



MALAYSIAN INSTITUTE
OF ACCOUNTANTS



Think Ahead

CFO
ROUNDTABLE
ON
**BUSINESS AND ECONOMIC
OUTLOOK 2019 REPORT**



CFO ROUNDTABLE ON BEO REPORT 2019

The inaugural Business and Economic Outlook (BEO) Report 2019 produced by the Malaysian Institute of Accountants (MIA) and the Association of Chartered Certified Accountants (ACCA) Malaysia delivered insights into the opportunities and challenges accountants and finance professionals consider most pressing. The Report's salient findings were deliberated at MIA's Chief Financial Officer (CFO) Circle in April 2019. This document highlights the perspectives and recommendations by CFOs from public listed companies in Malaysia from various industries at the CFO Circle.



Domestic Factors and Their Impact and Competitiveness

The fortunes of businesses are linked to the broader economic competitiveness. As trade is an indispensable engine of growth, several CFOs questioned whether Malaysian businesses, in particular Small and Medium Entities (SMEs) may be disadvantaged due to the relative size of the local economy and hence, lacking economies of scale.

Exacerbating this challenge is de-escalating domestic demand and private investment coupled by falling public investment levels.

CALL TO ACTION

CFOs called for increasing productivity and greater strategic policymaking to bolster competitiveness against the backdrop of emerging opportunities and challenges.

Who should act?

CFOs suggested the following action lines at the firm level:

- Investing in human and technological capital. This will be imperative to achieve mechanisation, automation, and the upskilling of the labour force in the digital age.
- Adopting a mindset change to pre-emptively tackle wage growth and boost economic prospects. CFOs recommended that businesses take the initiative to rectify wage inequality before a top-down policy harmful to industry interests gets imposed. "If [businesses] work on raising the wage," stressed one participant, "the effect on consumption may be significant."

At the government level, CFOs proposed the following recommendations:

- Exploring the use of tax incentives to increase automation adoption, with eligibility contingent on improved productivity.
- Conducting policy reviews to ensure productivity-inducing effects. For instance, some CFOs noted that previous rounds of foreign direct investment (FDI) did not necessarily lead to technology transfer or Malaysian labour moving up the value chain via on-the-job-training (OJT) and mentorship.
- Adjusting economic policy implementation to account for industry-specific effects. Blanket rules such as those on foreign exchange usage requirements for broad economic policy goals detrimentally affect tradable sectors more than others and thus erode their competitiveness.





Global and Regional Factors and Their Impact

ASEAN AND GLOBALISATION

The issue of competitiveness also influenced CFOs perspectives on ASEAN. Interestingly, contrary to those surveyed in the BEO Report, few CFOs envisioned expanding operations into ASEAN. They cited several barriers to entry in capitalising on opportunities in ASEAN, which were insufficient highly-skilled labour, as well as lack of on-the-ground contacts and regional partners to help them navigate the diverse regulations, legal systems and cultures.

The impact of these barriers differs according to industry. Disparate legislation is a significant hurdle for property developers, for instance, especially without regional professional associations to connect businesses across the region for information sharing and networking. Nonetheless, some participants contrastingly questioned whether Malaysian businesses have the commensurate risk appetite to expand overseas, since various foreign multinational companies have thrived in the ASEAN market despite facing similar conditions.

CALL TO ACTION

With the growth in ASEAN, CFOs believe that more Malaysian businesses should strive towards registering a stronger regional and global presence, especially with developments such as the Belt and Road Initiative on which the BEO 2019 highlighted a positive outlook.



A Key Challenge Faced by Malaysian Businesses: Talent Management

The predominant challenge lies in sourcing and hiring the right employees, with CFOs concurring that there exists a mismatch between industry needs and the education system's output. Consequently, participants opined that this has resulted in high rates of youth unemployment which co-exist with existing vacancies.

CALL TO ACTION

To **plug the talent gap**, CFOs recommended several action lines going forward:

- Addressing Malaysia's brain drain to broaden the talent base.
- Increasing focus on technical and vocational education training (TVET).
- Continuous upskilling and reskilling for the Malaysian workforce, with tax incentives possibly covering the cost of these investments.
- In an environment of increasing uncertainty and complexity, the demands on professional accountants to serve businesses and public sector have long extended beyond technical capability. Accountants today need to be more visionary, support business transformation by accelerating the adoption of digital capabilities and excellent communicators, both internally and externally.



Significant Developments Expected in the Next Five Years: Digitalisation

As digitalising becomes more crucial to maintaining a competitive edge, businesses must evolve along with the times. Though the CFOs present acknowledged the steep learning curve even large firms face with digitalisation, participants stressed that firms—big or small—will reap the benefits of higher productivity and efficiency with effective strategies as evident from their own experiences with digitalisation.

CALL TO ACTION

Businesses need to more quickly and effectively ride the digital wave or risk getting left behind.

Who should act?

At the firm level, CFOs called for the following actions to be implemented for greater digitalisation:

- **Adopt better organisational data practices.**
This involves consolidating data across various departments, cleaning data, and transitioning to cloud computing and robotics in the next stages.
- **Embrace strategic risk-taking.**
CFOs should support the wider business transformation agenda by leading the finance function on its digital journey to stay relevant. Start small with proof-of-concepts, and clear goals of what the organisation wishes to achieve through data analytics and digitalisation.
- **Hiring the right talent with the necessary skillsets.**
Evaluate the benefits to be gained from upskilling internal hires compared with acquiring data scientists externally. Business leaders will need to be laser-focussed on the ability to strategically utilise data for performance optimisation.
- **Foster a workplace culture that empowers intelligent people and tolerates failure.**
This will better encourage experimentation and innovation amongst employees.
- **Embrace greater generational diversity.**
As employees, especially the younger Millennials, find on-the-job training and mentoring more valuable than classroom training, organisations will need to look for ways to allow young and older employees to learn from each other's experience in the digital journey.

At the regulator level, CFOs suggested the following:

- **Heighten MIA's engagement with non-finance C-suite players.** This could help foster understanding on why finance functions should be upgraded and enhanced in the digital age for widespread economic benefits.

At the government level, CFOs noted the need to:

- **Emphasise communication skills, and creative and analytical thinking in school syllabi.** The winds of change are already afoot in professional accountancy qualifications that will begin developing competencies in business and digital acumen. These efforts need to be matched in earlier stages of education, such as in universities that act as the pipeline for professional practitioners.