that can be customised further. This followed by the product customisation from consumers’ own individual perspective within a network platform to match with their unique identity (Kotler et al., 2010). Finally, firm can acquire consumers’ feedback and improve further the platform by incorporating all the customisation made by consumers (Kotler et al., 2010). This will further improve the development of the products and services as well as to answers the consumers’ pain during the pandemic time.
4.4 Participation in Online Trainings, Courses and Solutions

SMEs in Malaysia facing financial, management and marketing issues that contributes to their business operation failure in the market because they always neglect the management skills as they followed their own instincts and experience in managing their business (Rahman et al., 2016). Similarly, this issues also faced by Bumiputera-owned SMEs. Therefore, Malaysian Government has identified seven Key Digitalisation Areas that should be adopted by SMEs, particularly Bumiputera-
owned SMEs. This area includes, Digital Marketing and Sales, Electronic Point of Sales (e-Pos) System, HR Payroll System or CRM, Procurement, E-Commerce, Remote Working, and ERP or Accounting and Tax. Looking at these points, Bumiputera-owned SMEs should venture and participate in online course and training which related to these areas. This will give them an advantage to further improve their digitalisation skills in business management.

Previous study by Rahim et al. (2019) also stated that, Bumiputera-owned SMEs were looking for training and support which related to Facebook Ads, business coaching programs, customer relationship management, Search Engine Optimization (SEO), website development, seed funding to begin online business, Google Ads, subsidy for initial infrastructure costs in starting an online business, e-mail marketing as well as matching program to facilitate getting agents and vendors. Therefore, an intervention online programs that include training and advisory services should be introduced that focus to specific skills, targeted to different needs of entrepreneurs and should be able to cater to different level of their life cycle.

Malaysia Digital Economy Corporation (MDEC) and solutions tech company also cooperate each other in offering and providing local SMEs with counselling and consultations on technology solutions that suit to their business operations. This will help local SMEs especially Bumiputera-owned SMEs to ease their understanding about digitalisation and at the same time providing solutions towards their problems in relations to implementations of digital technology in their company. As the online courses and training becomes the latest trend in business world, Bumiputera-owned SMEs should take the opportunity to invest their time and money obtaining the knowledge and skills provided by the program for the betterment of their organisation. Through the program, it is hope that Bumiputera-owned SMEs can take a leap into the digital world to connect with high-tech savvy consumers.

5.0 CONCLUSION

No doubt that COVID-19 shattered almost all business activities around the world. COVID-19 is a new powerful force that drastically change the economic landscape and create Domino’s Effect to every single sector and industry from manufacturing, agriculture, construction, services and even to the public toilet services! This situation sealed with a kiss of suffering to SMEs in Malaysia particularly Bumiputera-owned SMEs. They faced lack of capitals and reserves, loss of revenues, retrenchment and changing in customer preferences during MCO and area lockdowns. Therefore, they need to prepare a comprehensive and solid funds for emergency plan for their company sustainability. Bumiputera-owned SMEs needs to embrace social media and networking usage namely Facebook, Twitter, Instagram and Snapchat because these platforms become an integral part of Malaysians’ daily routine. Facebook is the largest social media platform, not only in Malaysia but also in the world. The implementation of social and physical distancing forcibly contributes significant changes as part of public new norms and doing business digitally is imperatively crucial to Bumiputera-owned SMEs. In addition, Bumiputera-owned SMEs should listen to their customers by collaborate and co-create with them in term of products and services as well as their brands. Through this, Bumiputera-owned SMEs can efficiently produce as well as to promote their products and
services based on idea, suggestions and point of view from their customers. Bumiputera-owned SMEs needs to venture themselves into online training, course and solutions. This is for the betterment of their organisation. In a nutshell, Bumiputera-owned SMEs must capture one of the megatrends of the century – digital technology! They need to adapt their organisation structure quickly with the pace of consumer behaviour today, that is everything will be at their fingertips. Finally, it is essentially for them to get ready with the dynamic business environment accordingly in creating a new winning factor for survival in the bloody red ocean market in answering their livelihood whether – dead or alive!

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