

Digital Transformation and SMEs in Malaysia: Exploratory Reflections into the Employee Perspective of, and their Role in, Digital Transformation

Nadiyah Suki

Asia Pacific University (APU), Malaysia

Small and medium-sized enterprises (SMEs) are engines of national economic growth (Glonti et al., 2021), constituting at least 90% of businesses worldwide (The World Bank, 2021) and contributing around 50-60% direct and indirect economic value (OECD, 2019). In Malaysia, 98.5% of businesses are SMEs (SME Corp & Huawei, 2018), contributing significantly to national GDP and employment and it is with these businesses that this research will focus on. SMEs have engaged with the trend towards digital adoption (World Bank Group, 2018) to take advantage of efficiencies and enhanced profit margins. This pursuit of transformational change is not something new. When textile machines were introduced in the 1770s, automation rendered the weavers' services obsolete and them jobless. In the first industrial revolution, machines improved business efficiency, multiplied manufacturing output and profits, and rendered low-skilled employees unemployed, unless they were prepared to 'upskill' themselves. This trend has continued into the 21st century with further transition to a more technology focused market which has the potential to increase profitability and improve competitive advantage, but also risks alienating employees who may struggle to cope with the change in operations and skillset expectations. During the Covid-19 pandemic, digital transformation was accelerated (Li, 2021) to respond to market, consumer demand, competitor activity and a changing supply chain. As businesses digitalise and conduct 'business as usual', the employee dimension remained largely neglected (Trenerry et al., 2021). In the West, pockets of post-pandemic research have emerged on employee psychological care (Anka et al., 2020); employee monitoring (within the home-office space) (Lockwood & Nath, 2020); the impact of home-office designs on occupational safety and health (Kniffin et al., 2020); and legal claims related to the trade unions' collective agreements when work hours/ demands changed (Belzunegui-Eraso & Erro-Garc s, 2020). Western multinationals drafted and released work-from-home policies to ensure employees' smooth transition from physical to virtual office(s). Businesses in the East and Southeast Asia lagged, likely due to limitations in the legal framework (Mitra, 2019) and weak collective rights. This paper constitutes a preliminary investigation into employees' experience during businesses' digital transformation in Malaysia. Available digital transformation models tend to focus on strategic, technical and consumer aspects, with little emphasis on employees as internal stakeholders. While organisations digitally transform, employees become susceptible when the psychological contract and legal expectations are unmet. SMEs in particular may not prioritise their employees when constructing their digitalisation strategy and therefore an inquiry into SMEs' digital transformation and its consequence on human capital has the potential to reveal some interesting insights from the employee perspective. This research

provides insight from the Southeast Asia region which will prove beneficial to identified stakeholders including the Government, SMEs, employees across sectors and business and future employees, graduates who will be entering the employment market with a different perspective of work having gone through a digital transformation of the education sector which put them very much at the centre of the experience as students.

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