

The Impact of Humanization on the Sustainability of Malaysian SMEs

Anas Abu Jaish, Rafiqah Murdipi, Dzuljastri Abdul Razak,
Norhayati Mohd. Alwi

International Islamic University Malaysia, Gombak, Malaysia
Corresponding Author Email: j.anas@live.iium.edu.my

To Link this Article: <http://dx.doi.org/10.6007/IJARBS/v14-i8/22308> DOI:10.6007/IJARBS/v14-i8/22308

Published Date: 30 August 2024

Abstract

Small and medium-sized enterprises are recognized as critical drivers of economic growth in various developing countries. Despite their achievements, SMEs in different sectors continue to face multiple challenges and issues. The COVID-19 pandemic is one of the most recent issues affecting SMEs' business operations, including Malaysia. Malaysian SMEs faced difficulties due to the implementation of the MCO, leading to limited supplies, a significant sales decline, reduced cash flows, and restrictions on in-person transactions. Many Malaysian SMEs have shut down and been unable to survive during this crucial period. This phenomenon has caused worry about the sustainability of SMEs. To achieve sustainability, businesses, especially SMEs, need higher profitability and faster response to market changes. The sustainability of SMEs could be achieved through increased sufficiency and flexibility of their resources. Many SMEs have embraced the resources in an uncertain environment to address sustainability concerns. Improving the resources among the SMEs has proven valuable in supporting SMEs' competitiveness. Many faced failures in successfully achieving the sufficiency of the resources due to various challenges. The challenge of providing SMEs with efficient and flexible resources arises from the need for large capital, lack of specific resources, knowledge gaps, insufficient funds, lack of human resources, lack of support system, inadequate planning, and humanization limitations. This paper deliberates on the importance of having dynamic resource capabilities to ensure SMEs' successful adaptation of proper support systems, value-added services, CSR, VBI, SDGS and Humanization. The discussion focuses on the importance of dynamic capabilities to address uncertain issues, which ultimately determines their sustainability.

Keywords: S.M.E.s, S.M.E.s Challenges, Sustainability, Dynamic Resources, Humanization, Malaysia.

Introduction

SMEs in Malaysia are one of the main contributors to the Malaysian economy, contributing 98.50 % (Yuena and Nga, 2020). The contribution of SMEs in Malaysia's GDP in 2022 has risen to 580.4 billion, approximately 38.4%, compared to the contribution in 2021, which was 520.0

billion, approximately 37.4% (Department of Statistics Malaysia, 2022). Therefore, SMEs in Malaysia play a crucial role in the Malaysian economy in all sectors. For instance, the services and manufacturing sectors of SMEs are contributing well to entrepreneurship, such as improving innovation and creating job opportunities (Abd Aziz et al., 2021; Abd Aziz et al., 2019 and Abd Aziz et al., 2021).

Despite the growth and development of SMEs in Malaysia, SMEs still struggle in various aspects. Due to uncertainties from 2020 till now, such as the Covid-19 pandemic and political crises, SMEs have been affected negatively in Malaysia and worldwide (Yi, 2020; Ratnasingam, 2020; Islam, 2020; Khalid, 2020). Researchers also raised other issues such as skills and knowledge, supply chain issues, governance issues, natural disasters, digitalization, industry 4.0 adoption and humanization (Levy & Powel, 2004; Jones et al., 2005; Beheshti & Salehi-Sangari, 2007; Parker & Castleman, 2007; Hashim, 2008;; Cui et al., 2008; Dharmalingam & Kannabiran, 2011; Duan et al., 2012; Frank, Dalenogare and Ayala., 2019).

SMEs recently faced a few challenges due to the Covid-19 pandemic. 69.9 % of Malaysian SMEs lost half of their incomes in 2020 (Annuar, 2020). Many of Malaysian SMEs have stopped operating their business due to the movement control order (MCO), which caused low sales, less cash flow, and supply shortage, and many workers lost their jobs (Smith-Bingham & Hariharan, 2020; Sneader & Singhal, 2020). Many businesses discontinued their operations, affecting future growth and expansion (Wahyudi, 2014; Craven et al., 2020; Smith- Bingham & Hariharan, 2020). Due to uncertainties that caused unstable situations for Malaysian S.M.E.s, S.M.E.s relied on external financial support and assistance from the government and financial institutions (Ahmad et al., 2020). Therefore, the researchers have been concerned about sustaining business operations for SMEs to overcome any adverse effects due to uncertainty in the short and long run. Discussion on sustainability leads to a thorough assessment of the nature of resources the SMEs need for long-term survival. Few discussions have identified the importance of the resources and should be improved to become more dynamic, flexible and competitive in the market (Barney, 1986; Hamel and Prahalad, 1996).

Adapting to this rapid shift is crucial for individuals and businesses to avoid difficulties and remain competitive. Companies view digital transformation as a means to enhance operations and attain growth and success. Small and medium-sized enterprises can use digitalization to expand globally and provide customers with more options in Malaysia and beyond (Faridi & Malik, 2019 and Digital News Asia, 2019). However, the world has been changing rapidly, and almost all aspects of human life are becoming more digitalized. The massive and extreme digitalization is impacting humans in both positive and negative ways. Besides the emphasis on digitalization, there is a strong focus on the importance of human interaction, value-added services, and direct communication. The digital revolution is forcing human beings to be present, impacting their environmental interaction. People nowadays rely heavily on GPS for navigation instead of traditional maps (Anderson, 2018). They sacrifice their human values, personal capabilities, and inner strengths by relying too much on technology.

The main focus of this paper is on the sustainability of small and medium-sized enterprises in Malaysia during market uncertainty. It examines how resource capabilities,

particularly humanization, can assist stakeholders in effectively handling uncertainty in business operations. By examining humanization, this study contributes to existing literature on addressing uncertainty. The study highlights the need for proactive strategies in managing uncertainty to enhance profitability, stability, and sustainability in the market. The study's results will benefit various organizations, such as governments, NGOs, policymakers, banks, SMECorp, A.I.M., Tekun, and MATRADE. The information will help agencies assess the support needed by Malaysian SMEs for long-term success in a challenging market. Our main objective is to support these companies in achieving sustainability.

Malaysian SMEs Classification

SMEs in Malaysia are categorized according to their total sales and number of employees. SMECORP Malaysia classifies manufacturing sector SMEs as companies with annual sales below RM 50 million and less than 200 full-time employees and services and other sector SMEs as companies with annual sales below RM 20 million and less than 75 full-time employees (Table 1).

Table 1

Definition of SMEs by Category

Classification	Sector			
	Manufacturing		Services and Other Sectors	
	Annual Sales	Number of Employees	Annual Sales	Number of Employees
Micro	<RM 300,000	<5 people	<RM 300,000	<5 people
Small	RM 300,000 < RM 15 million	From 5 to < 75 people	RM 300,000 < RM 3 million	From 5 to < 30 people
Medium	RM 15 million < RM 50 million	From 75 to < 200 people	RM 3 million < RM 20 million	From 30 to < 75 people

Source: SME Corp. Malaysia 1

Challenges Faced BY Malaysian SMEs

In Malaysia, small and medium-sized enterprises (SMEs) are currently dealing with challenges and risks caused by uncertain situations like the COVID-19 pandemic, natural disasters, and political instability. When it comes to their finances, these businesses are particularly susceptible. SMEs are currently focused on navigating future pandemic uncertainties. The Small and Medium Enterprises Association (SAMENTA) conducted a survey revealing that 34% of SMEs witnessed a sales decrease exceeding 20%. Additionally, 21% expect low-level performance, 25% remain optimistic, and 30% are unsure about their performance. SMEs that have shifted to digital markets now face new challenges, including talent supply and cash flow. Small and medium-sized enterprises have traditionally faced challenges in finding and hiring the right talent. To enhance their skills, businesses also need funding for their resources. If employees or workers don't constantly reskill or practice their digital skills, it can be challenging for them to find work due to the high demand. Consequently, they might acquire no longer applicable or appropriate skills for the job market.

Malaysian SMEs face cash flow shortages, declining sales revenue, and increased operational costs. SMEs might struggle to survive without a rise in demand, even with

government-backed loans. A survey found that 45% of SMEs have cash reserves for only two months or less, while only 20% are more optimistic and have enough for four to five months. Furthermore, the current MCO has had a detrimental effect on business operations, specifically for microenterprises.

Noor Azmi Mat Said, CEO of S.M.E. Corp Malaysia, stated that small and medium-sized enterprises, especially microenterprises, struggle with limited cash flow for survival (Zainuddin, 2020). According to a survey, 81% of participants had sufficient cash flow to survive three months, while less than 1% had enough to last for over a year. Hence, S.M.E.s must create new business strategies to expedite their recovery. Besides financial problems, political instability can also pose challenges for business owners. Therefore, Malaysian SMEs need sustainability to enhance their communities, economy, and environment.

SMEs Sustainability

SMEs are crucial for the GDP in both developed and developing nations. SMEs, accounting for around 90% of businesses globally, have driven economic growth with a higher GDP rate. SMEs demonstrate their capacity to provide work opportunities, reduce unemployment, and increase income and productivity nationwide. Sustainability has become a significant global concern due to the Covid-19 pandemic's impact on SMEs and the challenges they confront. The study by Mustafa and Abbas (2021), highlights the importance of implementing long-term survival strategies for SMEs. Sustainability entails managing social, environmental, and financial factors to achieve responsible and continuous success. To be sustainable, businesses, particularly SMEs, need to be more profitable and adaptable to environmental changes (Linnenluecke, 2017). SMEs can ensure their future survival and sustainability by having sufficient resource access (Fanelli et al. 2021).

Resources Of SMEs

The success of businesses relies on their available resources, and it's important to highlight that companies without resources can't achieve their business sustainability (Fanelli et al. 2021). Several studies emphasized the resources companies should consider in their business operations (Barney, 1986a, 1986b, 1991). According to Daft (1983), resources are assets, capabilities, processes, information, and knowledge that a company controls. The company can improve its effectiveness and efficiency by utilizing these resources (Daft, 1983). Nevertheless, evidence suggests that resources are generally understood conceptually rather than assessed empirically or practically (Fahy, 2000). For example, according to Radulovich (2008), researchers have a limited understanding of the advantages of intangible resources and how companies could acquire a competitive advantage from such resources. In addition, some arguments in the literature state that most studies do not specifically identify the resources. Wu (2008), and Lin et al (2011), found that fewer studies have identified the resources and capabilities necessary for achieving better business results. For this reason, this study focuses on resource capabilities and their impact on sustaining SMEs.

Humanization and Value-Added Services

Being humanized is to emerge and engage with human beings. In many examples, this involves activities and actions needed to harmonize and focus on human needs (Hemingway, 2012). Todres et al. (2009) said that to be human is to come from a specific environment (home or place) where it is not only some of the experiences or objects; it reveals security,

familiarity, comfort, and easiness within humans' place. WHO Commission on Social Determinants of Health & World Health Organization (2008) identified that humanization is about experiencing a human's life (feelings, mood, emotions, etc.). All are a lens through which humans experience the world. (Hemingway, 2012) added that disparities in income amongst human beings cause differences in life expectancy associated with life well-being and pay.

In this current era, technology becomes a pressure in balancing between human and machine shifting. In her ground-breaking essay, Donna Haraway (1991), stated that human beings and technology had been separated and grown exponentially blurrier. Nowadays, smartphones perform all the basics, and all tasks, such as math and anything human needs, will be replaced using technology (Anderson, 2018). Anderson (2018), also added that humans in the Western world have become clearly intertwined and rapidly reliant on technology.

Furthermore, Turkle (2017), has shown that many humans put themselves at high risk of attending to technology. An interview done with a young male aged 18 years old, revealed that he frequently needs to check his Facebook page, which he is driving; he admits, "I know I should (stop), but it's not going to happen. If I get a Facebook message or something posted on my wall, I have to see it. I have to".

Corporate Sustainable Responsibility (Csr.)

Corporate social responsibility (CSR) is a broader concept that focuses more on philanthropic and charity activities. Along with the typical objective of maximizing profits, it needs to emphasize social and environmental improvement to underpin sustainable business activities in the long run (Das & Dutta, 2019; Amini and Bienstock, 2014). CSR aims to encourage institutions and organizations to concentrate on public interests and deliver significant value for their stakeholders, customers, shareholders, and communities in all business activities. The value could be created by increasing the competitive advantages and improving the relationship among suppliers, governments, customers, and communities (Accounting Research Institute and Islamic Banking and Finance Institute Malaysia, 2013). CSR concept emerged in the 1970s. It deals more with charity, ethics, social contributions, putting into consideration legal and economic aspects (Geva, 2008). Newman et al. (2016) inferred that CSR involvement is on the practical, political, and strategic developments considering the organizational effects on stakeholders to enhance social performance and achieve long-term objectives. Also, Cantele 2017 stated that any socially responsible corporation done by employees is the keystone of the internal structure of the entity. For example, employees operate business activities and poise all stakeholders' networks and relationships. Cantele also showed that HRM practices with social responsibility augmented business actions and had an immense impact on all employees and other involved segments, which led toward positive and stakeholder satisfaction, especially in small businesses. Thus, employees are the key that is paving an effective CSR implementation. This facilitates researchers to concentrate on employees (Newman et al., 2016; Shen and Benson, 2016).

Sancho et al (2018), found that combining HRM and CSR positively impacts organization performance and leads to long-term success. Thus, both CSR and HRM have become immensely significant in company policy for more effective outcomes. Besides, the companies' awareness of the concept of corporate sustainability or other related terms

increased, and it has had an immersive effect on the brand reputation and the relationships with their stakeholders (Madrakhimova, 2013). Ratajczak, M. (2016) found that 43% of respondents (entrepreneurs) have no knowledge of the rules of CSR. In contrast, educated entrepreneurs hold a piece of information and details about CSR rules, and they apply it to their companies. Manufacturing and retail are the most common sectors that practice CSR rules. However, there is an enormous need for knowledge and practices CSR in other sectors, especially agribusiness, that might be increasingly discussed to pay attention to CSR practices in all the industrial sectors in general and small and medium-sized entrepreneurs. This immensely impacts all the involved segments such as SMEs, small businesses, large businesses, governments, non-government organizations, and the nation's economy. Considering the role of consumers, they must be entirely responsible in evaluating socially accountable activities, especially in the agribusiness sector, which could affect and improve competitiveness domestically and globally.

These challenges highlight the importance of considering another aspect in business and human life development. According to Kankainen (2017), implementing digitalization correctly from a business perspective could solve fundamental issues. Therefore, if the companies utilize their resources by integrating, gaining, reconfiguring and upgrading them to be more flexible and dynamic, they can implement and use the right technologies. Additionally, dynamic capabilities (DC) concentrate on resources and capabilities that need periodic updates and adapt to evolving markets. Schilke et al (2018), state that the DC process expands the firm's RBV, requiring the capability to adapt services, routines, and products over time. Adapting to market changes is essential for gaining a competitive advantage globally. To gain a competitive advantage, managers need to improve a company's capabilities (Teece et al., 1997). Teece (2007), and Teece et al (1997), emphasized the need for companies to adapt to the rapidly changing global environment and utilize their resources and capabilities innovatively. Helfat et al (2007), have defined DC as the company's capacity to create, extend, or modify its resources.

DC is important because it compels businesses to adapt to market and environmental changes. Naldi et al (2014), studied SMEs' performance in the dynamic production industry and found that seizing capabilities effectively improves the firms' performance. Therefore, DC allows the company to strengthen its resources to respond to environmental uncertainties and make strategic changes (Schilke et al., 2018). Teece et al (1997), Schilke et al (2018), Teece (2014), and Dixon et al (2014), emphasized the importance of DC in gaining a competitive advantage in volatile environments.

In line with this, it is crucial to note that having proper resources for SMEs will enhance the performance of their business operations and assist them in mitigating business failures for short and long-term success. Resource capabilities provide crucial information to various stakeholders concerning managing their business operations effectively. Hence, dynamic resources can assist SMEs in having proactive strategies and fast responses to environmental and market forces. Better approaches to achieving sustainability are crucial for making SMEs profitable, sustainable, and more stable despite their various challenges. This benefits all stakeholders and provides them with important information about the extent to which Malaysian SMEs need to focus on their internal resources and not rely on government support during sudden changes such as the COVID-19 pandemic.

Value-Based Intermediation (V.B.I.)

Islamic financial institutions and the banking industry are essential in establishing good governance and fulfilling stakeholders' needs in alignment with the Maqasid Al-Shariah perspective. The Malaysian government considers the approach of good governance, shifting the concern from innovation to creating competitive advantages for stakeholders and promoting innovation to create values for all involved parties. Bank Negara of Malaysia (BNM) issued several documents to allow banks to understand the new financial system in Malaysia. VBI is one of the concepts which delivered a positive impact to the economy, environment, and community. BNM issued the VBI approach, strategy paper for VBI in 2017, VBI. Scorecard, and Value-Based Intermediation Assessment Framework (VBIAF). Strategy paper of VBI aimed at the implementation guide to strengthening the roles and impact of Islamic Banking Institutions (IBIs). The Central Bank of Malaysia has defined VBI as a concept that provides intended outcomes through practices, conduct, and offerings which positively impact the economy, environment, and community (Central Bank of Malaysia, 2017). This strategy paper reinforces Islamic banking institutions (IBIs) to adopt VBI as a part of their vision to create a tremendous socioeconomic impact (Roshayani et al., 2018). VBI emphasizes IBIs to provide products and services that are followed by Shariah's perspective and intended outcomes Shariah.

Furthermore, the intended outcomes of Shariah (wealth, faith, lives, posterity, and intellect) and VBI. (Value Based-Intermediation) concerns align with well-being enhancement. Thus, this competitive edge becomes more common among Islamic banks to change the financial industry's direction to the next level of sustainability and value-added (Roshayani et al., 2018). According to a strategy paper issued by Bank Negara Malaysia (2017), adopting VBI reinforces and improves the positive impact and roles of financial institutions. Four underpinning thrusts of VBI are discussed in the strategy paper, i.e., entrepreneurial mindset, community empowerment, good self-governance, and best business conduct. Besides, VBI is a new motive to explore new opportunities and move beyond Shariah Compliance towards the value propositions as a new paradigm for Islamic financial institutions (IFIs). IFIs emphasize the concept of value-based or value creation to converge and integrate with all business activities involving all stakeholders to achieve SDGs in 2030. Latifa (2017), has stated that human civilization, in order to create a better world economic system, fosters a value intermediary instead of a credit intermediary. To achieve VBI approach in the existing IBIs in Malaysia, three significant changes could be involved in the practices:

- i. Looking to produce new and innovative products and services to the existing market with a sustainable and entire impact on all involved segments.
- ii. Adopting the current innovative technique to strengthen the existing products and services to become more creative.
- iii. Focusing more on delivering specific skills and knowledge which are done by other industries, excluding IBIs.

It is vital that implementing VBI would create a considerable impact and value to all stakeholders as well as expand the IBIs networks with multiple segments such as network institutions, knowledge providers, and government agencies to enhance the awareness and support to ecosystem, community, and individuals (A strategy paper issued by Bank Negara Malaysia, 2017). Hence, I.B.I.s attempt to increase their growth by providing diversified and

new chances for business segments. Along the same line, Bank Negara Malaysia has issued another document on VBI called VBI scorecards to evaluate and assess the adoption of VBI initiatives in IBIs. This scorecard document is used and reported by IBIs publicly to identify and compare the performance of IBIs (BNM Strategy Paper, 2017). Four underpinning VBI thrusts have been issued by BNM, which are as follows:

- i. Entrepreneurial mindset: This focuses on the field where the IBIs involve in facilitating business activities by providing various assistance such as financial support, proactive support, advisory as well as market setting.
- ii. Best conduct: It concentrates on adopting practices, offerings, and processes improvements by IBIs towards stakeholders.
- iii. Good self-governance: It focuses on the participation of all stakeholders in governance policy.
- iv. Community empowerment: it embraces providing feasible and immersive empowerment for the communities by offering financial settlements with a high positive impact.

Company directors and senior management of IBIs are persisting in delivering an abundance of improvements and Innovations in their products and services and trying to adopt VBI based on BNM recommendations in their issued strategy papers. However, one of the challenges that could be considered in adopting VBI is to affect and change the mindset of banks' stakeholders, such as staff, management, and board of directors. As discussed in the previous debates, VBI may change the direction of IBIs beyond profit maximization towards value creation, considering the Shariah perspective as the primary guidance of permissible and non-permissible products and services (Ismail et al., 2018). Besides, the Global Islamic Finance Forum (GIFF, 2018) held in Kuala Lumpur (2018) has embraced a statement presented by Datuk Nor Shamsiah Mohd Yunus, who cited a quote by Henry Ford:

"Business must be run at a profit; else it will die. But when anyone attempts to run a business solely for profit and thinks not at all the service to the community, then also the business must die, for it no longer has a reason for existence."

Also, Kasri (2018), surveyed GIFF 2018 to explore and identify the mindset and current thoughts of Islamic bankers. Surprisingly, most of those bankers were still in the profit maximization mind-set. This result leads to difficulty in changing the culture of banks, which are always concerned with maximizing profit rather than looking to charity. To the practices of IBIs' conduct and offering financial services, Islamic Banks still need to entail their staff to consider the positive impact on the environment and community and be aware of public issues such as air pollution, global warming, climate change, waste disposal and so on so forth (Ismail et al., 2018). So, BNM embraces VBI as one of the efforts to direct Islamic banks industry to move forward in supporting SDGs. Islamic banks are essential in achieving the United Nation's 17 sustainable development goals (SDGs) by 2030. As a result, many researchers have shown an enormous interest in discussing 17 SDGs, which will be addressed in the next section.

Sustainable Development Goals (SDGS)

In 2015, the United Nations launched a new sustainable development agenda to be achieved in 2030. The sustainable development goals were created with a universal set of goals over the next 15 years, starting from 2016 and ending in 2030. Besides, sustainable development goals focus on various aspects of the benefits or societies and communities worldwide. Moreover, sustainable development goals are 17 with 169 targets (United Nations, 2015b). According to Kamphof, Spitz, & Boonstoppel (2015), implantation, financing, and monitoring are probably complicated and difficult in both developed and developing countries. Thus, all the government and non-government parties, such as local and global governments, industries, firms, and all their associations, are involved in adopting and achieving sustainable development goals (United Nations, 2015a). UN Secretary-General Ban Ki (2016) has highlighted the challenge of innovation for sustainable development goals. However, science and technology are paramount in achieving SDGs in 2030. Nonetheless, the people, society, and community are at the heart of SDGs to motivate the governments' participation (EtheRaj et al., 2018). This leads to concentrating more on the people who will participate and act for the future of our planet's protection.

UCLG (2015), mentioned that some of the sustainable development goals have been linked with three aspects: science, technology, and innovation, which are supported for the planet and people. Thus, these SDGs could be achieved through regulations, laws, politics, technology, and innovations; they begin with people and their new mindsets. The new mindset of people could be changed by improving education quality, particularly in the learning process in sustainable development at all levels of social contexts. Education at all levels paves the way for learning and enables people to bear the difficulty of achieving SDGs in the present and future. Sustainable development embraced new chances for new business, new markets, and new guidelines, especially for SMEs, which can significantly impact.

On the other hand, Innovation for better business entities throughout social, environmental, and economic firms is a challenge for the community, considering SDGs as the main purpose to be achievable (Whiteman, Hope, & Wadhams, 2013). However, how could this purpose be conceivable for nations that differ from one nation to another in terms of each nation's policy and integrate all the nations under one objective? (United Nations ESCAP, 2015).

According to Joshi et al (2013), people are the main factor that influences the organization's growth because knowledge is a significant source of organization. Joshi added that the employees' skills, capacities, and knowledge might contribute to the organization's potential for maximum profit in the long run. Besides, Intellectual capital is more likely called an intangible asset, such as people who mainly involve in the value creation process toward competitiveness (Lerro et al., 2014; Xu and Wang, 2018)

Smes and Humanization

Based on the early discussion, SMEs are crucial in improving communities, the economy, and the environment. Nevertheless, SMEs still lack a professional labour force, which causes direct and indirect risks in managing the businesses and such risks (Lin & Koh, 2018). Hence, S.M.E.s' sustainability could enhance the business's management and improve the companies' performance. The importance of Corporate Sustainability (CS) has increased significantly for

business and investment enhancements. Swarnapali (2017), discovered that companies prioritizing sustainability can improve communication and performance. Despite SMEs struggling to adopt sustainability practices for long-term benefits, their stance may differ due to social and environmental challenges, especially in emerging markets (Goyal et al., 2015). According to Fenwick et al (2007), developing countries face challenges in implementing effective training and support systems. The Global Forum on Migration & Development: Business Mechanism (2016), noted that SMEs have a significant global impact and contribute to sustainable development goals. Small and Medium-Sized Enterprises (SMEs) are actively involved in driving global business innovation. This leads to considering the importance of improving the resources of SMEs to be more sustainable and adaptable to environmental changes. Despite the importance of digitalization in managing business operations better, companies still need proper guidance and support systems to achieve digitalization for better performance. In a survey by John Marshall in 2016, with 3,500 customers as participants, digital leaders achieved a 50% higher score in delivering added customer benefits, improving convenience, saving time, and customization. However, digital leaders do not receive significantly positive and higher scores in the survey despite incorporating a human touch, such as being customer-oriented and caring for others. The connection between customers, human beings, and business is more valuable when it leads to preference and loyalty. According to Marshall (2016), technology may try to adapt, but human connection delivers lasting value for customers by improving memory, listening skills, and knowledge. People will soon be fully connected to the networks through their clothes, biometric data, and desires, which will be recognized anywhere and anytime. Companies must recognize the human needs that technology is meant to meet and design customer experiences based on them, including caring for, assisting, engaging, and understanding customers.

However, even though technology is vital in enhancing SMEs' performance, customer satisfaction is still not at its best. Building strong and effective stakeholder relationships is crucial for firms to achieve social and environmental sustainability and increase profits. CSR, reputation, and sustainability are key factors in determining a company's performance and competitive position in the short and long term. Therefore, CSR and VBI positively impact financial institutions and other companies, particularly SMEs. The focus for SMEs should be on CSR as it directly affects their reputation, an important intangible asset. Moreover, CSR enhances community relationships, corporate reputation, and brand image through a win-win approach. Combining profit maximization, social benefits, and new value creation will help SMEs achieve sustainable and long-term development.

Conclusion

The main focus of this paper is to pay attention to the importance of humanization in ensuring the sustainability of Malaysian SMEs. This aspect provides crucial information to various stakeholders to manage and improve the business's resources for any future changes. This paper contributes to the body of literature by balancing the digitalization and humanization aspects as they complement each other for better future business performance. This study also enhances government and non-governmental organizations, policymakers, and other agencies in obtaining crucial information about Malaysian SMEs needs for an improved support system and assistance. This is very significant for making SMEs not only profitable but also sustainable and stable in any market changes. It also assists SMEs in having better support

systems and coaching as well as proactive, systematic approaches to manage any future uncertainties.

References

- Abd Aziz, N. A., Hanafiah, M. H., Abd Hamid, H., & Isa, R. M. (2019). Survival of franchising firm: A study of self-service laundry franchisor. *International Journal of Entrepreneurship*, 23(4), 1-6.
- Abd Aziz, N. A., Ramdan, M. R., Nik Hussin, N. S., Abdul Aziz, Z., Osman, J., & Hasbollah, H. R. (2021). The determinants of global expansion: A study on food and beverage franchisors in malaysia. *sustainability*, 13(18), 10328.
- Accounting Research Institute and Islamic Banking and Finance Institute Malaysia (2013), "i-csr general practice framework and guidelines", available at: www.scribd.com/document/129235732/i-CSR-pdf.
- Ahmad, N. N., Hanafi, W. N. W., Abdullah, W. M. T. W., Daud, S., & Toolib, S. N, (2020). The effectiveness of additional prihatin sme economic stimulus package (prihatin sme+) in malaysia post-covid-19 outbreak: A Conceptual Paper.
- Amini, M., & Bienstock, C. C. (2014). Corporate sustainability: an integrative definition and framework to evaluate corporate practice and guide academic research. *Journal of Cleaner Production*, 76, 12-19.
- Anderson, M. (2018). humanization in the digital age: a critique of technophilia in education.
- Annuar, A. (Mar 2020). Covid-19: After MCO, survey finds nearly 70pc SMEs lost half income. *Malay Mail Newspaper*. Retrieved from <https://www.malaymail.com/news/malaysia/2020/03/27/covid-19-after-mco-survey-finds-nearly-70pc-smes-lost-half-income/1850688>.
- Bank Negara Malaysia. (2019). Bank negara annual report of 2018. Bank Negara Malaysia, March, 1–192. <https://doi.org/10.1111/j.1755-6988.1986.tb00583.x>.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), 99-120.
- Barney, J. B. (1986), "Strategic factor markets: Expectations, luck, and business strategy", *Management Science*, 32(10), pp. 1231-1242.
- Barney, J. B. (1986a), "Strategic factor markets: Expectations, luck, and business strategy", *Management Science*, 32(10), pp. 1231-1242.
- Barney, J. B. (1986b). Organizational culture: can it be a source of sustained competitive advantage?. *Academy of management review*, 11(3), 656-665.
- Beheshti, H. M., & Salehi-Sangari, E. (2007). The benefits of e-business adoption: an empirical study of Swedish SMEs. *Service business*, 1(3), 233-245.
- Cantele, S. (2017), "Human resources management in responsible small businesses: why, how and for what?", *International Journal of Human Resources Development and Management*, Special Issue on Employee Satisfaction and Engagement Theory and Praxis for Today's Excellence, Vol. 18 Nos 1/2, doi: 10.1504/IJHRDM.2018.10013652.
- Cui, L., Zhang, C., Zhang, C., & Huang, L. (2008). Exploring IT adoption process in Shanghai firms: An empirical study. *Journal of Global Information Management (JGIM)*, 16(2), 1-17.
- Daft, R. (1983). *Organization theory and design*. New York: West.
- Das, M., Rangarajan, K., & Dutta, G. (2019). Corporate sustainability in small and medium-sized enterprises: a literature analysis and road ahead. *Journal of Indian Business Research*.

- Department of Statistics Malaysia. (2022). Producer Price Index Malaysia December 2021.
- Department of Statistics Malaysia. interactive malaysia statistical business register (i-MSBR); Department of Statistics Malaysia: Putrajaya, Wilayah Persekutuan Putrajaya, Malaysia, 2022.
- Dharmalingam, P., & Kannabiran, G. (2011). Determinants of basic i.t. adoption by auto ancillary smes in india. *IUP Journal of Information Technology*, 7(1).
- Digital News Asia. (2019). Malaysia's SMEs Look to Invest in Digital Technologies. *Digital News Asia*.
- Dixon, S., Meyer, K., Day, M., (2014). Building dynamic capabilities of adaptation and innovation: a study of micro-foundations in a transition economy. *Long Range Plann.* 47 (4), 186–205. <https://doi.org/10.1016/j.lrp.2013.08.011>.
- Duan, X., Deng, H., & Corbitt, B. (2012). Evaluating the critical determinants for adopting e-market in Australian small-and-medium sized enterprises. *Management Research Review*.
- Eisenhardt, K.M., Martin, J.A., (2000). Dynamic capabilities: what are they? *Strateg. Manag. J.* 21 (10-11), 1105–1121 10.1002/1097-0266(200010/11)21:10/11<1105::AID-SMJ133>3.0.CO;2-E.
- EtheRaj, P., Abd Wahab, S., Osman, S. I. W., Zawawi, N. M., & Fazal, S. A. (2018). Sustainable development and innovation: Reviewing the Concept and Malaysian Participation.
- Fahy, J. (2002), "A resource-based analysis of sustainable competitive advantage in a global environment", *International Business Review*, Vol. 11 No. 1, pp. 57-78.
- Fanelli, R. M. (2021). Barriers to adopting new technologies within rural small and medium enterprises (SMEs). *Social Sciences*, 10(11), 430.
- Faridi, M. R., & Malik, A. (2019). Customer engagement technology in sme's in Saudi Arabia: Does it ensue in disturbance or disruption. *International Journal of Entrepreneurship*, 23(1), 1-8.
- Fenwick, C. F., Kalula, E., & Landau, I. (2007). labour law: a southern african perspective. international institute for labour studies.
- Frank, A. G., Dalenogare, L. S., and Ayala, N. F. (2019), "Industry 4.0 technologies: implementation patterns in manufacturing companies", *International Journal of Production Economics*, Vol. 210, pp. 15-26.
- Geva, A. (2008). Three models of corporate social responsibility: Interrelationships between theory, research, and practice. *Business and society review*, 113(1), 1-41.
- Goyal, S. (2015). Networks in economics: a perspective on the literature.
- Hamel, G. and Prahalad, C. (1996), *Competing for the future*, Harvard Business School Press, Paperback edition, Boston (Massachusetts).
- Hashim, J. (2008). Learning barriers in adopting ICT among selected working women in Malaysia. *Gender in Management: An International Journal*.
- Helfat, C. E., Finkelstein, S., Mitchell, W., Peteraf, M., Singh, H., Teece, D., Winter, S., (2007). *Dynamic Capabilities: Understanding Strategic Change in Organizations*. Wiley, New York.
- Hemingway, A. (2012). Can humanization theory contribute to the philosophical debate in public health? *Public Health*, 126(5), 448-453.
- Islam, A. (2020). Factors affecting sustainable business growth of SMEs during Covid-19 crisis: The mediating role of strategic entrepreneurship practices. *Emerald Open Res*, 2.

- Ismail, A. Y., Hameed, L. B. M., Mohamad, A. F., & Suhaimi, N. I. J. S. S. (2018). The implementation of value based intermediation by Islamic Banking Industry: Issues and Challenges.
- Jones, R. A., Jimmieson, N. L., & Griffiths, A. (2005). The impact of organizational culture and reshaping capabilities on change implementation success: The mediating role of readiness for change. *Journal of management studies*, 42(2), 361-386.
- Joshi, M., Cahill, D., Sidhu, J. and Kansal, M. (2013), "Intellectual capital and financial performance: an evaluation of the Australian financial sector", *Journal of Intellectual Capital*, Vol. 14 No. 2, pp. 264-285.
- Kamphof, R., Spitz, G., & Boonstoppel, E. (2015). Financing development now and in the future: Implications for the Netherlands and beyond. *Kaleidos Research*, 45, 46.
- Khalid, M. A. (2020). Covid-19: Malaysia Experience and Key Lessons. *Asian Economic Papers*, 1-26.
- Latifa, M. H., Chik, M. N. & A. F. M., Suhaimi. (2017). *Sadaqa House: its viability in the islamic banking framework*. penerbit kuis. Michigan State University, 2018. The Entrepreneurial Mind-Set. Retrieved from: <https://entrepreneurship.msu.edu/the-entrepreneurial-mindset/>.
- Lerro, A., Linzalone, R., Schiuma, G., Kianto, A., Ritala, P., Spender, J. C., and Vanhala, M. (2014), "The interaction of intellectual capital assets and knowledge management practices in organizational value creation", *Journal of Intellectual Capital*, Vol. 15 No. 3, pp. 362-375.
- Levy, M., & Powell, P. (2004). *Strategies for Growth in SMEs: The Role of Information and Information Systems*. Elsevier.
- Lin, R. T., & Koh, D. (2018). Small and medium enterprises: barriers and drivers of managing environmental and occupational health risks.
- Lin, Y. T., Yang, Y. H., Kang, J. S., & Yu, H. C. (2011). Using DAMATEL method to explore the core competences and causal effect of the IC design service company: An empirical case study. *Expert System with Applications*, 38, 6262-6268.
- Linnenluecke, M. K. (2017). Resilience in business and management research: a review of influential publications and a research agenda. *International Journal Management Review*. 19 (1), 4–30. <https://doi.org/10.1111/ijmr.12076>.
- Madhani, P. M. (2010). Resource based view (RBV) of competitive advantage: an overview. *Resource Based View: Concepts and Practices*, Pankaj Madhani, ed, 3-22.
- Madrakhimova, F. S. (2013), "Evolution of the concept and definition of corporate social responsibility", *Global Conference on Business and Finance Proceedings*, Vol. 8 No. 2, pp. 113-118.
- Marshall, J. (2016, June). Don't just digitize, humanize. Retrieved from: https://www.oliverwyman.com/content/dam/oliverwyman/global/en/2016/sep/7_Dont-Just-Digitize-Humanize.pdf.
- Mustafa, M., & Abbas, A. (2021). Comparative analysis of green ict practices among palestinian and malaysian in sme food enterprises during Covid-19 pandemic | *PalArch's Journal of Archaeology of Egypt / Egyptology*. *PalArch's Journal of Archaeology*
- Naldi, L., Wikström, P., Von Rimscha, M. B. (2014). Dynamic capabilities and performance: an empirical study of audiovisual producers in Europe. *Int. Stud. Manage. Org.* 44 (4), 63–82. <https://doi.org/10.2753/IMO0020-8825440404>.

- Newman, A., Miao, Q., Hofman, P. S., & Zhu, C. J. (2016). The impact of socially responsible human resource management on employees' organizational citizenship behaviour: the mediating role of organizational identification. *The international journal of human resource management*, 27(4), 440-455.
- Parker, C., & Castleman, T. (2007). New directions for research on SME-eBusiness: insights from an analysis of journal articles from 2003-2006. *Journal of information systems and small business*, 1(1), 21-40.
- Radulovich, L. P. P. (2008). An empirical examination of the factors affecting internationalisation of professional service SMEs: The case of India. Dissertation, Cleveland State University.
- Ratajczak, M. (2016). Knowledge of the concept of corporate social responsibility in agribusiness enterprises (based on the example of the SME sector in Malopolska). *Management*, 20(1), 337-351.
- Ratnasingam, J., Khoo, A., Jegathesan, N., Wei, L. C., Abd Latib, H., Thanasegaran, G., ... & Amir, M. A. (2020). How are small and medium enterprises in Malaysia's furniture industry coping with COVID-19 pandemic? Early evidences from a survey and recommendations for policymakers. *BioResources*, 15(3), 5951-5964.
- Roshayani, A., Ruhaini, M., Ramesh, N., & Idora, B. (2018). Value-based intermediation for islamic banking institutions directed towards sustainable development goals. *The International Revue of Entrepreneurial Finance*, 1(1).
- Sancho, M. P. L., Martínez-Martínez, D., Jorge, M. L., & Madueño, J. H. (2018). Understanding the link between socially responsible human resource management and competitive performance in SMEs. *Personnel Review*.
- Schilke, O., Hu, S., Helfat, C. E. (2018). Quo vadis, dynamic capabilities? A content-analytic review of the current state of knowledge and recommendations for future research. *Acad. Manag. Ann.* 12 (1), 390–439. <https://doi.org/10.5465/annals.2016.0014>.
- Shen, J., and Benson, J. (2016), "When CSR is a social norm: how socially responsible human resource management affects employee work behaviour", *Journal of Management*, Vol. 42 No. 6, pp. 1723-1746.
- Smith-Bingham, R, & Hariharan, K. (2020). This is the impact of the Coronavirus on business. *World Economic Forum*. Retrieved from <https://www.weforum.org/agenda>.
- Sneader, K., & Singhal, S. (2020). Beyond coronavirus: The path to the next normal, Article McKinsey & Company. Retrieved from <https://www.mckinsey.com/industries>.
- Swarnapali, R. M. N. C. (2017). Corporate sustainability: A Literature review. *Journal for Accounting Researchers and Educators (JARE)*, 1(1), 1-16.
- Teece, D., Leih, S., (2016). Uncertainty, innovation, and dynamic capabilities: an introduction. *California Management Review*, 58 (4), 5–12. <https://doi.org/10.1525/cmr.2016.58.4.5>.
- Teece, D. J. (2007). Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. *Strateg. Manag. J.* 28 (13), 1319–1350. <https://doi.org/10.1002/smj.640>.
- Teece, D. J., Pisano, G., Shuen, A., (1997). Dynamic capabilities and strategic management. *Strateg. Manag. J.* 18 (7), 509–533 [10.1002/\(SICI\)1097-0266\(199708\)18:7<509::AID-SMJ882>3.0.CO;2-Z](https://doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z).
- Todres, L., Galvin, K. T., & Holloway, I. (2009). The humanization of healthcare: A value framework for qualitative research. *International Journal of Qualitative Studies on Health and Well-being*, 4(2), 68-77.

- Kankainen, T. (2017). Digitalization – Humanization. Retrieved from published in Interpersona Newsletter 1/2017, <http://www.e-julkaisu.fi/interpersona/newsletter/1-2017/en/mobile.html?goto=8>. University Press.
- Turkle, S. (2017). Alone together: Why we expect more from technology and less from each other. Hachette UK.
- UCLG. (2015). The sustainable development goals: what local governments need to know. Retrieved from https://www.uclg.org/sites/default/files/the_sdgs_what_localgov_need_to_know_0.pdf.
- United Nations. (2015a). Resolution adopted by the general assembly on 25 September 2015. Retrieved from www.un.org/en/development/.../generalassembly/.../globalcompact/A_RES_70_1_E
- United Nations. (2015b). Transforming our World: The 2030 Agenda for Sustainable Development. Retrieved from <https://sustainabledevelopment.un.org/about>.
- Wahyudi, I. (2014). Default risk analysis in micro, small and medium enterprises: Does debt overhang theory occur?. *Asian Academy of Management Journal of Accounting and Finance*, 10(1), 95-131.
- WHO Commission on Social Determinants of Health, & World Health Organization. (2008). Closing the gap in a generation: health equity through action on the social determinants of health: Commission on Social Determinants of Health final report. World Health Organization.
- Wu, W. W. (2008). Choosing knowledge management strategies by using a combined ANP and DEMATEL approach. *Expert Systems with Applications* 35, 828-835.
- Xu, J., and Wang, B. (2018), "Intellectual capital, financial performance and companies' sustainable growth: evidence from the Korean manufacturing industry", *Sustainability*, Chan, N.W. (2012). Impacts of disasters and disasters risk management in Malaysia: The case of floods. In Y. Sawada & S. Oum (Eds.), *Economic and welfare impacts of disasters in East Asia and policy responses* (pp.503-551). Tokyo: ERIA.
- Yi, V. Z. (2020). Struggle of malaysian smes during the covid-19 pandemic.
- Yuena, Y. Y. & Nga, X. P. (2020). Enhancing innovation performance of small and medium enterprises in Malaysia. *Management Science Letters*, 11, 2021.
- Zainuddin, M. Z. (2020). Sebahagian besar PKS bermasalah jika PKP dipanjangkan. *Berita Harian*. <https://www.bharian.com.my>