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Technology, sustainability and people a future growth driver for Malaysian businesses: HSBC research

In tandem with Malaysia's economic vibrancy, businesses across Malaysia believe that the strongest opportunities for future growth lie in prioritising technological innovation, sustainability and developing talent to harness digital innovation, according to a new HSBC survey.

These are some key findings from HSBC's "*Navigator: Made for the Future*" survey, HSBC's latest survey of more than 2,500 companies across 14 markets globally including 200 from Malaysia.

Business outlook for Malaysia: Positive and growing

The survey highlights that 80% of companies in Malaysia have a positive outlook for the near future and expect to grow in the next 1-2 years, in line with companies globally (79%). Almost half of the Malaysian companies (48%) are more optimistic about their business outlook compared to a year ago.

Malaysian exporters who foresee growth of their business also have a positive outlook for the next 1-2 years, with 16% expecting their export business to grow by more than 5% in the next 1-2 years and a further half (51%) expecting a 3-5% increase.

The Malaysian companies surveyed, also expect growth to be driven by an increasing or stable customer base (34%) and the availability of quality suppliers and raw materials (25%). Of these, increasing sustainability demands (30%) is also considerably above the global average (22%).

The outlook in Malaysia is positive and there is a clear balance in favour of those seeing more opportunities than threats (50% versus 16%), and one third seeing them as being equally balanced (34%). The three biggest opportunities for businesses over the next two years are growing the market for their products/ services (27%), adoption of new technologies and entering new markets (both at 25%).

However, new competitors/ competitor performance (32%) is seen as the main threat for businesses. The proportion of businesses who feel this way in Malaysia is one of the highest across all markets with global average being 25%.

Technology innovation underpins growth for Malaysian businesses

The survey reveals that innovation is a business enabler, with 34% of companies in Malaysia citing innovation as critical to their future success, which is considerably above the global average of 26%.

Indeed, almost all (98%) of Malaysian businesses feel that innovation is important, in line with global findings. In Malaysia, there is a slight tilt in opinion with businesses seeing innovation as a growth engine (41%) rather than as a pre-requisite for survival (36%).

Malaysian businesses however, also see three key barriers to innovation which is similar to those seen globally: cost (53%), skill shortage (34%) and uncertain return on investment (32%). The extent of all of these is greater in Malaysia than globally. The cost barrier is mentioned by more businesses in Malaysia than anywhere else across all the markets surveyed

When it comes to top investment priorities, the majority of Malaysian businesses surveyed ranked research, innovation and technology (59%) as their top priority, followed by a focus on two fundamental pillars – their people, through the upskilling of their workforce (57% versus 52% globally); and their customer/ user experience (56% versus 52% globally).

Stuart Milne, Chief Executive Officer of HSBC Malaysia believes Malaysian businesses are more buoyant about their future prospects than the rest of the world given Malaysia's economic vibrancy. "With rising urbanisation, a growing middle class as well as rising investment and trade activity, it's no surprise businesses are seeing more opportunities than threats on the horizon," said Milne.

Milne also believes companies in Malaysia are staying agile and prudent in response to their fast-evolving customer base. "Companies across Malaysia are attuned to disruption, and know innovation is fundamental to future success. By improving productivity and integrating new technologies into their business models, companies in Malaysia can improve the quality of their goods and services and better meet the needs and expectations of their evolving customer base."

The future looks green for Malaysian businesses

According to the research, almost a third (30%) of Malaysian businesses who expect growth feel that increasing sustainability demands will be a driver of growth in the near future, the second highest market behind Hong Kong (34%).

According to Milne, "Malaysian businesses are showing an increasing appetite for sustainability. Our survey shows Malaysia's commitment to sustainability with 39% of businesses citing an increase in their investment in making operations more environmentally sustainable and 72% see their level of sustainability changing which is similar to that of the global average (72%)."

"Investment strategies incorporating Environmental, Social and Governance ('ESG') have seen rapid global growth in recent years. The main factors driving ESG asset growth, among others, include the demand from asset owners and risk mitigation whereby ESG factors can be financially material. We at HSBC believe that ESG factors can be used to drive portfolio outperformance. In fact, here in Malaysia as well as worldwide, we see more asset owners embracing the notion that long-term sustainability needs to be embedded in their investment processes," added Milne.

When it comes to taking the lead in sustainable investment, HSBC in Malaysia launched the world's first United Nations Sustainable Development Goals sukuk in October last year and more recently, launched the first-ever ESG Islamic Structured Product in the Malaysian market which are both in line with Bank Negara Malaysia's Value-based Intermediation ("VBI") initiative.

Are you ‘Made for the Future’?

Technology is also driving a structural shift in how the workforce in Malaysia can be ‘Made for the Future.’

As companies in Malaysia begin to digitise their operations, they see great opportunity in adapting new technologies as vehicles of innovation. Indeed, three quarters (75%) of Malaysian businesses identified the internet of things as their top opportunity, with artificial intelligence and machine learning (67%) trailing closely behind, followed closely by 5G technology (66%). Overall, the key benefit of these technologies is increasing productivity (internet of things 41% and artificial intelligence and machine learning 43% and 5G technology 38%).

Reflecting on the impact of these new technologies and innovations on the workforce, 80% of Malaysian businesses shared that they would need to hire different skills in their workforce. Additionally, Malaysian businesses shared that the impact of these innovations will also enhance their business’s reputation making it a more attractive employer (82%) and making the workforce more productive (80%).

Zooming in on the core competencies needed for the future, the survey found that digital transformation is also having a direct impact on the skills and training organisations will need to implement in the workforce. In Malaysia, businesses are prioritising innovation (34%), skills in digital marketing (33%), and research and development (30%).

Commenting on the workplace of the future in Asia, Milne said: “Businesses in Malaysia are putting their people at the heart of what they do, with 24% of Malaysian companies sharing that they will be investing in the skills of their workforce to ‘future proof’ for success. Compared to other markets in ASEAN, Malaysia scores the highest (26%) when it comes to bringing new skills and experience into the business”.

Milne concluded: “As technology evolves, the time is now for Malaysian companies to equip their people with technology-led training so they can advance in tandem with the industry. As an example, the Alibaba-led Digital Free Trade Zone (DFTZ), which is part of the Belt and Road Initiative, is a platform that leverages on digital technology and opportunities in eCommerce to transfer knowledge and help Malaysian businesses upskill and embrace new digital innovations and technology. Such initiatives and platforms will definitely help to further ensure that Malaysian companies are ‘future ready’ while contributing to the positive outlook and growth of Malaysian companies.”

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Note to editors:

About Navigator: Made for the Future

HSBC’s ‘Navigator: Made for the future ‘ report is based on research commissioned by HSBC and conducted by Kantar. It surveyed over 2,500 businesses with turnover of USD5m or above from 14 key markets globally, including: Australia, Canada, mainland China, France, Germany, Hong Kong, India, Indonesia, Malaysia, Mexico, Singapore, UAE, UK, USA.

Survey respondents were key decision makers and those having significant input into the decision making of their company's strategic direction. The survey gauges sentiment and expectations of the businesses in the near to midterm future, and covers business outlook, future of business in terms of opportunities & threats, investment priorities and changes foreseen in the future; as well as business innovation and workforce, sustainability and success factor for the future.

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About HSBC Malaysia

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