

## **JURUTERA AUGUST 2019**

### **Theme: Women on Board: Beyond Gender Equality to Leadership**

Mr. Noor Azmi Mat Said is the Chief Executive Officer of SME Corporation Malaysia (SME Corp. Malaysia), the key agency promoting and driving the SME sector in Malaysia. He graduated from Universiti Teknologi Malaysia (UTM) in Chemical Engineering, started his career with Exxon Mobil refinery in Port Dickson, and took up roles in process engineering, short and long-term planning, project evaluation and economics, as well as investment appraisal before transitioning to entrepreneurship. Today, he is spearheading SME Corp. Malaysia into the 21<sup>st</sup> century.



**Q:** More than 90% of business establishments in Malaysia are small and medium enterprises (SMEs). What is the current contribution of SMEs to Malaysia's GDP and country's export? How far are we from our targets?

*SME comprises 98.5% of the total business establishments in the country or 907,065 business establishments in 2015 based on Economic Census 2016: Profile of SMEs published by Department of Statistics, Malaysia (DOSM). The definition of SME for the manufacturing sector is business that either has 200 or less full-time employees, or sales turnover not exceeding RM50 million. Meanwhile for SMEs in the services sector is defined as those with 75 or less full-time employees, or sales turnover not exceeding RM20 million. It is common to have*

high number of SMEs, often more than 95% in ASEAN countries. For the year 2017, SMEs in Malaysia contributed about 37.1% to the overall GDP, which is about RM435.1 billion. Current SME contribution to total exports stood at 17.3% or RM167.4 billion to total exports. We would like to achieve our target contribution of 41% to GDP by the end of 2020. As for export, we are looking to achieve 23% SME contribution to export. Intervention from the Government is essential to achieve these.

Ultimately, we want to target more than 50% of GDP contributed by SMEs. As at 2017, 66% of employment in the country is contributed by SMEs. It relates directly to the consumer market confidence and happiness index where the state of economic will be felt at the bottom level. Intervention measures have been presented and discussed in the National Entrepreneur and SME Development Council Meeting (NESDC) chaired by the Prime Minister of Malaysia in early April. From our studies with Huawei, we find that there is a correlation between GDP contribution and connectivity. We are pushing for connectivity so that more industries will be connected taking cognisance on the fact that the fundamentals of IR4.0 is digitalisation. However, only 30% of our SMEs are IR4.0 ready, whilst others are still in computerisation.

**Q:** SMEs play an important role in our transition to high-income economy. In Malaysia, how many percentage of SMEs are technology/engineering related companies? How do we fare compare to more developed countries?

Studies by World Bank on high-growth firms vary in other countries and not necessarily be high technology. In some countries, it is tourism while others are agricultural. High-growth firms contribute more than 3 times in terms of GDP and more than 2.5 times in terms of employment. The definition of high-growth firms are businesses that grow at least 20% in 3 consecutive years. We are currently working with World Bank to identify high-growth areas in Malaysia for us to focus. Once we define the sectors, we will look at how to incentivise them. We are also looking into how to do better in alternative financing, like equity crowd funding (ECF) and peer-to-peer financing (P2P). Malaysia is currently leading in ECF platform regionally. We are looking into how to build more confidence and capacity building in ECF. The performance for P2P is about RM20 million last year. An innovative and compelling business model is very important, and it is not all about technology.

Based on the Economic Census 2016: Profile of SMEs by DOSM, of total SME establishments, about 76.5% are microenterprises, 21.2% are small-sized firms and 2.3% are medium-sized firms. Looking across key economic sectors, SMEs are highly concentrated in the services sector which accounted for 89.2% of total SME establishments while about 5.3% of SMEs involved in the manufacturing sector. For SMEs in the services sector, majority of SMEs (51.2%) are in the distributive trade sub-sector (wholesale & retail trade services), followed by 20.4% in the food & beverages services. Meanwhile, there are altogether 54,801 SMEs involved in the technology or engineering-related industries (covering both services and manufacturing sectors) in the country.

**Q:** Currently, how many percent of SMEs are owned/led by woman?

About 20.6% SMEs are led by women. Datuk Hazimah of Hyrax Oil is an example of woman high achievers in manufacturing.

**Q:** Entrepreneurship comes with a host of challenges. It's a big step from an engineer to an entrepreneur, especially a successful one like you. Coming from an engineering background, what do you think are the major obstacles for engineers to transition to successful entrepreneurs.

*In this era of IR4.0, it is about convergence of technology. Data analytics is about convergence of knowledge on statistics, engineering, basic science and computer programming. Being an entrepreneur is also about convergence of knowledge and skills.*

*As engineers, we like to highlight technicality and functionality of the product and focus too much on logic. However, the essentials is that we need to build up an effective business model and a product that people want to buy. We need to put emotions into the product to sell it. Nowadays, the world is going towards service-based model for example in aerospace and soon, the rail industry. You no longer need to own a car for you to use a car a few hours a day in the future. When we design a product, it is no longer to be replaced in 1 to 2 years but to last longer for a rental market, so the thought process must be different.*

*We need to harness both sides of our brain, the scientific and creative side to be successful in the business today. Logic and emotion are two different polarity. As engineers, we inherited the thinking that focus on SOPs, logics but in reality, people tend to buy based on emotion.*

**Q:** What are the challenges that are unique to women entrepreneurs? Are they the same for women here and women around the world?

*The National Entrepreneurship Framework (NEF) outlines 21 strategic objectives under four strategic thrusts to promote entrepreneurship. We are looking into implementing National Entrepreneurship Policy all across our ministries. We are not only looking at women entrepreneurs, but also youth and B40 income group. We are also looking to bring up micro industries into becoming small and medium scale and subsequently graduate into large companies. In entrepreneurship, whether woman or not, the 3 key factors are the capacity building of the entrepreneur itself, financing to assist the entrepreneurs and how to make the business compelling. In IR4.0, many things will change in the next 3 to 5 years. For example, the bank's physical presence will no longer be important. Individuals must continuously build capacities in key strategic areas of entrepreneurship. Having a strategic foresight is very important for entrepreneurs. Foresight is not about predicting the future, but about finding insight in long-term trends that are observable and actionable today based on hindsight.*

**Q:** In the engineering education today, what are your suggestion to improve entrepreneurial skills in graduates?

*First, I would say to break that logic barrier. Nowadays, we have 'immersive games', however, most of us used to play logic games when growing up. You must consider the activities that trigger your creative side of the brain in order to optimise both sides of our brains to gain full potentials. However, sometimes when you study engineering, you tend to only develop one side of the brain and in the process, losing another side of the brain, the creative side.*

**Q:** Given a second chance, would you still choose to study engineering as your first degree?

*Yes, I would. I like Physics very much. During those days, MacGyver was my inspiration. I think I was lucky to be a Process Engineer with Chemical Engineering as my background. The most important thing I learned is the principle of balance, where  $In = Out$ . I will definitely not hesitate to take Chemical Engineering as my first degree again.*