



SCALE UP!

Leveraging **digitalization** to improve
productivity, overcome low profit margins
and **building** a more **resilient** business



Key Sections to the **GUIDE**



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* Statista, as of January 2022
 - Business **Strategy** & Diagnostic Session
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Who Is This Guide **For?**

This guide is for SME owners and entrepreneurs who want to increase their business sustainability during challenging times. It will provide business fundamentals that will future-proof your company.

Business owners can use this guide to learn what other businesses have done to sustain, survive and thrive against tough market conditions.

This guide is for people who want to leave a legacy through their businesses, and willing to rewrite the story of their lives; and that their business "ended" prematurely is just not acceptable!



Who Is This Guide **NOT** For?

It is not for people who are not willing to do what it takes to succeed. You can reflect and deliberate for as long as you want; but remember this –

your door of opportunity will close on you unless there is a follow-up action.



Message from Malaysia Productivity Corporation

The past few years have been challenging because of the pandemic and difficult business climate. As a result, most businesses are seeing their margins being compressed and costs of doing business increasing.

Doing business during post pandemic is more challenging. However, by leveraging on productivity improvement, businesses can improve their chances of making more profit and hence, surviving and thriving against all odds.

Malaysia Productivity Corporation (MPC) committed to facilitate businesses through initiatives related to talent, technology, and regulations. This partnership with SAMENTA, which focusses on building awareness and understanding on businesses resilience among SMEs, is one of the programmes in the pipeline.

The establishment of 11 Productivity Nexus under Malaysia Productivity Blueprint (MPB) are responsible for crafting and executing high-impact programmes to address industry challenges in building the future workforce, driving digitalisation and innovation, making the industry responsible for productivity, forging a robust industry ecosystem, and securing a strong implementation mechanism.

At the same time, as secretariat for Special Task Force to Facilitate Business or PEMUDAH, we partner with both public and private sector to identify and dismantle unnecessary red-tapes, bureaucracy and regulatory burdens on businesses to allow industries to operate seamlessly.

**Dato' Abdul Latif
Haji Abu Seman**
Director General |
Malaysia Productivity Corporation



Message from Small and Medium Enterprises Association of Malaysia (SAMENTA)

As Malaysia's oldest and largest association of SMEs, SAMENTA is committed to being the voice of SMEs and in helping SMEs grow their businesses.

SCALE UP! is a timely guide for SMEs against the current low margin environment that most of us are facing.

The pandemic has been relentless. Many businesses have collapsed. And those who have survived are facing increased costs, low margins, and now – a sudden increment in minimum wages.

We hope that this guide will serve to inspire you to transform your business to be more resilient. Costs will continue to go up, and the only way for us to survive and thrive is to increase the PRODUCTIVITY of our respective businesses, while utilising TECHNOLOGY effectively.

Hey everyone!

If you have read this far, you must be someone who has been thinking positively about enabling your business, beyond the bad news that the landscape is presenting you.

You are looking for answers – strategies, inspiration, solutions, and options. And you are looking at using this pandemic to strengthen your business; making your business run faster, more efficient, and more effective.

You realize that banging your head in panic over this downtime is a worthless waste of time and energy. Instead, you'd rather focus on building your business.

The last couple of months have been crazy, and as an entrepreneur & founder myself, and coach & adviser to many in my community, we have been supporting many businesses to pivot, go bigger, go digital and for most – TO STAY ALIVE. And remember...

**"The Pandemic is Temporary;
Your Business is Your Legacy."**



Datuk William Ng
Chairman | SAMENTA Central



Maresa Ng
Chairperson | Community Engagement
and Development SAMENTA Central

Definition of Productivity

The effect of the Covid-19 pandemic has posed serious economic challenges for the business community. Having to adhere to lockdowns has adversely affected the performance and productivity of many SMEs everywhere. The changing business environment and customers' expectations have resulted in them having to re-evaluate their positions and implement concrete steps to persevere. One factor that can ensure their survival is to enhance productivity.

What is Productivity?



1. Plan strategically

What are you doing tomorrow? On the face of it, that might seem like a ridiculously simple question, but it isn't. As humans, we often set ourselves unrealistic targets and goals – sometimes without realising it. And that results in one thing: an inability to get to the bottom of a mounting to-do list.

To avoid this, make sure you plan each day strategically. Write down exactly what you want to achieve and then trim it down to the tasks which you know you can undertake and arrange them according to priority.

2. Focus on Implementation

This is perhaps the hardest element of managing productivity, but one that you can master in time. To remain focused, you need to work on just one project at a time, and that goes right back to the to-do list planning noted above. If you know what you need to do each day, you can tackle each job, one at a time. Don't flirt between tasks; instead, put all of your focus and effort into just one task until it is completed.

3. Choose wisely

We only have a limited amount of time each day, therefore it should be put to the best use. This can only happen if you make the right choices.

What really matters? Which tasks or projects can wait until tomorrow, next week, or next month? What are most likely to be profitable and please your customers? Always focus on what matters by choosing the tasks which deliver the biggest bang for your limited time.

4. Consistency

We all work at different paces, but the key to remaining productive is keeping a consistent pace.

Your work rate may be lightning fast but for others, it might be much slower. Neither way is right or wrong – it's whatever works for everyone. So, remember – it doesn't matter how fast or slow you move as long as you don't stop doing.

Factors Influencing Productivity?



What is Productivity ?

“Need for managers and workers to improve their performance through improving the quality of products and services with creativity and innovation”

“An outcome of better use of resources that will improve quality of life and sustain prosperity”

“Productivity is something positive and implies the utilisation of resources efficiently”

**Sustain Prosperity
Better Quality of Life**

Outcome

Productivity

Industries

Innovation

Creating jobs
and growing the
economy

Process

Product

Market

System

Enabling Business
With Coherent
Policies

**Human
Capital
& Education**

Regulation

**Fiscal
Policy &
Taxes**

**Access to
Capital
Market**

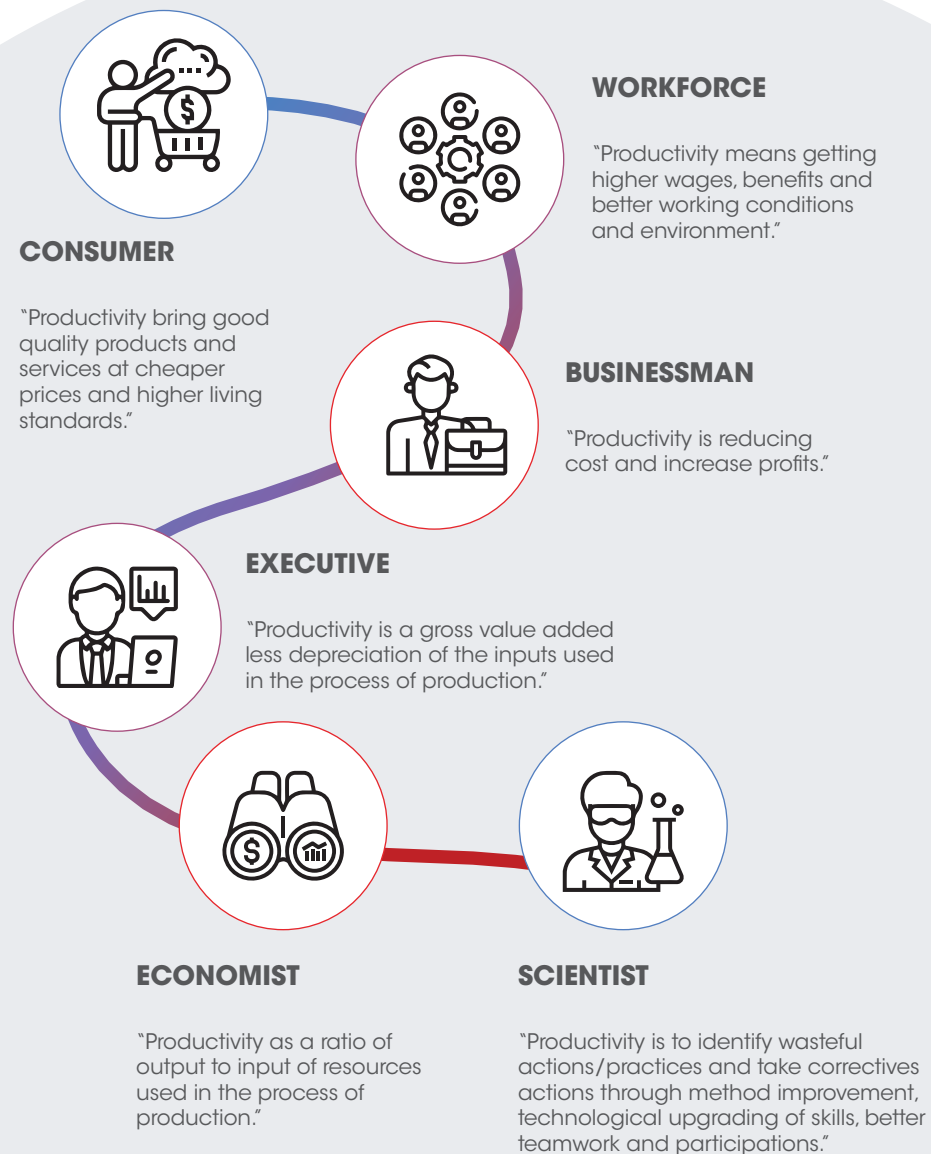
**Infra-
structures &
Transport**



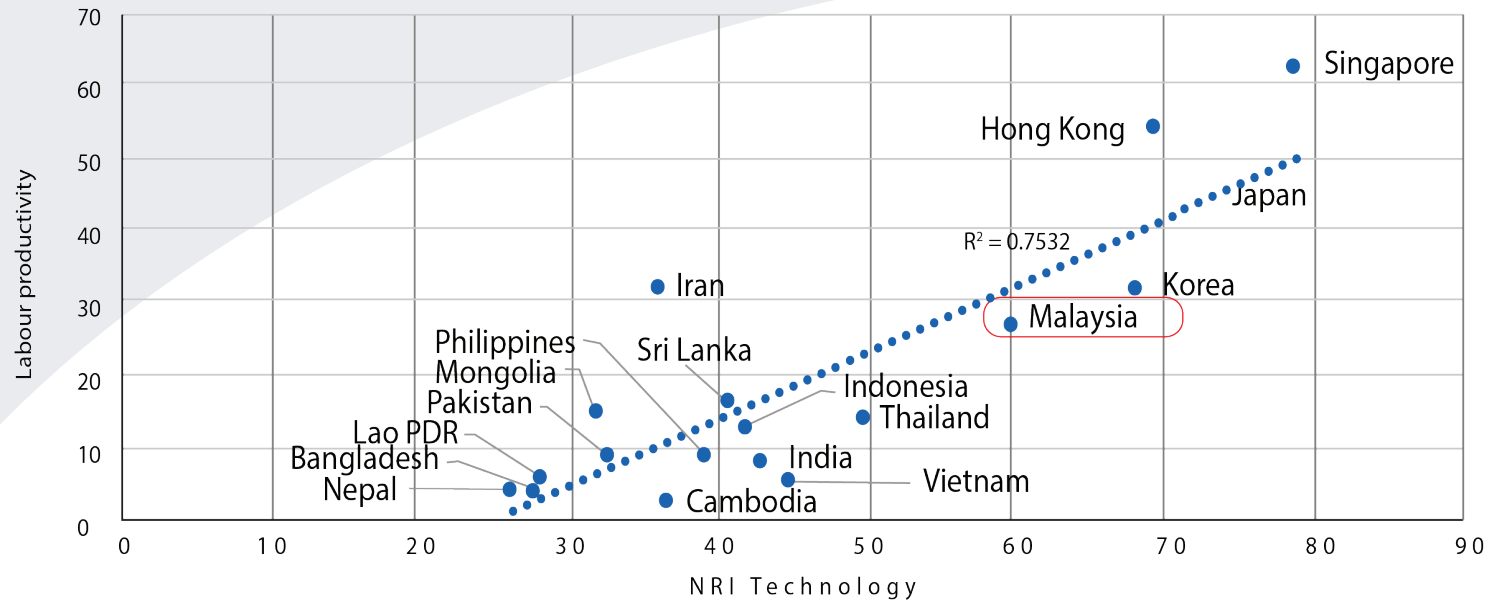
Shared values

Collaboration · Coordination · Communication · Competency

Different people have different perspectives on the definition of productivity.



Technology for Productivity lead to Better Quality of life and Sustain Prosperity



Source : Malaysia Productivity Report Forum 2021, by Dean Parham

Technology for Productivity

- Productivity enables us to continue to **prosper, creating more jobs and higher wages**
- Malaysia aspires to drive **3.6% productivity growth**
- Digital technologies** offer vast potential to enhance the **productivity of firms**.

How will higher productivity Benefit the country?



Expands capital investment, upgrades technical capabilities of businesses and improve industry competitiveness



Enhances the country's competitiveness, expands its export base and attracts more foreign investment



Increases savings and lower prices of goods and services

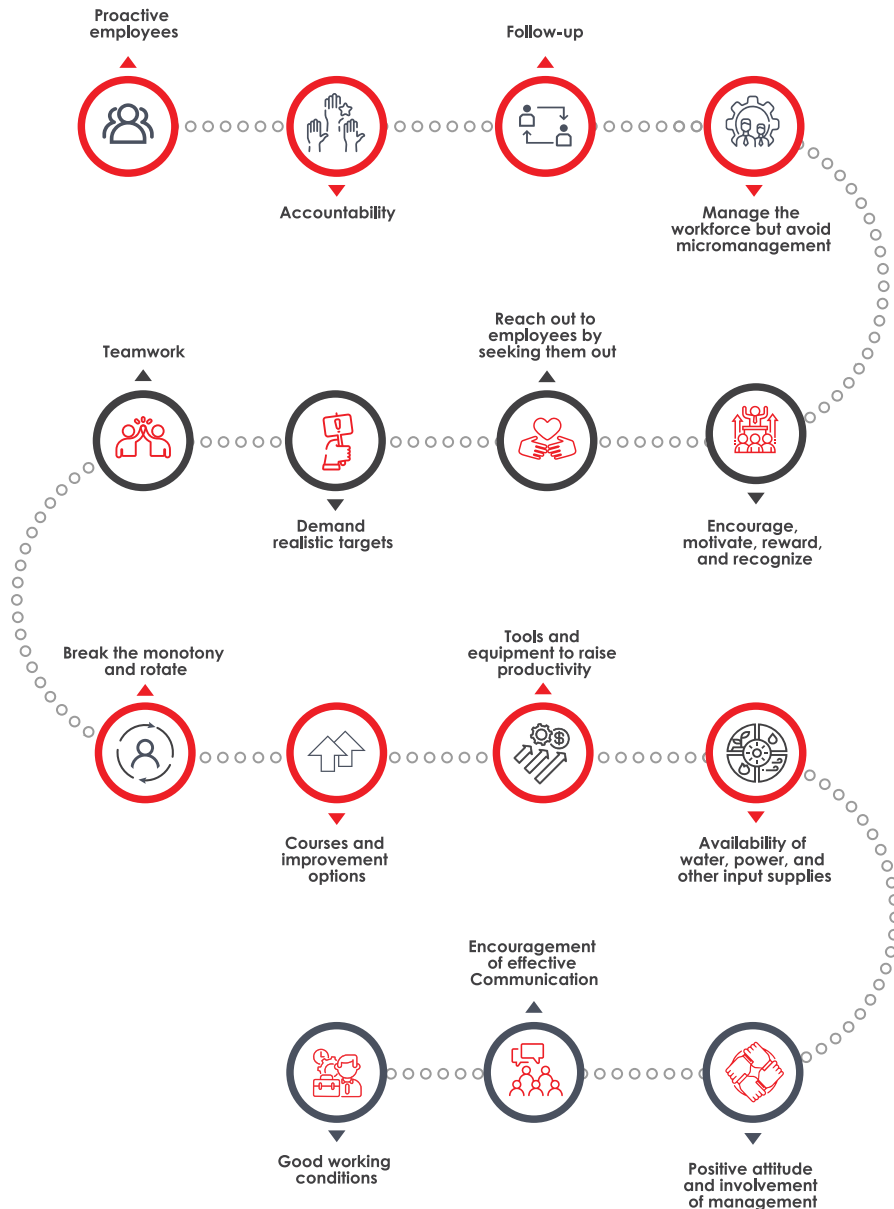


Develops personal skills and capabilities and leads to higher overall wages and salaries, improved working conditions, better job security and an improved sense of well-being



Ensures a higher standard of living by reducing the effects of inflation, creating more employment opportunities and eliminating social conflict as goods and services become more affordable

15 Factors to Enhance Productivity



e-Shared Prosperity Organisation (eSPO)

e-Shared Prosperity Organisation (eSPO) is an effective revenue-sharing method to encourage a dynamic shared prosperity approach that will contribute to enhancing organisation competitiveness.

Productivity-Linked Wage System (PLWS) is much needed as the foundation of driving digitalization efforts across our workforce, to ease digitalization adoption through a clear required increase in performance and productivity.

As an organisation tasked with enhancing productivity among business entities in Malaysia, MPC is actively implementing various programmes to strengthen the capabilities of SMEs. Among them is the e-Shared Prosperity Organisation e-certification (<https://www.mpc.gov.my/espo>) initiative.

eSPO is an online system that issues electronic acknowledgment certificates to the organisation that successfully implemented the Productivity-Linked Wage System (PLWS), a flexible wage system that reflects mutual benefit in which incentives are distributed in accordance to the performance or productivity of employees and employers respectively.

This is an effective revenue-sharing method to encourage a dynamic shared prosperity approach that will contribute to enhancing organisation competitiveness.

eSPO is recognised by the *Ministry of International Trade and Industry, Ministry of Human Resources, and Malaysia Productivity Corporation.*

All industries of different sizes from manufacturing, services, construction, agriculture and mining & quarrying as well as other sectors are eligible to participate in this scheme.

Objectives of eSPO

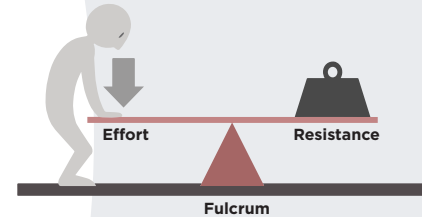
- To acknowledge organisations that practice mutual wealth creation and wealth sharing between employers and employees
- To recognise organisations that implement PLWS
- To increase the outreach through active participation of organisations to adopt PLWS

To qualify for the certification, organisations will be evaluated and will be given scores that are formulated based on the three components: Bonus & Productivity, Performance, and Skill Incentives.

If a candidate fails at the first submission, it can re-submit the application after three months from the date of the first submission.



Four Key Areas of Leverage



WHAT IS LEVERAGE?

Getting more with less

Leverage is about doing the work once, and building assets in our businesses that once developed, can generate results over and over again, without the same initial effort.

Like a Fulcrum, it is about lifting the heaviest resistance with minimal effort. In Business, it means you are able to generate the most profitability, with the least amount of time and energy.

The next few parts of this Guidebook is about building the leverageable assets in your business, to enhance resilience.

"I better start leveraging the business."



Four Key Areas of **Leverage**

WHAT IS **LEVERAGING?**

Leveraging the business is when you (owner, founder, CEO, directors) are able to grow your business, beyond the 24 hours that you have.

Something is wrong with your business model when you (the owner) get busier as your business gets more customers and sales!

Regardless of which industry you are in, i.e. manufacturing, software development, education, childcare, lawyers, accountants, property, hotel & hospitality, travel, creative agencies, pharmacy, retail, construction & engineering companies, and consulting firms), every business can be leveraged, and going digital eases that leveragability even more.

If you need help with understanding your business better, reach to us, and we will be happy to work with you.

So, there are 4 forms of leverage, and this Thriver's Guide is about guiding you through each of them.

Let's begin...



Four Key Areas of **Leverage**

Lever #1 **Marketing & Branding Engine**

The pandemic highlighted one MAJOR weakness most SMEs and businesses have – a substantial lack of a digital and online marketing strategy!

Businesses seemed to have painted themselves into a corner when lockdowns were enforced, and it became apparent plenty of SMEs didn't have a relevant online strategy.

They were stumped. This is just one part of "enabling" your Marketing Engine.

Here are a few key insights to be aware of:

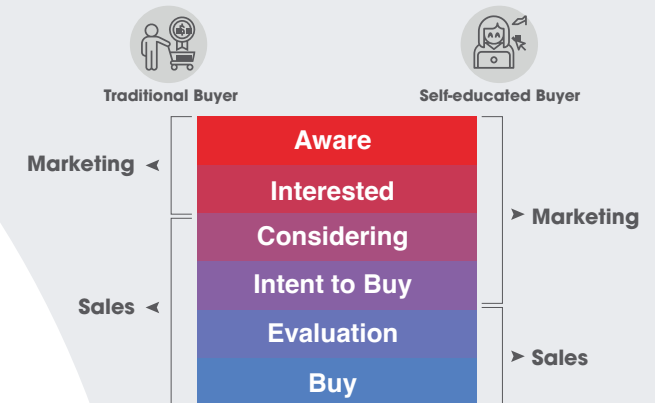
Consumer Patterns are Changing

Your customers are changing from Traditional Sales to being Self Educated Buyers. In the traditional sales process, more time is invested in selling and conversion, instead of marketing (communication and education).

Gone are the days when telemarketing, door-to-door sales, and cold calling were actively utilised. These days, sales and marketing need much more sophistication.

As consumers change toward being Self-Educated, businesses must realise that consumers are doing a lot of their own research, engaging in the sales process only when they are ready with a decision.

What this means to entrepreneurs is that they have to invest in educating potential customers about their products or services. This can be done on social media or on their company website.



How Customer Behaviour is Changing

Four Key Areas of Leverage

Lever #1 One Way Communication and Awareness

The pandemic also spotlighted a deep weakness in how businesses manage their communication with customers. It was a rude awakening when lock downs were implemented, and business owners lost their usual link to customers.

Many SMEs were not able to keep communicating with their customers for various reasons. Some due to a lack of contact details, while others were for not having a proper Facebook fan page for their business, where customers can reach out to. Some also didn't have an email marketing plan.

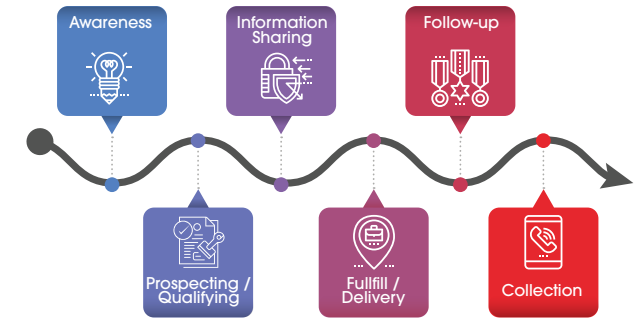
Communication, Education and Awareness seemed to be a one-way street, and once the sale was done (transaction completed), the education and awareness stopped, leaving out a massive opportunity for businesses to keep educating their consumers and adding more value to them!

Always remember - businesses are never profitable just by doing ONE transaction with each customer. The profits are in REPEATED transactions from every single person; and it costs seven times more money to get a new customer than it is to do business with an existing one.



Four Key Areas of Leverage

So, what is the other half and what else business owners can do to **COMPLETE** the Customer Life Cycle, and generate better profits (even during this pandemic)?



When Education & Awareness Stops with the Sale.

Critical Strategies in Lever #1: Marketing & Branding

1. Ensure your website is up-to-date and search engine optimised.
2. Conduct sales training & coaching for your employees (not just sales teams)
3. Update your socials with recent information and contact information.
4. Train your employees or personally shoot simple content videos about your products and services regularly – keep building awareness.
5. Review your Acquisition Cost. Acquisition Cost is your Total Marketing Cost / Number of New Customers. Review if this amount is lower than your Average Dollar Sale. (Average Dollar Sale = Total Sales for the month / total number of transactions)
6. Maintain a database of customers that you can continuously connect, update and educate about your latest products & services.
7. Digitalise your sales process, and collect sales conversion data at every sales phase.
8. Add a greater value to your products & services, through understanding your customers frustrations. Consider a customer survey and feedback.



Four Key Areas of Leverage

Lever #2 Systems & Digitalisation

An important lever – not an urgent one – that most businesses ONLY start building when they are desperate is the Lever of Systems & Technology.

This usually happens when:

- Employees are making repetitive mistakes.
- Much of revenue generation is still dependent on the key people in the company, or the owner him/herself.
- Redundant resources and overlap of work, together with an excess of manpower for every dollar of revenue generated*.

*This requires a review of your Profit & Loss (P&L) statement, and among many ratios that Business Advisers like us look at, to see if you are OVER or UNDER staffed for every dollar of revenue you generate, dependent on the industry that you are in.

So, what happens when you begin systematising the business?

This abbreviation of S.Y.S.T.E.M.S. carries a useful interpretation. Keep it close to your workstation so that it continues to remind you!

S Saving
Y Your
S Self
T Time
E Energy &
M Money

Leveraging hard



Four Key Areas of Leverage

Before getting started with systematising your business, be aware that there are three (3) types of systems.

First, the **HARDWARE** of your business.

The hardware can be anything physically important to your business: tools, microphones, video cameras, office space, computer servers, etc.

The second type of system is a common one that most people assume when you talk about systems is **SOFTWARE**.

This includes applications, cloud systems, project management, accounting, CRMs, etc.

Optimising software will help you avoid mistakes and saves time as you generate data for decision making.

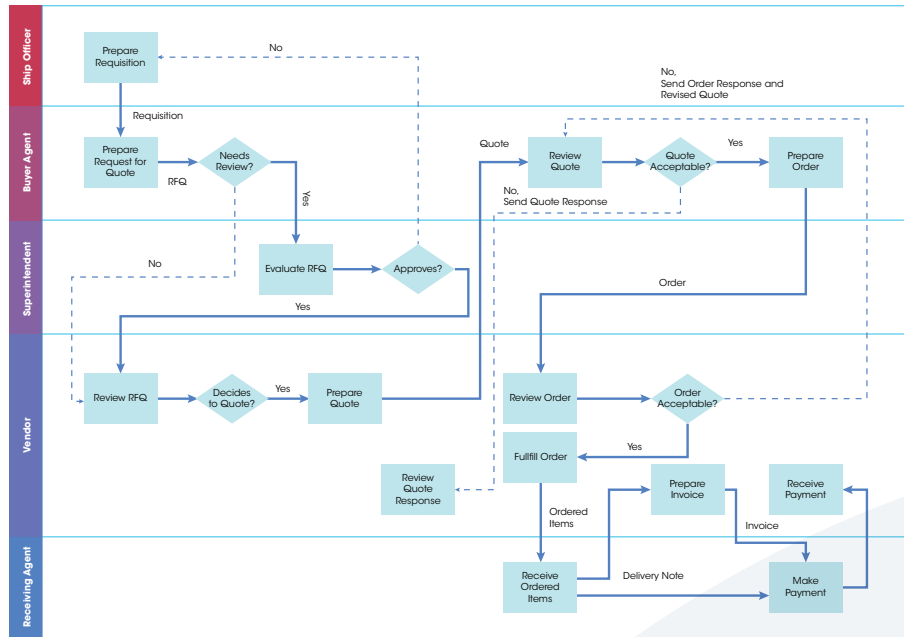
As the business matures, your needs will go beyond off-the-shelf systems, and you will need more integrated systems like SAP.

The third type of system is least thought of, and this is the paperwork needed before you arrive at "moving to a software", these are called **PROCESS FLOWS**.

These are a set of documentation of flowcharts, tables, checklists, forms and templates. If you are a system or procedure-oriented person, you will appreciate a set of Process Flows in running your business. Guess what? It becomes easier to train your employees as well.



Four Key Areas of Leverage



Most business systems must exist in a process flow format before migrating to a software level. Some SMEs make the mistake of migrating to software before getting the process flow charts in place. Systems that are developed without having the necessary fundamentals in place risks being nothing more than an expensive mistake.

Do take note that systematising can be extremely challenging if you have to do it on your own.

This is what has been observed among business owners when they should be sharing the load with their employees!

We coach our clients to set up a small committee, with the owner as Chairman,

and a Project Manager assigned to a senior employee. The project manager is equipped with a timeline of implementation, training, feedback, and review.

When you include your employees, they take better responsibility in building the system. Additionally, they would be much more familiar with the associated systems and SOPs.

You can also have a system or SOP consultant assist you but be sure that you (owners) are on top of the processes that are generated, and that queries and challenges raised by consultants are resolved carefully.

Four Key Areas of Leverage



"And that's the ultimate goal – that your employees understand what works best for your company than you do!"

Maresa Ng
Chairperson | Community
Engagement and Development
SAMENTA Centra

Critical Strategies in Lever #2: Systems & Digitalisation

1. Digitise your business information into digital forms as best possible.
2. Have a common platform for document storage (cloud storage like Dropbox, Google Drive) with managed access among your staff.
3. Use a communication & work management platform to manage communication among staff for specific projects (like Slack, Monday), to avoid staff using WhatsApp groups to manage tasks internally.
4. Systematise your process flows from the beginning of customer life, to fulfilment. Get your team involved to expedite the steps.
5. Explore the use of software and applications to manage performance of specific teams & departments, i.e. implement a Field Management System (FMS) to manage your technicians on the field, implement a Point-of-Sale (POS) system for supervisors to manage customer orders and payments easily.
6. Ensure the use of software and applications for support departments like Accounts, Administrative, and Human Resource function as expected to reduce mistakes and redundant work.
7. Consider a System Integration of your workflow after 12-18 months of digitising processes and tasks.

If you need help with any of the above, reach out to us at SAMENTA for support.

Four Key Areas of **Leverage**

Lever #3

People & Productivity

"My employees say there is too much documentation and reporting, and this takes too much time!"

Business leaders need to ensure a few things are in place first before installing these systems:

#1 - Alignment:

This is when future plans are laid out, common goals are set, and reviews of past outcomes are discussed. Initially, 99 per cent of SMEs which we coach were not doing this, despite it being the most critical activity to undertake. If you want to know how, please talk to a coach or consultant today.

#2 - Review:

This is a process of getting the team to share their experiences; or as some people call the post-mortem or debrief. The word review is from the word Rear-View, meaning investigating steps taken during an actual event, and asking the single most important question, "What would happen differently, if we were to do this again?"

#3 - Feedback:

This part of the process is an intentional conversation about improving an employee's set of behaviours regarding an outcome. Some companies do casual feedback, or performance appraisals (documented feedback). The latter is taken more seriously by employees, as their performance is evaluated and documented.

#4 - Training:

This can happen in different ways. Most people think training is a one-day, one-way conversation. Wrong! For SMEs, employee training can happen through OTJ (on-the-job training), buddy system, or even mentoring. *

Note: We differentiate the roles (mentoring, training, coaching, and counselling) in one of our signature programs, called the "Coach Foundation Program (CFP)". This is one of the 3-part courses that teach leaders how to lead a team.



Four Key Areas of **Leverage**

A point to share:

A client runs a few businesses, including two which are dependent on foreign tourists. The two businesses have been getting minimal revenues since early 2020.

The management and owners knew things would not improve soon, so they took this opportunity to section off active areas of the hotel to save on utility costs. At the same time, they invested heavily into training and systems review.

Even though there was a need to have the employees take a marginal pay cut, most of them were on board to go for training. They all knew it was an investment for the future. And when markets reopen, the employees and the business will be ready to capitalise on it!



Critical Strategies in Lever #3: People & Productivity

1. Gather feedback from your employees and understand where they lose productivity, i.e. mistakes, repeated work, confusion.
2. Have a clear set of Performance Expectations or Key Performance Indicators (KPIs) for each department and employee.
3. Conduct training on systems and streamlined process flows.
4. Work with your business adviser to identify areas in your business to improve productivity through your financials.
5. Identify areas of wastage and redundant resources in your business by measuring waste or task outputs over a short period of time.
6. Consider alternatives, i.e. digitising, outsourcing, development of skills, realignment of direction or recruiting people with better skills.
7. Brainstorm with employees how to reduce wastage, reduce redundant work and increase efficiency.
8. Conduct 90-day alignment and planning days with your employees to ensure clarity of direction.
9. Conduct training & coaching for managers on leadership and management areas to enable positive change.
10. Enable career progression discussions through performance appraisals to plan for employee's future growth, and ensure retention.

If you need help with any of the above, reach out to us at SAMENTA for support.

Four Key Areas of **Leverage**

Lever #4 Leading Self, over Leading Others

Attentional Leaders are just reacting to the environment, and the pandemic is arguably the biggest part of that environment. It's driving them bonkers!

Compare that to an Intentional Entrepreneur – a person who sees the big picture, beyond the pandemic; and see further than a year or two.

Being intentional requires us to ask what we really want. What story will you tell when the current business challenges have passed? What story are you going to tell the future generations?

Intentional requires you to be purposeful. You cannot control the situation, and you don't have to. You only have to manage your reaction to the situation.

Many of you try to lead your employees before you learn to lead yourselves. The danger to that is that you end up repeating similar mistakes with different people in your lives and businesses.

You are the common factor in everything you do. Until you realise that, you will take very little responsibility for any poor outcomes and begin to be flexible in your approach with others whether they are business partners, employees, key managers, customers, or even suppliers.

Hence, understanding and being aware of your Leadership Intelligence and the behaviours that come with your style of leadership is pivotal for many business owners who want to grow.

Growth will start with you when you realise who you are.



Four Key Areas of **Leverage**

Pandemic or not, it can be increasingly frustrating when you miss seeing the forest for the trees.

It is similar to having your palm two inches from your face. When the problem is ALL you see, you will give the problem more credit than it should have.

While you stress yourselves out over something that you cannot control, you lose other value in your lives, i.e., health, love, community, hobbies, etc. The pandemic has actually taken away most of the financial momentum of your businesses, but the value of your life has been richer than ever!

It is a great time to be with your kids, pick up a new hobby, build on the fundamentals of your business, take a new course, learn how to cook or bake, and more.

As you step back, remember to value everything else that your life also has, and not focus on what you don't have.



CRITICAL STRATEGIES OF LEVERAGE

1. Ensuring sufficient debt leverage through discussions with financial institutions, and alternative funding platforms
2. Leveraging on skill-sets of external parties without hiring an in-house team (designers, digital service providers, transporters, virtual personal assistants, etc)
3. Create digital assets that you can leverage in enabling awareness and education about your business. Digital assets include: eBooks, articles, videos, website, mobile apps, photos, images, etc.
4. Have a long term 3-5 year plan, that includes your exit strategy and retirement plan.
5. Explore engaging a business advisor to review the productivity levels of your business, by reviewing the financial statements of the company.
6. Discover areas of wastage and redundancy in the business, and consider alternatives, i.e. digitising, outsourcing, retraining, realignment, or recruitment.

If you need help with any of the above, reach out to us at SAMENTA for support.

SCALE UP!

is produced by **Malaysia Productivity Corporation**
and **SAMENTA**, with adapted works by **Maresa Ng**



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