



SPECIAL KEYNOTE ADDRESS

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**MINISTER OF ENTREPRENEUR
DEVELOPMENT**

NATIONAL CONFERENCE ON INDUSTRY

4.0

- What Does the Future Looks Like?

How Business and SME's Can Benefit?-

**Pacific B&C Ballroom, Seri Pacific Hotel
Kuala Lumpur**

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(Thursday)

SALUTATION

YBhg Datuk Kamalul Arifin Othman, **Director, Kingsley Strategic Institute**

YBhg Datuk Michael Kang, **President, SME Association Malaysia**

Distinguished Guests and Speakers,

Members of the Media,

Ladies and Gentlemen

Assalamualaikum W.B.T and Good Afternoon

INTRODUCTION

1. Thank you for inviting me to address this conference organized by Kingsley Strategic Institute (KSI) and SME Association.
2. I am glad to be here to deliver the Keynote Address in the discussion on Industry 4.0, in the presence of eminent industry captains, policymakers and academics who will be played a decisive role as we move towards shaping the future of Malaysia's industry and economy.

EMBRACING INDUSTRY 4.0, CATALYSING CHANGE FOR BUSINESS & SMES

3. Based on a recent survey done by a few international research companies – **one of the most significant 'risk trends for the year 2019'** is what we called – **"the speed of technological change."**
4. In 2018, **almost 38 % of Global CEOs and entrepreneurs considered "speed of technological change" as one of the risk factors that required attention.**
5. In the year 2018, we heard about blockchain boom, the increase in low-code and no-code apps development, the start of the rollout of 5G technology, artificial intelligence, augmented reality – and we will eventually hear more innovations in 2019 onwards.
6. **Business, SMEs, entrepreneurs, and even any country and government for that matter – need to recalibrate our economic agenda and planning accordingly.**

7. In a somewhat comprehensive analysis, completed by World Economic Forum – entitled '**Readiness for the Future of Production Report 2018**' – our country, Malaysia – has been regarded as one of "**25 leading countries**" in terms of **readiness to move forward with the current economic parameters and climate.**

8. In analyzing the 'future of production capabilities,' WEF looking rather deeply into two key frameworks:-

i) **Structure of production** – measuring economic complexity and scale of the economy;

ii) **Drivers of production:** looking into various factors i.e., technology and innovation, human capital, institutional framework, and demand environment.

9. On a personal note, I consider this report by WEF is a good indication for Malaysia. It is indeed a 'vote-of-confidence' that we are heading on the right track as far as Industry 4.0 is concerned.

10. However, the Government cannot ignore the fact that we are not performing very well in terms of "institutional framework."

11. I am very much sanguine and convinced – with an **unwavering undertaking of Budget 2019; with the pledge of Industry4WD – a complete blueprint for Industry 4.0** – Malaysia will rank better in the WEF report next year.

Ladies and Gentlemen,

12. In recent decades, the manufacturing sector has seen rapid evolution. From mass production through intensive labor force working in production lines, to the use of robotics to increase efficiency, to more and more infusion of automation, digitalization, and artificial intelligence.

13. Today, the next phase of evolution in the manufacturing sector is referred to as Industry 4.0.

14. Information technology has now become the new imperative for a business to grow and improve their performances. Global manufacturing processes are being transformed dramatically with the advent of information technologies.

15. Moreover, business models in manufacturing now benefit from data, machines, and systems which have now become interconnected throughout the value chain from production shop-floor to final distribution.

16. Manufacturing firms can no longer reap the same yields as in previous decades if they continue to rely on capital and labor as productivity levers.

17. Readiness to adapt to this evolution will have a bearing on economic success. Therefore, Malaysia needs to quickly embrace Industry 4.0 to propel productivity and further enhance competitiveness.

Ladies and Gentlemen,

18. The small and medium enterprises (SMEs) are an integral component of the Malaysian economy, **contributing 37.1 percent to the overall gross domestic product (GDP) and employing close to 70 percent of the total labor workforce in the country in 2017.**

19. SMEs account for the majority **98.5% of business establishments in Malaysia.** So, as we go along, a large chunk of advanced technology adoption will be driven by SMEs.

20. However, the reality is rather far from desired. Based upon Ministry of Finance's Economic Report 2018/19, titled **Fiscal Outlook 2019**, most of Malaysia's small and medium enterprises (SMEs) have yet to utilize the internet optimally to unlock the opportunities available due to the lack of digital skills, access to talents and high costs.

21. SMEs are only using the internet for basic requirements like browsing and communications including receiving and sending emails, internet banking, searching and posting information.

22. The same report also asserted the fact that Malaysia is basically **"underperforming" in the Business Digital Adoption Index** – compared to our ASEAN neighbors.

23. According to the Malaysia Productivity Corporation, ICT adoption by SMEs in Malaysia is a mere 10%. This is in stark contrast to other developed countries like Germany and Japan where the passage stands at 50%.

24. The changes arising from the digital revolution in the production and value creation process are radical and pose a real challenge to SMEs in Malaysia.

25. Among the biggest challenges facing Malaysian SMEs in embracing Industry 4.0 are **Human Capital Development, Financing Implication, and Effective Change Management.**

26. In terms of human capital, it is safe to say that workers will need to acquire differently or an all-new set of skills.

27. To stay competitive, SMEs have no choice but to embrace creative production and include more Industry 4.0 elements into their operations. SMEs players need to be "**Talent Champions**" – one who knows what skill sets their companies to need—and willingness to pick-up-the-tab in terms of training and development.

28. One of the central agency under the **Ministry of Entrepreneurship Development (MED)** completed a "**Digitalization Survey of SMEs in 2018**" – and **79.7 % of respondents realized the importance of ICT adoption.** Unfortunately, not many among the respondents are willing to leap their business operations. My prediction, most of them are so worried about the cost implication of such an important move.

29. **The second key challenge** is about financial implications. Industry 4.0 requires existing installations to be adapted and, in some cases, it may require an entirely new set-up of IT infrastructure.

30. These costs may present barriers for SMEs, especially micro and small firms, to embrace Industry 4.0. However, these huge investments will eventually yield big impacts, as in the long run, SMEs will experience cost efficiency when Industry 4.0 has been fully implemented.

31. Another challenge and perhaps the most important one that manufacturing companies face in integrating digitalization is ensuring that their people are aligned with this vision.

32. It is important for SMEs who are different in nature compared to large corporations to realize that their venture into Industry 4.0 adoption requires leadership and change management.

33. We need more leaders of Malaysian SMEs to be "**Disruption Drivers**" in this current economic climate. Malaysian SMEs leaders who feel "ready to lead" in the Industry 4.0 era.

34. Leaders who are prepared to capitalize on the opportunities associated with Industry 4.0. Leaders who are willing to invest in talents and new skill sets. Leaders who are eager to work closely with us, the Government to move forward.

CLOSING

Ladies and Gentlemen,

35. MED, via our strategic agencies, will give our full commitment to facilitate the realization of Industry 4.0 among SMEs in Malaysia. We are primed and equipped, God willing, to help the Government with core endeavor of Budget 2019.

36. **Huge allocation has been earmarked for SME development in 2019 under the Third Focus: To Foster an Entrepreneurial Economy.** Among the key initiatives include financing, Industry 4.0, export, tourism, agriculture, entrepreneurship, human capital development, and incentives.

37. True enough, **Industry 4.0 is not solely about interesting catchphrase or buzzword – it is a confluence of trends and technologies that will shape our future.** Please come forward and help us to realize Malaysia as a truly – **“entrepreneurial nation”**.

38. Let us sustain Malaysia’s competitiveness. Assist us to maintain our readiness as among the “leading countries” in Industry 4.0.

Thank you.