Evaluation of Coronavirus Covid-19’s Impact on Malaysian-Based Global Companies

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Abstract. The coronavirus outbreak has created a massive chaos and affected the domestic and global opportunities of Malaysian economy. Majority of the businesses affected in Malaysia are micro, small and medium sized enterprises. The aim of this article is to rewind back the impact of COVID-19 outbreak on Malaysian-based global companies and provide recommendations for policymakers to focus on main agenda that are very important during post-COVID-19 that is needed mainly to reduce business losses and survival throughout this crisis. This paper will help practitioners to put in place proper measures to curb any future pandemics of this kind by been proactive and apply the tenants of entrepreneurial orientation to survive in the midst of any turbulent business environment.

Keywords: Coronavirus · Covid-19’s impact · Based global companies

1 Introduction

The outbreak of the 2020 novel coronavirus disease (COVID-19) which is a severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) epidemic outbreak emerged in December 2019 from Wuhan City, Hubei Province, China and spread to the rest of the world. The disease was named COVID-19 by World Health Organization and has since created a massive blow to the entire world community where it has infected thousands of people across the world with staggering death toll (WHO Outbreaks and emergencies, 2020). Till date, the number of people who are infected are still increasing which is adversely affecting economic activities and social development. The severe impact of this COVID-19 can be seen clearly in countries such as Italy and China where the number of people who have lost their lives have crossed hundreds of thousands (Cao et al. 2020). The latest WHO statistics show that the number of people who died due to this virus in Italy has surpassed China (abcNEWS 2020). The continuous spread of this virus has made the government in various countries to impose lockdown in their respective countries in an attempt to reduce the spread of this deadly virus by ordering the closure of non-essential shops such as restaurants, café, cinemas, and sports activities.

However, this lockdown situation has become a major risk in many countries because it pushes countries into recession. Despite the risk generally faced by all economic
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sectors, deep impacts have been felt by selected sectors such as tourism, logistics and healthcare. More concerning is that the world stock market have suffered a steep loss since the first day of COVID-19. This brings instability to the world market, which is eventually hitting hard on developing and 3rd world countries. The effect of COVID-19 to various industries has led to many companies being shut down, hence vast number of people have lost their jobs and their main source of income. For instance, one analyst predicted that the coronavirus restrictions may cause the closures of retail stores and restaurants which eventually could wipe out three million jobs from the US alone (CNBC 2020a). However, the pandemic situation has given rise to the need for online business platforms which have seen large number of new online business operation booming “like mushrooms after a rain” to cater the needs of consumers under restricted movement control situation (FOBES 2020).

The objective of this conceptual paper is to present the impact of COVID 19 virus on global SMEs that are operating in various countries across the globe. Many companies are currently running their businesses in the domestic and international markets. These companies have already been affected after being told by the government to suspend operation due to the pandemic. This study specifically seeks to understand the challenges currently faced by these companies that can serve as a reference for future new companies and their management. Two stages have been identified to explain the impact of COVID-19 Pandemic and its impact on Malaysian- based Global companies. In this section, the components to be discussed are the COVID-19 pandemic, the Malaysian government’s responses to it, and the combined impact on the economy, in two chronological stages.

2 Stage One: Awakening to the Pandemic

2.1 The Pandemic and the Malaysian Government’s Actions

In December 2019, Wuhan, Hubei province of China became the center of an outbreak of pneumonia of unknown cause which raised attention not only in China but also internationally. As feared the outbreak took a swift turn by spreading aggressively to countries not only in Asia but also Arab countries, United States and Europe. Among these countries Italy faced a tremendous hit by the COVID-19 virus. Since the 1st reported case of the outbreak in Italy, more than 4000 people have died within a month due to this deadly virus (ALJAZEERA 2020) which created a major distress for many other countries including Malaysia. This is because, despite Italy having the world’s renowned healthcare system, it could not aid the country in combating the COVID-19 virus.

In Malaysia, the first case was identified on 25 January 2020 attributed to three Chinese nationals who returned to Malaysia and believed to have had contact with infected people, though with low number of positive cases until March 2020 (Elengoe 2020). However, in the month of March, multiple cases were identified and associated with a religious gathering held in Seri Petaling. Soon afterwards, the ministry of health identified more clusters of COVID-19 cases. The health ministry came up with a conclusion that the religious gathering became the epicenter of several generations of COVID-19 clusters where the people have had close contact with family members, friends, and madrasah tahfiz. A team from the health ministry has confirmed that this virus is a person to person transmission and needs severe attention in breaking the chain of spread. In
response to the findings, on 13 March 2020, the Prime Minister of Malaysia, PM Muhyiddin cautioned the nation on the spread of the virus within the country and explained the necessary actions to be taken in an aim to break the chain of transmission.

The government of Malaysia began with the first stage termed “Movement Control Order” (MCO) from 18 March to 31 March as a 1st preventive measure towards halting the spread of the deadly virus. MCO is a general prohibition on mass movement and gathering across border towns including religious, sports, social, and cultural activities. This social distancing approach later proved to help reduced the spread of the virus among people. Also, the Standard Operating Procedure (SOP) for the public have mentioned some basic guidelines such as washing of hands, using sanitizing gel, and covering nose and mouth with a face mask to help prevent the spread of the virus to other people.

2.2 Impact on the Economy

Since the spread of the virus became global crisis, tourist agencies have been ordered to cease their operation till the situation improves. In addition, food franchises were given option to provide limited services such as takeaway or delivery services to reduce person to person contact. Many states in Malaysia have been adversely affected due to the MCO circumstances. In similar context, the state of Penang has seen a huge drop in revenue coming from tourism industry due to travel restrictions as a result of COVID-19 pandemic. It is worth noting that, Penang tourism industry have contributed a great amount of revenue to the state. As such, a drop amounting to almost 60% in revenue was seen and is very detrimental for the local economy sustainability (Swan et al. 2020). The situation has led to many small companies to vent their frustration by posting on social media to show their frustrations. This is due to the complication faced by many companies which could not see any other option other than to shut down their operation as no revenue was generated during the MCO period.

The domestic SMEs which contribute almost half of Malaysia’s GDP have been affected by the lockdown. Many small companies have suffered significant losses due to less demand and need, affecting the cash inflow to bear their renting cost and salaries. These situations are encountered across various levels of SMEs who have active customers in various countries. Adding on to these, many suppliers from various countries have also pulled out their terms and this has created a bad perception and worsened the relationship between entrepreneur and supplier. In a nutshell, the Malaysian economy is facing various challenges due to this COVID-19.

3 Stage Two: Quarantine and Shutdown

3.1 Pandemic: Selangor is the Most Affected or Pandemic of the Pandemic

WHO declared the situation a public health emergency for all countries and provided support to countries in need, in their containment and mitigation efforts such as providing technical guidance, laboratory capacity to improve testing and equipment for hospitals and healthcare workers. As such, in the state of Selangor, Malaysia, the authorities have identified it as a red zone area due to the very high number of COVID-19 positive
individuals followed by Kuala Lumpur, as reported by the Health Ministry. Notably, between March to early April, the total number of COVID-19 positive individuals in Selangor have increased to 1,388 and in Kuala Lumpur alone about 432 people were tested positive for the virus as of 23 April 2020 (THE EDGE MARKETS 2020).

The 1st cluster of the virus was detected in a religious congregation in Sri Petaling. As the members of the tabligh congregation started to travel back to their district and state of their origin, the spread of the virus became immense and rapid, causing great fear among people. Hence, the ministry took swift action to trace all the members of the congregation who were tested. In addition to that, the local and central authority took another measure by requesting those individuals who took part in the congregation to voluntarily come forth to be tested to reduce the spread of the virus. After a long struggling effort of many government institutions, they managed to trace and test majority of the congregation members and provided sufficient treatment to save infected individuals and curtailed the spread.

3.2 Impact on the Economy

As a result of the strict MCO regulation and protection measures by the ministry, mass quarantine and international travel ban have been enforced that has damaged the country’s economy badly especially sectors under Travel & Tourism such as hospitality and entertainment (Shah et al. 2020). The situation has affected Travel & Tourism sector at all level and those SMEs for example food stalls, and small grocery stalls are severely affected. In many tourism locations, sharp decline in revenue was reported which are estimated to be nearly millions in some countries (OECD 2020; Nicola et al. 2020). Apart from the global impact of COVID-19, internally, the Malaysian airline industry is foreseeing gloomy days, as the pandemic show no clear sign of ceasing or when the airlines operation will resume back (REUTERS 2020). It is a hurting sight to see hundreds of local airline planes grounded at Malaysian airports not knowing when they will be able to bounce back to generate revenue.

International Air Transport Association (IATA) has reported that airlines globally may burn about US$61 billion of their cash reserves in the second quarter as their fixed cost is high, and now expected to lose US$252 billion (TheStar 2020a). This is one major setback for Malaysian airline companies such as MAS, AirAsia, and Malindo Air. In view of that, the AirAsia CEO, Tony Fernandez has urged many customers to accept store credit for replacement flights instead of a refund as the company strives to cope with the COVID-19 situation (TheStar 2020b). Many companies that operate oversea have been forced to lay off some percent of their staff or provide them flexibility during the COVID-19 pandemic.

According to business insiders, the number of jobless people has exceeded 700 thousand across the world (BUSINESS INSIDER 2020). The travel and hospitality industry were affected the most and many companies in this sector have already implemented the reduction in workforce. However, this form of action not only affects the employees but also the employers where they will lose many talented employees in their company. For global SMEs, their valuable resources are human capital. They rely on intangible resources such as knowledge and skills to survive in the market. Due to this COVID-19,
gathering the information and access to knowledge across the company will become challenging for the global SMEs.

Again, limited number of companies can afford the content of management systems, intranet tools and other processes that can facilitate this transfer. Majority of the companies still rely on physical presence, communication, and meeting to improve their sharing of information between individuals, departments, and branches in other countries to be more effective and efficient. Hence, losing top talents in the company can come at a very huge cost for any global SMEs. The COVID-19 pandemic has adversely affected substantial number of small SMEs in Malaysia that largely rely on China, to stop their operation as supply chain have been ceased in line with travel ban (TheStar 2020c). Its impact on the supply chain seems inevitable. Many scholars suggest that there are no quick alternatives for unexpected disruption and the chain will be susceptible to system shocks and disruption.

4 Recommendations

Many employees, companies and common people have and will continue to suffer due to this pandemic around the world. It will have a major negative consequence on the world’s social and economy which will lead to new ways of doing things termed as ‘new normal’. Countries like United States, Russia, China and Italy which have been some of the dominant powers in many industries will now face a new dilemma especially in surviving in businesses and on how to improve their economies. The COVID-19 pandemic has wildly spread across many countries; therefore, it affects both the demand and supply of the world economy. Thus, to understand this pandemic deeper, a few recommendations will be provided for the Malaysian government and companies based on the review on this pandemic.

4.1 Consideration for Policymakers and SMES

1) Collaborative culture – knowledge and technological collaboration

Collaborative culture in business has been identified as a key area that can be explored further. We have seen many companies who have implemented collaborative approach during COVID-19 pandemic. For instance, Pharmaceutical companies from the United States and Oxford University researchers have been working together to develop a vaccine for COVID-19 (University of Oxford News & Events 2020; CFR 2020; ABPI 2020). They have been sharing knowledge and equipment to develop COVID-19 vaccine. We have seen that many companies actually have made an effort through various agencies to develop a cure, to treat infected cases. However, a shared outcome with mutual-benefit for both companies is expected. These organizations have demonstrated that despite having institutional differences at play (Williams and Martinez 2012), there are short-term cooperative factors that outweighs certain rivalrous behaviors. Also, some technology-based businesses have worked together in reducing the number of scams and cybersecurity threats that are associated with COVID-19.
2) Digital platform as the main agenda
The global pandemic of COVID-19 has changed how the world functions, highlighting the important role of technology for society and the economy. This unexpected turbulence has transformed the way in which individuals and businesses operate, communicate, and transfer knowledge and now primarily depends on technology. Digital or virtual platforms ensure the workforces continue to be productive and contribute to the productivity of the organizations. Similarly, the students from primary schools to higher learning education have adopted e-learning technologies with various tools such as zoom, animation, YouTube, FB live, etc. Meanwhile, individuals around the world are now widely using internet or online payment method, thus leading to a cashless society for buying groceries, and ordering their foods (CNBC 2020b; Accenture 2020). However, not all class of society can access the internet privilege especially those who are in and below poverty line, while some people also have difficulty such as low internet coverage (Király et al. 2020).

Accordingly, this platform aligns with the vision of the Malaysian Government towards technology development, as well as enhancing digital skills. Previously, the routine life and business operation preferred offline engagement than online, but now majority are not left behind and require digital skills (Limaye et al. 2020). Therefore, the governments, private agencies, and related parties should promote the use of digital platform and reduce the shortage such as data, coverage, and spread digital knowledge. These initiatives can be done through training, devices donation, and collaboration. The related agencies and the government should help businesses boost digital skills and reduce barriers preventing people from developing their digital skills. As such, it is important to act urgently to help to get vulnerable people and their families.

3) Emergency funding
Recently, we have seen the significant economic impact of the COVID-19 on financial markets, and employees worldwide are at the risk of losing their jobs. In Malaysia, the government have announced an economic stimulus package to cushion the economic impact of the COVID-19 outbreak. When pandemic situations like this occur, the government should create emergency support funding for people who are experiencing financial hardship as a result of the disaster. In fact, the government should collaborate with many nonprofit organisations and industry groups to appeal for funds and give additional financial assistance directly to people in need (Maher et al. 2020).

On the other hand, emergency grants for unemployed people during a disaster can greatly reduce their burden and worry about their family and job. The government should create this platform (application) that invites all the voluntary contributions that can be used to meet the cost of immediate action. If the impacted person is struggling financially or facing hardship as a result of the current situation related to any disaster, they are able to access some short-term emergency funding or grant from this application. For example, students, jobless people (because of disaster), disadvantaged people, disabled people, and etc. The emergency fund and grant will provide support for basic living costs such as food and medication, and other financial challenges experienced due to COVID-19.

4) Healthcare effort
The Malaysian government is striving to strengthen the healthcare industry to combat COVID-19. The pandemic is stressful and caused anxiety for most people making them
to fear and worry about their own health, their loved ones at the same time about the financial situation which is a big challenge to their mental health. In regards to this, people start changing their sleeping and eating patterns, had difficulty in concentrating, and experienced worsening of chronic health problems. This resulted in strong emotional imbalance in adults and children (CDC 2019). Therefore, it is important for companies to take care of their staff’s mental and physical health by deploying more compatible digital technology to address the most urgent needs through telehealth or telemedicine. Telehealth services acts as an effective and sustainable solution for precaution, prevention, and treatment during a pandemic situation (Whaibeh et al. 2020). Telehealth enables everyone to stay at home and communicate with physicians through virtual channels in helping to reduce the mass spread of the virus to populations (Hollander and Carr 2020). Thus, by deploying telehealth systems, people who are suffering from other medical ailments during pandemic time or after the pandemic period can receive care from home, without entering medical facilities, as well as minimizing their risk of exposure to COVID-19.

Likewise, the patients can have their teleconsultation schedule to avoid clinic visits. Even though telemedicine has not been practiced by all the healthcare institutions in the country, the government and private insurance companies should make policy changes to promote its uses. They should see the practices of telemedicine today as a long-term investment to provide a better patient experience that can reduce their burden.

5 Conclusion

This study is helpful in enhancing the understanding of business owners especially Malaysian-Based Global Companies since the COVID-19 pandemic has alarmed investors, policymakers, and the public at large, that the virus can inflict not only health implications, but can also cause economic damage in an unprecedented scale. All parties must now face what has already been obvious to many that such phenomena are imminently possible and indeed likely. How will this affect costs of capital; pension planning; insurance; the role of governments protecting financial systems, and political stability in societies? Immediate relief measures need to be implemented and adjusted for those that may fall through the cracks. Based on the results, this study further shows that short-term and long-term action planning as well as the adoption of prudent entrepreneurial skills is needed by Malaysian-Based Global Companies to re-balance the economy following this and any other crisis that may happen to them.

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