
05

ENTERPRISE-LEVEL
INITIATIVES

Firm-level intervention is imperative to address specific productivity constraints at the firm level and to ensure the achievement of industry and national productivity targets. This chapter will present the firm-level intervention that will be undertaken in a systematic and structured manner, based on a diagnostic toolkit and using existing R&D intermediaries.

The previous two chapters focus on productivity initiatives at national and sector levels. This chapter presents the approach to address productivity at the enterprise level. The micro-level intervention is imperative to address specific productivity constraints at the enterprise level and to ensure the achievement of industry and national productivity targets. It will be undertaken in a systematic and structured manner through the Enterprise Productivity Programme. This programme is designed to provide a customised and hands-on approach to increase the productivity of enterprises based on a diagnostic toolkit and using existing research and development (R&D) intermediaries, such as the Public-Private Research Network (PPRN), PlaTCOM, Steinbeis and SIRIM-Fraunhofer. The results and key learning from the pilot programme for seven participating enterprises from the retail and food and beverages (F&B), agro-food and chemicals and chemical products subsector are also shared.

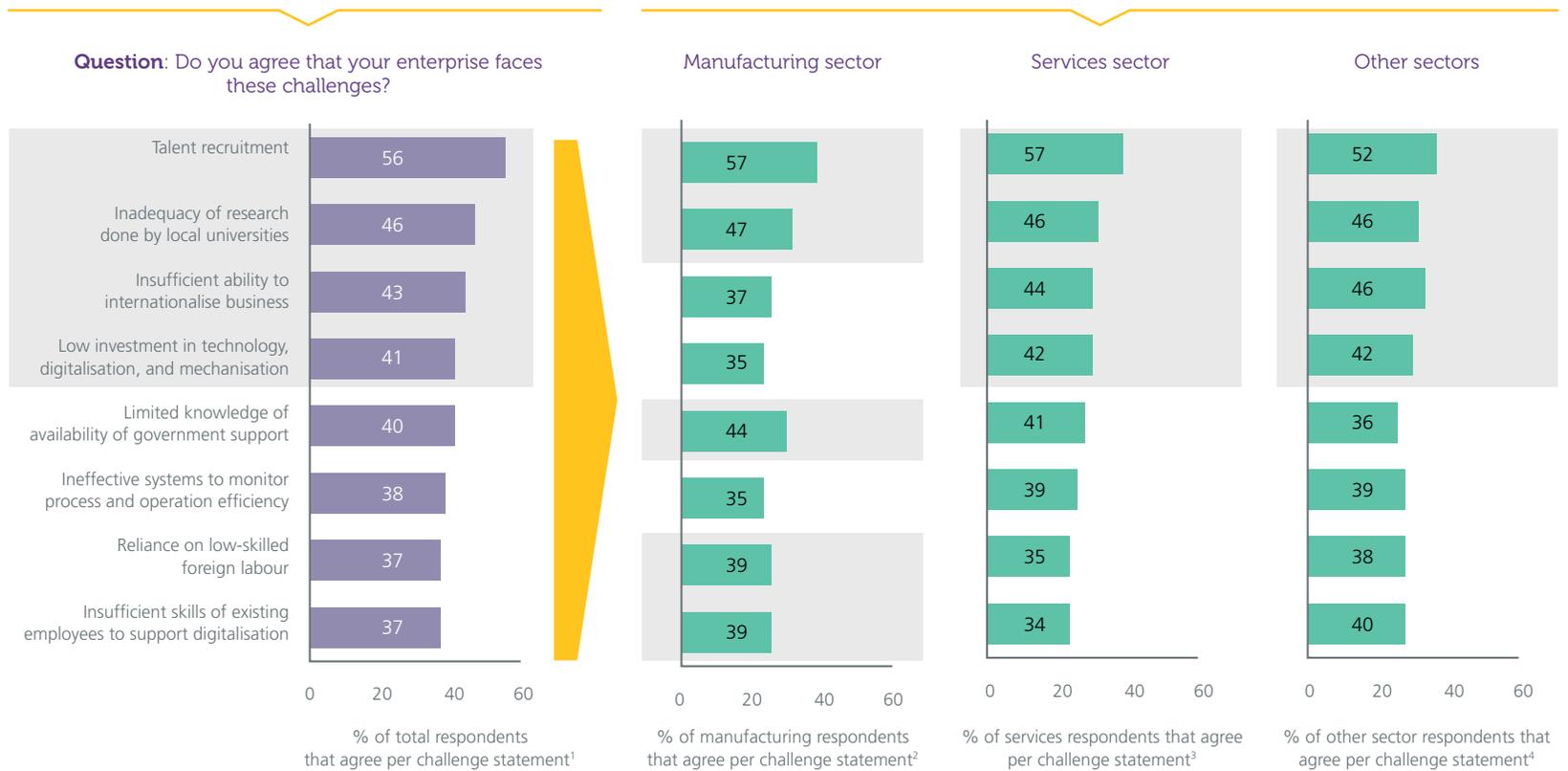
Enterprise Survey Results

A survey was conducted at the enterprise level to identify specific challenges faced by enterprises in improving productivity. Generally, enterprises are constrained by talent issues, the applicability of research, the ability to internationalise their businesses and investments in technology. For the manufacturing sector in particular, it is also constrained by insufficient knowledge of existing government support, a high reliance on low-skilled foreign labour as well as limited skills of existing employees to support further digitalisation of the business.

Figure 5-1 CHALLENGES THAT IMPEDE PRODUCTIVITY FOR ENTERPRISES

Top 4 productivity challenges: talent, research, ability to internationalise and investment in technology

Some nuances by sector, for example manufacturing also facing issues with foreign labour reliance

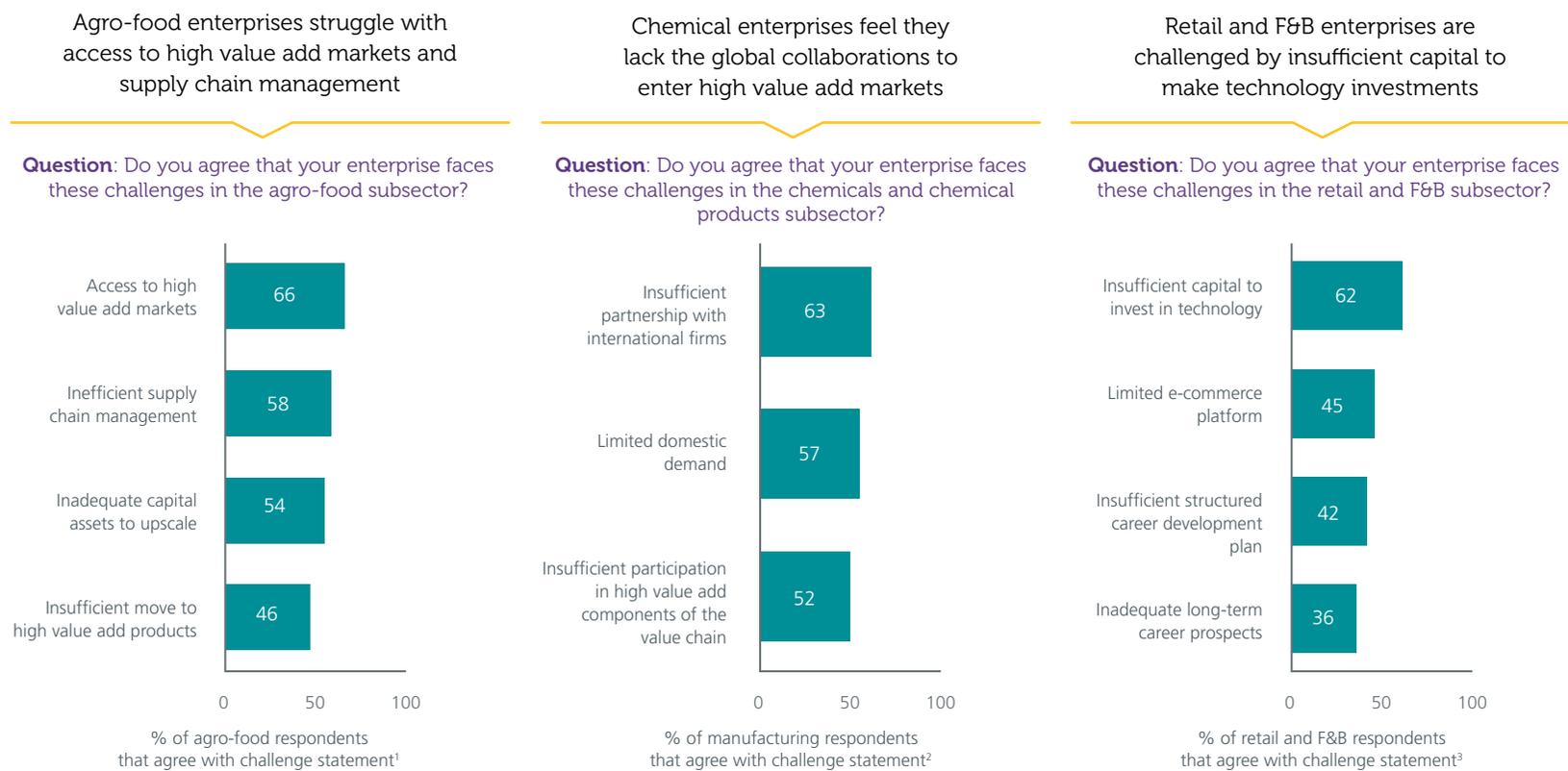


1. Includes chemicals and chemical products, electrical and electronics, machinery and equipment and other manufacturing industries.
 2. Includes finance and insurance, ICT, private and public healthcare, logistics, tourism, retail and food & beverages, and professional services.
 3. Includes agro-food, other agriculture, construction, civil service and other services / subsectors.
 4. Respondents that agree includes the responses of "Strongly Agree" and "Agree".

It is also important to disaggregate the findings between subsectors to address the sectoral differences. The survey illustrated that while agro-food enterprises are more likely to struggle with gaining access to high value add markets and managing their supply chain, enterprises in the

retail and F&B subsector face large obstacles in obtaining capital to invest in technology. Lastly, enterprises in the chemicals and chemical products subsector struggle in building more international collaborations, which would help push their products into new markets.

Figure 5-2 CHALLENGES THAT IMPEDE PRODUCTIVITY FOR ENTERPRISES IN THE AGRO-FOOD, RETAIL AND F&B, AND CHEMICALS AND CHEMICAL PRODUCTS SUBSECTORS



1. Refers to only agro-food respondents, N = 50 as of 22nd July 2016.
 2. Refers to only chemicals and chemical products respondents, N = 59 as of 22nd July 2016.
 3. Refers to only retail and F&B respondents, N = 163 as of 22nd July 2016.
 Note: Respondents that agree includes the responses of "Strongly Agree" and "Agree".

Enterprise Productivity Programme

The Blueprint proposes an Enterprise Productivity Programme to enable enterprises raise their productivity performance based on a pilot programme. The pilot programme involved seven enterprises drawn from the three subsectors, namely retail and F&B, agro-food, and chemicals and chemical products. The programme was conducted by a productivity enablement team, which made up of public and private consultants as well as industry experts.

The Enterprise Productivity Programme consists of two key elements: an Enterprise Productivity Diagnostic (EPD) framework, which is a qualitative assessment of enterprise productivity, and a Productivity Metrics Toolkit, which is designed to enable enterprises collect and track their own productivity data.

Enterprise Productivity Diagnostic Framework

The EPD framework forms the first part of the Enterprise Productivity Programme. The framework has four main dimensions and was designed to group and diagnose the challenges faced at enterprise level as well as guide the recommendations (See Figure 5-3). The four dimensions within the framework are:

- 1 Strategy and Leadership**
This measure assesses the ability of an enterprise to grow sustainably via the application of a clear, coherent and consistent business strategy and operating model.
- 2 Operational Excellence**
This measure assesses the ability of an enterprise to drive efficiency by streamlining processes, and to deploy the right tools to support these initiatives.
- 3 Talent Management**
This measure assesses the ability of an enterprise to enable and encourage individual performance by raising employees' skill levels and improving recruitment and retention of staff.
- 4 Customer and Product Experience**
This measure assesses the ability of an enterprise to incorporate customer needs into the design of products and/or service offerings.

Figure 5-3 COMPREHENSIVE ENTERPRISE PRODUCTIVITY DIAGNOSTIC FRAMEWORK DEVELOPED FOR THE ENTERPRISE PRODUCTIVITY PROGRAMME



Using the information obtained from stakeholder interviews and best-practice benchmarks, a heatmap diagnostic was conducted for the enterprises participating in the pilot programme¹. Evaluation scores in line with best-practice benchmarks have dimensions that are coloured green, scores that indicate a movement towards best-practice benchmarks are coloured yellow, and existing practices that require significant areas of improvements are coloured red. Using this diagnostic, the productivity enablement team proposed enterprise-specific initiatives for each dimension in the EPD framework. The initiatives were developed with the advice of industry experts and anchored on best-practice case studies.

Productivity Metrics Toolkit

The Productivity Metrics Toolkit forms the second part of the Enterprise Productivity Programme. During this phase, enterprises were introduced to operational productivity metrics that require tracking (see Figure 5-4). A dashboard was designed around these productivity metrics measures to ease the process of measuring and tracking of productivity performance for individual enterprises. Utilising this user-friendly and intuitive dashboard, enterprises are able to generate and track over time their unique productivity metrics. Simultaneously, this exercise raised awareness of the importance of productivity to growth and profitability of enterprises.

¹. Seven enterprises were selected to be part of the pilot programme, based on their size, productivity gap and potential, and support from their senior management.

Figure 5-4 PRODUCTIVITY METRICS FOR CHEMICALS AND CHEMICAL PRODUCTS, AGRO-FOOD, AND RETAIL AND F&B SUBSECTORS



CHEMICALS AND CHEMICAL PRODUCTS



AGRO-FOOD



RETAIL AND F&B

VALUE ADD / EMPLOYEE (RM)

$$\frac{(\text{EBITDA}^1 + \text{Total labour cost})}{\text{Total number of employees}}$$

Capacity Utilisation Rate (%)		Actual output / Potential output * 100		Capacity Utilisation Rate (%)		Actual Output / Installed Capacity		Sales / FTE ² (RM)		Local retail sales / Total FTE ²	
Labour as % of Sales (%)		Total labour cost / Total sales		Labour as % of Sales (%)		Total labour cost / Total sales		Labour cost as % of sales		Total labour cost / Local retail sales	
Machine Utilisation (%)		Operating hours / available hours * 100		Total Output / FTE ² (RM)		Total Output / Total FTE ²		Sales / square foot (RM)		Local retail sales / Size of selling space (sq ft)	
Cycle Time (number of days)		Number of days it takes for a customer to receive a product		Total Cost per Output (RM)		Cost of Goods Sold (Labour, Materials, Marketing, Packaging Costs) / Total Output		Sales / Total Fixed Assets (RM)		Local retail sales / Cost of total fixed assets	

1. Earnings before interests, taxes, depreciation and amortization.
 2. Full-Time Equivalent employees.

OVERALL INDICATOR

OPERATIONAL INDICATORS

BOX 5-1

WHY DO WE NEED TO ASSESS PRODUCTIVITY PERFORMANCE?

Enterprises traditionally only think about profits and not productivity

Most companies feel that improving productivity would require high capital



This issue is particularly glaring in SMEs, where modernisation is deterred by high investment costs and high dependency on cash flow cycles

However, it is more sustainable for a company to focus on value add (VA)

Value add is the value created by the company and its employees



$$VA = \text{Sales} - \text{Operating Costs} = \text{Profit} + \text{Wages}$$

When value add increases, both profit and wages can increase over time. Employees will be motivated to work to achieve the company's goals.

Labour productivity can measure an employee's efficiency in generating value

Given how important workers are, companies should track efficiency by measuring their value add per employee



Which is labour productivity, that is how much output can be generated by one employee

The Pilot Programme

The selected enterprises for the pilot programme went through both stages of the Enterprise Productivity Programme. Following this, the Productivity Enablement Team provided proposed initiatives and recommendations. An example of the analysis conducted is shared below for each of the deep-dive subsectors.

Example 1: Food and Beverages Enterprise Deep-Dive

A family-owned business within the F&B subsector aspires to grow their business internationally within the next few years. The business currently operates under several brands and has restaurants scattered around the Klang Valley. The different brands aim to target different consumer groups and the associated restaurants serve different cuisines.

Figure 5-5 HEATMAP DIAGNOSTIC EXERCISE FOR F&B ENTERPRISE PILOT EXAMPLE



The heatmap diagnostic conducted using the EPD framework revealed that the business performed well in the Strategy and Leadership dimension, while the Operational Excellence dimension showed practices that were moving in the right direction as the best-practice benchmarks (see Figure 5-5). However, the enterprise showed significant opportunities for improvement in two dimensions: Talent Management and Customer and Product Experience.

Summary of Pain Points and Recommendations

Strategy and Leadership

Pain points:

- Management style is still very hands-on, with the founder playing a significant role in all business decisions

Recommendations:

- The founder to lead all expansion efforts to prevent a dilution of the brand value
- The management team to pick only one strong brand to establish in overseas venture
- A clear line of succession should be established so that the company is not dependent entirely on the founder for continued operations

Operational Excellence

Pain points:

- The operations are only overseen by only one operations manager across all restaurants and this causes the manager to be spread quite thin
- Insufficient menu analysis results in cost inefficiency
- Insufficient supply chain management leads to inconsistent quantity and quality of raw ingredients

Recommendations:

- Area managers need to be appointed to assist in auditing of restaurants
- Set the maximum threshold for food ingredient cost to not more than 30-40% of total sales value
- Adopt IT systems for data-driven labour scheduling
- Establish a central kitchen to reduce the preparation time and costs of standard food products across different outlets

Talent Management**Pain points:**

- Training programmes for employee development have low take-up rate
- Challenge in recruiting and retaining front-line staff, particularly Malaysian staff
- Existing incentives provided require restructuring to boost morale and reduce turnover

Recommendations:

- Ensure rising stars in the business are retained by monitoring attrition rate (for example, attrition rate of more than 50% raises a red flag)
- Emphasise transparency and flexibility of career path (for example, create a customisable roadmap outlining different career progression options for employees)
- Adopt flexible working hours for permanent staff as retention strategy for staff with household commitments

Customer and Product Experience**Pain points:**

- Challenge in differentiating business from competitors and offering a unique value proposition

Recommendations:

- Run a company-wide initiative to get input from staff on improving customer service
- Conduct customer research to identify key customer segments and

their occasion needs (such as holiday festivities) instead of segmenting based on demographics alone

- Place tech-savvy staff in charge of social media presence

Example 2: Agro-food Enterprise Deep-Dive

A small local business specialising in the manufacturing of instant coffee mixes and freeze-dried tropical fruits seeks to expand its reach in local and international markets. However, this industry is characterised by many small players competing in the same markets. The company is now trying to differentiate itself by offering more unique products to cater to niche markets.

The heatmap diagnostic conducted using the EPD framework revealed that the Strategy and Leadership as well as Talent Management dimensions showed efforts in the right direction (see Figure 5-6). However,

Figure 5-6 HEATMAP DIAGNOSTIC EXERCISE FOR AGRO-FOOD ENTERPRISE PILOT EXAMPLE



the enterprise showed significant opportunities for improvement in two dimensions: Customer and Product Experience, and Operational Excellence.

Summary of Pain Points and Recommendations

Customer and Product Experience

Pain points:

- A lack of strategic focus has resulted in insufficient research and development, which in turn has resulted in poor product development
- Government red-tape causes delays in standards compliance certification
- Facing regulatory issues in exporting certain products

Recommendations:

- Focus and boost research and development efforts to deliver products that cater to attractive market segments
- Collaborate with local competitors via alliances/consolidation to strengthen the trust between industry players
- Collaborate with government agencies to promote the reduction of restrictions and red-tape

Operational Excellence

Pain points:

- Inconsistent supply and quality of raw materials to meet demand
- Insufficient capital investments to increase automation and production levels
- Gaps in public infrastructure lead to unwanted and unexpected production downtime (for example, power outages)

Recommendations:

- Secure raw material supply via contract farming
- Develop in-house maintenance and crisis management team
- Establish strategic relationships with key stakeholders to raise automation and production levels

Example 3: Chemical Enterprise Deep-Dive

A local plastic manufacturer that specialises in injection moulding for plastic products mainly exports its products to Asia Pacific countries. The business is currently seeking to provide end-to-end solutions to its clients. Its Managing Director is currently the key person that drives and oversees the whole business and its operations.

The heatmap diagnostic conducted using the EPD framework showed that the Operational Excellence as well as Customer and Product Experience showed efforts in the right direction, while the Strategy and Leadership and Talent Management dimensions showed significant opportunities for improvement (see Figure 5-7).

Figure 5-7 HEATMAP DIAGNOSTIC EXERCISE FOR CHEMICALS ENTERPRISE PILOT EXAMPLE



Summary of Pain Points and Recommendations

Strategy and Leadership

Pain points:

- Heavy reliance on the Managing Director for direction and oversight
- Inadequate succession planning; there is no clear line of succession should the Managing Director leave the business

Recommendations:

- Formalise and document business plans and strategies
- Frequently refresh implementation plans to ensure effectiveness and improve business efficiency
- Launch succession planning efforts as soon as possible

Operational Excellence

Pain points:

- Procurement of a consistent supply of raw material is challenging, leading to long lead times
- There is a high reliance on manual assembly and packaging, with mechanisation efforts of these processes proving to be challenging
- Limited access to affordable domestic supply of raw materials limits the ability to explore new business options

Recommendations:

- Invest in rapid prototyping solutions that offer faster prototype turnover times so that less time is spent waiting and more time is spent on testing
- Invest in process control and automation systems to ensure that there is a smooth and seamless linkage between processes

Talent Management

Pain points:

- Productivity metrics are not formally tracked and monitored
- Inadequate operational training available to staff and operational knowledge is limited to the leadership
- Difficulty in attracting and retaining talent, especially in middle management

Recommendations:

- Engage with academia to explore apprenticeship and internship opportunities
- Introduce incentives to attract and retain middle managers
- Conduct more skill transfer sessions from senior staff
- Engage clients and suppliers to provide training to reduce the burden on leadership to provide training

Customer and Product Experience

Pain points:

- Over-reliance on key accounts, where a small number of customers made up an overwhelmingly large portion of revenue
- All research and development is carried out by the Managing Director or the Factory Manager
- Intellectual property associated with the mould design belongs to the client
- The business faces steep competition from cheaper production centres

Recommendations:

- Provide after-sales service, including product and design improvements
- Expand the capabilities of the research and development department
- Develop turnkey solutions that would facilitate in-house development of intellectual property that can serve a wider group of clients with minimal modification

Key Lessons from Productivity Pilot Programme

Overall, this pilot yielded key learnings across the board and also highlighted some key considerations for the subsequent roll out of enterprise studies:

1 **Enterprises typically monitor top line performance but do not actively track productivity metrics**

During the duration of the pilot study, enterprises struggled to provide the data required to calculate the productivity metrics. Hence, it is critical that the importance of tracking productivity metrics be continuously emphasised.

2 **Deep-dives are most effective when enterprise leaders aspire to grow the business and are receptive to improvements**

Throughout the pilot study, enterprise leaders who intended to scale up their businesses have showed more concern about productivity improvements. On the other hand, family-owned businesses which are less geared to expansion have shown

slightly more resistance to adopting new work methods. Thus, the Blueprint suggests targeting enterprises that have clear growth aspirations, and that have shown openness to new working methods during the pilot phase.

3 **Involvement of industry experts is critical to provide specific insights and solutions**

Industry experts were engaged to support the Productivity Enablement Team during each enterprise study, enabling the team to benefit from these experts' unique positions in providing sector-specific insights and sharing best-practices to address the challenges raised.

4 **Focused conversations with multiple employees of different functions and levels help drive more open discussion of challenges**

Interviews across all levels of employees were conducted within the enterprises to understand the unique challenges. Small group conversations were most effective in facilitating open conversations, while separate conversations with mid- or working-level staff also yielded insights that top management may not have been willing to share as openly. Therefore, interview sessions should be conducted in a one-to-one or small group setting, with a small number of interviewers to facilitate more candid and open conversations. Separate interviews should be conducted with employees from different functions across all working levels to garner a more holistic view of the challenges.

Existing platforms can be utilised to help address the enterprise-level challenges. The PPRN, part of the Ministry of Higher Education (MOHE), facilitates the collaboration between university researchers and industry players in contract research. Intermediaries have also been established by the government, such as Steinbeis, SIRIM-Fraunhofer and PlaTCOM, to encourage industry players to innovate and improve their market competitiveness and productivity (see Figure 5-8). The intermediaries will assist in identifying the right business solutions, in terms of technology, process and business model improvements. These strategic alliances will accelerate the sharing of knowledge and innovative ideas, and ultimately boost company competitiveness and productivity.²

In the long-term, the rollout of the Enterprise Productivity Programme will be carried out through the sector Productivity Nexus. The structure of the sector Productivity Nexus will be explained in further detail in Chapter 6 of the Blueprint.

Figure 5-8 SCOPE OF WORK FOR INTERMEDIARIES³

The Public-Private Research Network

This initiative, introduced by MOHE, in collaboration with MTDC and SME Corp, aims to connect companies, especially SMEs, to researchers at the institute of higher learning to provide solutions. It will be a catalyst for innovation, knowledge-sharing and technological advancement for local companies.

PlaTCOM Ventures Sdn. Bhd.

PlaTCOM Ventures Sdn. Bhd. is the national technology commercialisation platform. It is a smart partnership between National Innovation Agency Malaysia (AIM) and SME Corp. The platform provides end-to-end facilitation services from concept to commercialisation of innovation, including access to funding, infrastructure, testing, validation, regulatory certification, market intelligence, technical expertise and commercialisation advisory.

Steinbeis Malaysia Foundation

Steinbeis Malaysia Foundation aims to connect academia to industry and promote effective and efficient cooperation in knowledge and technology transfers. It will enable academics and scientists to set up 'mini-entities' or 'transfer centres' to conduct short consultations, R&D and projects for private entities, more commonly for SMEs but also larger companies and MNCs. It provides an innovative platform for collaboration for business solutions and focuses on development of the end products.

SIRIM-Fraunhofer Programme

SIRIM-Fraunhofer Programme is a strategic collaboration with Fraunhofer Germany, which focuses on technology penetration and upgrading, technology audit, technology commercialisation as well as strengthening market access to boost productivity of SMEs. Through this programme, SMEs are able to develop new products and processes, solve technological problems, automate and mechanise their production processes, obtain new technologies, and access calibration, testing and certification services. The SIRIM Delivery Mechanism will identify industry problems through technology audit or value chain analysis, industry engagement and direct enquiries. SIRIM will customise solutions for the identified problems to enhance technology penetration and upgrading of SMEs. The delivery of the services and KPIs will be monitored to ensure the success of the programme.

2. 11MP, Strategy Paper 21: Translating Innovation to Wealth.

3. Ministry of Higher Education, National Innovation Agency Malaysia and SIRIM Berhad.



PRODUCTIVITY OPTIMISES OUR TIME AND RESOURCES, HELPING PEOPLE LEAD BETTER QUALITY LIVES

Productive individuals enjoy healthier
work-life balance and collectively create
a happier and healthier society



