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SUIT UP SME!

HOW HRDF PLAYS A ROLE IN POWERING UP MALAYSIA'S SME SECTOR

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SME Definition
 Small and Medium Enterprises with sales turnover not exceeding RM50mil, or 200 workers for manufacturing; and RM20mil, or 75 workers for services and other sectors.

As jobs become more versatile and industries agile, the small and medium enterprises (SMEs) can be considered a saving grace for the most world economies including Malaysia's. Economies that are enveloped by uncertainties are constantly facing changes and require high flexibility to remain successful or stable. The nature of SMEs allows for such adaptability so that the industry remains resilient despite impending challenges. The last SME Annual Report (2015/16) recorded a 6% growth from 2014. Overall the SME GDP contribution in 2015 was 36.3% which translates to 5% of the overall GDP. The Economic Census 2011 shows that SMEs make up the bulk of businesses in

Malaysia with a heavy concentration in service sectors including wholesale and retail for motor vehicles, food and beverage, real estate, education and other professional and technical services. This is followed by manufacturing, agriculture, construction and mining and quarrying, as demonstrated in Figure 1. Even as the local economy faces an ambiguous future, SMEs seem to be riding the waves – even the rough ones – with conviction as the call for the survival heightens.

IDENTIFYING SME CHALLENGES
 A World Bank report states that SMEs represent a whopping 97% of businesses in the country, making the sector the backbone of Malaysia's economy. With such huge representation, great challenges are expected to sweep the sector into intricate complexities.

Challenges here include shortage and mismatch of skills, underrepresentation of women in businesses and a major lack of global competencies due to innovation and technological barriers. The 2013 South-East Asian Economic Outlook Report also suggests that local SMEs are not only struggling with disparities in performance globally – due to the above challenges – but also locally, with an apparent gap between rural and urban SMEs, quite possibly due to limited infrastructure, resources and access to information.

There are ample initiatives being put in place to address these issues, particularly, skill shortages and mismatches that have a firm grip on the industry. The SME Masterplan (2012-2020) is one major initiative that aims to improve the SME GDP contribution to 41% (from the current 36%) by identifying challenges faced by the sector and chartering plans to efficiently manage and overcome them. This is where central agencies like **Human Resources Development Fund (HRDF)** comes into the picture, with a mass of programmes and initiatives, aimed at enhancing the capacity and capabilities of SMEs nationwide. HRDF provides certification programmes, life-long learning opportunities, training needs analysis, skills training and funding opportunities to accelerate the growth of SMEs in the country.

CREATING A 'SUPER' WORKFORCE
 Although total economic contribution by SMEs seems small, the industry accounts for 67% of total employment in Malaysia in 2015 (Economic Census 2011) but driving the sector to assume the responsibility of developing a skilled workforce remains a constant challenge. HRDF plays a significant role as they've been mandated by the government to develop relevant reskilling and upskilling training programmes for the local workforce that can be achieved through HRDF's

Sub Sector	Micro	Small	Medium	Total SMEs
Wholesale and Retail Trade & Repair of Motor Vehicles and Motorcycles	228,113	55,048	6,637	289,798
Food and Beverage Services	117,020	24,459	1,242	142,721
Transportation and Storage	34,790	3,901	1,334	40,025
Personal Services and other activities	34,427	2,218	76	36,721
Professional, Scientific, and Technical Services	10,777	7,384	893	19,054
Administrative and Support Service	7,543	2,661	405	10,609
Human Health and Social Work	6,257	2,617	166	9,040
Real Estate Activities	6,107	1,833	240	8,180
Education	5,672	1,923	343	7,938
Arts, Entertainment and Recreation	5,174	874	169	6,217
Financial Services	3,973	1,129	254	5,356
Accommodation	1,448	985	384	2,817
Information and Communication	722	873	285	1,880
Water supply; Sewerage, Waste Management and Remediation activities	381	112	29	522
Electricity, Gas, Steam and Air Conditioning Supply	16	44	47	107
Total	462,420	106,061	12,504	580,985

Sub Sector	Micro	Small	Medium	Total SMEs
Crops	2,678	1,413	634	4,725
Livestock	613	179	108	900
Fisheries	452	261	68	781
Forestry and logging	32	88	182	302
Total	3,775	1,941	992	6,708

Sub Sector	Micro	Small	Medium	Total SMEs
Nonresidential Buildings	1,582	1,554	1,013	4,149
Civil Engineering	1,839	1,406	805	4,050
Residential Buildings	1,381	1,164	792	3,337
Special Trades	3,785	2,601	1,361	7,747
Total	8,587	6,725	3,971	19,283

Figure 1 - Profile of SMEs, Economic Census 2011. Source DOSM; SME CORP

Human Capital Strategic Initiatives. HRDF's chief executive Datuk CM Vignaesarvan Jeyandran says highly skilled human capital is important to keep the country's economy relevant and competitive, globally. "HRDF training and development programmes will not only equip workers with the right competitive skills but also the right attitude and awareness to face and adapt to industrial challenges," says Vignaesarvan. "Domestic businesses must embrace solutions to address skill shortages, talent mobility and talent retention in order to compete effectively in the new economic order driven by the Asean Economic Community," he says. He adds, the government's move to fund reskilling and upskilling programmes will encourage employers to constantly engage professional bodies to train their employees. Wondering how SMEs and the Malaysian economy will benefit from the above agenda? Well, over 80% of employers registered with HRDF are from the SME industry and according to Vignaesarvan, this includes the 17,585 employers from the manufacturing, services, mining and quarrying sectors. The numbers are expected to rise with the recent expansion of the Human

Resources Development Act 2001 (Akta Pembangunan Sumber Manusia 2001). Under the revised act, the number of Malaysians who are eligible for training under HRDF will gradually increase from the current 1.77 million to 2.8 million in the next three years. Overall, HRDF is upskilling almost three million employees that will significantly increase the percentage of skilled workforce in Malaysia. Currently 28% of the nearly 15 million working population in Malaysia are considered skilled workers. This places HRDF on high gear as they are not only creating a highly-skilled talent pool but a 'super' workforce that will drive Malaysia's economy forward. "HRDF is also planning on making it mandatory for SMEs in the manufacturing sector with 10 or more employees to register with us and subsequently be entitled to our training programmes as only those registered with us have access to our funds and programmes," says Vignaesarvan. With sufficient training, HRDF hopes SMEs can innovate, remain relevant and resilient in a volatile world.

POWERING UP SMES
 Upskilling SMEs through training and development is a mammoth task. Business

managers first need to understand the importance of these training programmes. They then, have the task of ensuring their employees are given the opportunity and access to these training. HRDF has made it easy for businesses to have access to funding and resources. In fact, to ease the process, the agency also run Training Needs Analysis to determine the problems faced by these businesses and match them with suitable training programmes to address their immediate needs before delving further. HRDF's SME Training Partner Scheme equips SME employees with specialised skills in the following areas of interest;

- Specialised programmes such as the SME Technology & Productivity Programme
- Human resources management
- Training of internal trainers (train the trainers)
- Upskilling training programmes

Another HRDF initiative that helps SMEs is their "On The Job Training" (OTJ), where a skilled worker is paid to train a new or unskilled employee without having to send the employee out for external training programmes. Employers can claim the additional 'training' payment provided that the OTJ meets all the set criteria.



5 WAYS SMES IN MALAYSIA CAN GROW WITH HRDF

HRDF gives small and medium enterprises opportunities to widen its talent pool with skills-based training and incentives. Here are five ways your organisation can grow through the various initiatives offered by the agency.

UPSKILL THE WORKFORCE
 To grow, a company would first need to upgrade, be it from equipment to skill sets. Setting this in motion is HRDF's **Small and Medium Enterprise (SME) Training Partner Scheme**, done in collaboration with training providers, to upskill the workforce of a registered employer. The course fee will be debited from employers' levy balances.

ON-THE-JOB TRAINING
 If your company already has people with the necessary talent, skills and knowledge to upskill a new batch

of employees, HRDF recognises that too. Its **On The Job Training (OTJ)** facilitates SMEs to train new unskilled employees with the help of a skilled counterpart or supervisor by reducing the need to send a worker for training externally. Those who have been upskilled through this exercise can go on to attain other higher skills and competencies.

IDENTIFY AREAS FOR TRAINING
 One strategic way to grow is to analyse the need for training in your organisation. HRDF's **SME Training Needs Analysis (TNA) Consultancy Scheme** helps mid-level companies by offering fully-subsidised TNA consultancy services. The agency would then help eligible SME employers implement structured training programmes at the enterprise level.

DISCOVER MORE LOCAL TALENT
 For companies that want to reduce dependency on foreign talent, HRDF offers the **Train & Replace Programme (T&R)**, which equips local workers with specific skills to replace existing employees brought in from abroad. Through this initiative, employers also find qualified skilled workers especially in knowledge-intensive industries.

PURCHASE TRAINING EQUIPMENT
 Companies that are ready to scale and grow understand the need to train their workforce. To this end, HRDF provides the **Purchase of Training Equipment Scheme** that allows 100% reimbursement on the purchase of basic training equipment and to set up training rooms.

EVALUATING YOUR SME'S PERFORMANCE

EVERY business needs some form of evaluation whether it is meant for employees, business performance, financial or just strategies. The Performance Management System is a wholesome concept that can help SMEs stay on track by evaluating your employees – in the right manner – as they are your biggest asset. If you are the kind of leader that expects your people to grow along with your business, the system may just work in your favour. The Performance Management System helps employers set some form of key targets for his employees to meet, evaluate their performance along the way and reward them accordingly. This process is known as the Performance Management System Cycle (View Figure 2).



Figure 2: Performance Management System Cycle

STEP 2: MONITOR PERFORMANCE
 This can be done on a weekly or monthly basis, either through personal meetings or department meetings where section heads discuss or provide feedback on employees' performances. This exercise helps to keep them in the momentum but it should be carried out in a positive and transparent manner, depending on your company culture or you may risk being seen as a scrutiniser.

STEP 3: MID-YEAR REVIEW
 This is important for businesses and the performances of their employees, based on the set target. Reports shared with the employee should come with constructive strategies on ways employees can improve. Supervisors can introduce a performance improvement plan in case their staff miss out on the set targets.

strengthening exercise, between employee and leader, rather than a mere review or evaluation. Positive reinforcement is necessary to instil awareness and keep employees' morale high. At the same time, employers should also welcome feedback and review them accordingly. This helps your staff become aware that you have their growth and best interest in mind as well.

STEP 5: REWARD
 Once the annual performance review concludes, the higher management can then plan for a fair distribution of reward for their employees. Rewards can be in the form of bonuses, promotions, raise or any other form of celebration that fits your business culture such as awards etc. Rewards always boost performances and help employees feel appreciated at the end of the day.

STEP 1: SET A TARGET
 Discuss this target with your employee – via good human resource practices – so that employees know what is expected of them. The target should be specific, measurable, achievable, realistic and timely, much like the way we set goals for ourselves and our businesses.

HRDF works hand in hand with the National Human Resource Centre to provide guidance, assessment forms and briefings on how SMEs can conduct employee evaluation based on the Performance Management System. Visit www.nhrf.com.my for more details.