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# PREPARING SMALL AND MEDIUM ENTERPRISE BUSINESSES FOR POST-COVID-19: LEAN MANAGEMENT APPROACH

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The spread of Covid-19 pandemic in Malaysia was confirmed on January 25<sup>th</sup>, 2020 (Bernama, 2020). As the virus spread in all states and federal territories in Malaysia, in March 16<sup>th</sup>, the Malaysian government has enforced a partial nationwide curfew (known as the Movement Control Order or MCO) from March 18<sup>th</sup> to June 9<sup>th</sup>, 2020 to curb the increasing number of positive cases in the country (Bernama, 2020). Consequently, the effects of Covid-19 have disrupted the economy, not only in Malaysia but also globally. The post-Covid-19 world economy is expected to bring down the global Gross Domestic Product (GDP) to 0.4 per cent from its initial forecast of US 86.6 trillion for 2019. This loss counts for the global economic loss of US 3.5 trillion (Bernama, 2020a).

In Malaysia, Covid-19 has begun to disrupt business, particularly when the enforcement of MCO begins. For instance, tourism is one of the economic sectors hardest hit by the Covid-19, and is projected to be the last to recover (Bernama, 2020b). According to the Prime Minister of Malaysia, Tan Sri Muhyiddin Yassin reported that the estimated total loss in the tourism sector from January to February 2020 is RM3.37 billion due to the transmission of Covid-19 (Adnan & Halid, 2020). Similarly, Small and Medium Enterprise (SME) businesses were also affected. Given the current situation, numerous economists such as Ramon Navaratnam and Smita Kuriakose predicted that SMEs business activities might not recover in the near future (Rawa, 2020). When the Malaysian government announced a massive stimulus package aimed at addressing the economic downturn, it is likely to cause high budget deficits above its target of 3.2 per cent this year (Rawa, 2020). It is predicted that the economic activity would need a long time to recover as usual once the pandemic is successfully controlled. SMEs need to accept the fact that the way entrepreneurs doing business is now changing, and most of the companies need to transform their business model from traditional business to digital business. The measure of business performance capabilities is no longer solely focused on profitability, but on how far SMEs entrepreneurs can cope with various challenges of post-Covid-19.

Therefore, a new mechanism or approach is needed for SME entrepreneurs to address business uncertainties, particularly when they need to prepare for the post-Covid-19. Also, the best ways to support SMEs and micro-enterprises is through new and advanced ideas and actions. Thus, it has been suggested that lean management as one of the approaches that SMEs entrepreneurs can utilise to combat business problems. Womack and Jones (1996) defined lean as a strategy to eliminate waste. It originated in the mass production setting of the automobile industry, specifically the Toyota Production System, the giant automobile industry in Japan. The benefits of lean implementation to organizations are undeniable whereby a wide range of benefits are obtained by organizations across the industries both in the manufacturing and service sectors. Lean implementation is useful and has become a topic of interest in small and medium enterprises (SMEs) (Belhadi et al., 2018). Without a doubt, some of the approaches of lean management can be used to fight the crisis without flouting the two principles of lean; respect for humanity and

continuous improvement. These approaches were shared by a lean consultant Mr Harris Zahari during his talk on 30<sup>th</sup> April 2020 entitled 'Lead Your Business through Covid-19 with Lean Management' at webinar organized by Malaysian Productivity Corporation (MPC), whereby he proposed these four Japanese lean management approaches. The suggested approaches are as follows:

1. *Genchi genbutsu*

*Genchi genbutsu* is a Japanese term defined as Go and See. The point of *genchi genbutsu* is to demonstrate the significance of entrepreneurs to come and see the condition at the workplace as this act assists with distinguishing waste production value creation. *Genchi genbutsu* is a method of getting things done, a propensity that must be practised by everyone in the organisation routinely (Chiarini, Baccarani, & Mascherpa, 2018). Entrepreneurs need to act proactively in searching for improvement opportunities. Once instilled in an entrepreneur's organisation's way of life, representatives become mindful of their workplace and actions. This approach will empower entrepreneurs to help analyse issues and spot improvement opportunities. For example, in SME, entrepreneurs need to practice go and see by looking at every activity carried out in producing products and services. From there, entrepreneurs can evaluate whether their activities meet the standards set by the organization.

2. *Nemawashi*

*Nemawashi* is the basis to make any decision through communication in advance, mainly to gain consensus. The Japanese term *Nemawashi* originates from the cultivating movement of sustaining and setting up the ground to transplant. It says that without a legitimate *Nemawashi*, any plants are doomed to die (Sagi, 2015). Instead, precautions are taken for the survival of the tree during transplant, and eventually for its future to thrive. Entrepreneurs should prioritize their employees by discussing any issues in regards to business operations and activities or any other issues that relate to business. Looking back at SMEs, communication between entrepreneurs and employees is essential to reach consensus as to avoid any disputes in the future. For example, SMEs are relatively weak in terms of product promotion. It is the responsibility of entrepreneurs to discuss with employees who work in the marketing department by proposing some robust marketing strategies.

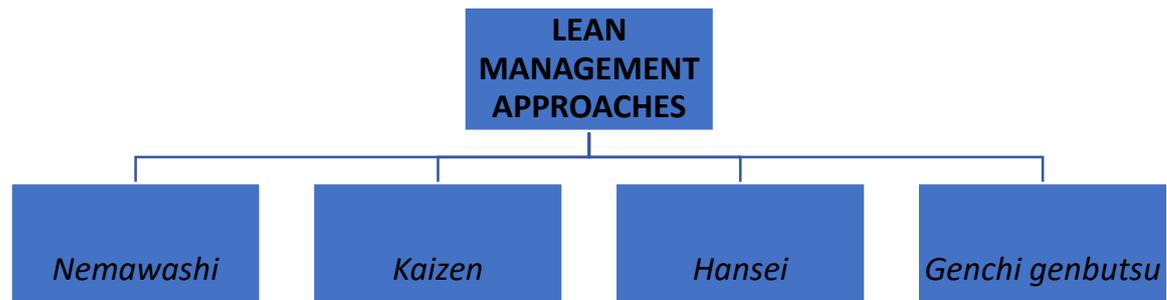
3. *Hansei*

*Hansei* is another lean tool for improving quality at a constant level is the reflection. "Han" means to change, turn over, or turn upside down while "Sei" means to look back upon, review, and examine oneself. In the *hansei* procedure, the accentuation is on what turned out badly and on making clear designs to ensure that it does not reoccur – and this is done continually and steadily. At Toyota, the principle is 'regardless of whether you do a venture effectively, there is as yet a *hansei-kai* (reflection meeting) to audit what went wrong'. *Hanseikai* usually consists of three components. In the first step, all team members analyse the task and compare the initial project plan to the actual performance. Following the first step, the performance of each team member is discussed, as they reflect on their performance and make suggestions on how they could improve it next time. Finally, there is a feedback round in which the group discusses the particular aspects that could be improved and considered for future projects (Haghirian, 2010). For instance, employees in SMEs need to have time to reflect on themselves by reviewing the performance appraisals obtained. A reflection meeting between employees and entrepreneurs is essential to ensure that things that do not meet the Key Performance Indicator (KPI) need to be discussed for better improvement.

4. *Kaizen*

*Kaizen* is a Japanese term that implies a constant or continuous improvement of all organization members, processes, products and any improvement activities, that involves generally low costs (Janjić, Todorović, & Jovanović, 2019). It endeavors to enable the

workers, increase worker satisfaction, encourage a feeling of achievement and in this way, to inculcate the sense of pride in work (Nam, Thi, & Anh, 2020). Continuous improvement is seen in the changes that occur over some undefined time frame. These can be in the reengineering procedure of products and ventures to serve consumers better. Similarly, in SMEs, continuous improvement perpetually is connected with congruity, in light of the fact that as SMEs enhance their quality frameworks after some time, it prompts a more bit of leeway over adversaries, subsequently an enduring organization. Indeed, SME entrepreneurs need to practice *kaizen* in their daily business activities as this ought to be assimilated in the organizational culture (Pakdil & Leonard, 2017).



Source: MPC Webinar

In conclusion, the implementation of lean management will be not fruitful if SMEs entrepreneurs do not show a high commitment during the post-Covid-19. It is important to note that lean management is a boundless journey to create a community of SMEs among entrepreneurs, managerial level, operational level and customers to continually improvise, pledge and form resolutions to solve daily problems at the SMEs setting. Eventually, SMEs must envisage what it wants to become, and SMEs should put an effort to understand the message of what it means to become lean management. Moreover, the spirit of challenge is required to inculcate the lean culture in SMEs organization. As a result, SMEs entrepreneurs will be better prepared to deal with any future crises, including Covid-19 as SMEs entrepreneurs are consistently applying lean management as a part of the cultural components of the organization.

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