

**ANALYSIS ON THE  
BUSINESS  
TRANSFORMATION OF  
ORGANIZATIONS THROUGH  
INNOVATION**

**MALAYSIA PRODUCTIVITY CORPORATION  
2011**

*Transformation • Innovation • Partnership*

# **Analysis on the Business Transformation of Organizations through Innovation**

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## PREFACE

As the nation evolves from the knowledge-based economy into a high-income economy, it becomes crucial that creativity and innovation of the people are tapped on to be the impetus for Malaysia's economic growth. The Malaysian Government has put in place the New Economic Model (NEM), the 10<sup>th</sup> Malaysia Plan (2011-2015) and the Economic Transformation Programmes (ETP) to facilitate the transformation journey of Malaysia. Creativity and innovation are now at the heart of our economic change. This is more so as Malaysia has reached the crossroad where the nation needs to go for radical innovation to derive the required size of change and propel the country away from the mid-stream doldrums. There is also the urgent need to synergise the many incremental processes change to build a bigger force that moves the country forward. In complementing this goal, Malaysia Productivity Corporation (MPC) has assumed the role to strategise the creativity and innovativeness of the people towards value-adding productivity. There is the need to encourage concerted efforts to bridge the current situation of the nation with the envisioned future. Hence, one such initiative is to identify, document and disseminate information on the innovative business transformation of Malaysia-based organisations. Through the success stories, it is hoped that there will be better buy-in towards the creativity and innovation drives in the country; especially among the small and medium enterprises. In this research, three organisations are featured; they are: Cerebos (Malaysia) Sdn Bhd, DiGi Telecommunications Sdn Bhd, and Italian Baker Sdn Bhd.

*"A sea of change is taking place in the way businesses organise themselves, create wealth and market their brands and wares worldwide. ...And, at the heart of it is innovation."*

- Tan Sri Dr. Lin See Yan<sup>1</sup>

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<sup>1</sup> Lin, S.Y. (2010, August 14). Creativity - the key to NEM's success. Starbizweek, p.SBW8

## 1.0 INTRODUCTION

### 1.1 Overview

Business transformation is a key [executive management](#) initiative that attempts to align [organizational](#) initiatives relating to people, process and [technology](#) with its [business strategy](#) and [vision](#). The initiative aims to support and help [innovate](#) new business strategies and to meet long-term objectives.

Innovation & business transformation are essential factors that complement each other. They are also fundamental business strategies for sustainability in an economic slowdown. As economic crisis brings challenges, organizations need to look beyond their industry's boundaries for new ideas and new opportunities. Innovation and business transformation will certainly assist organizations to be different and facilitate organizations to venture into new and potentially profitable territories.

### 1.2 Objectives of the study

The objectives of the research are:

- i) To gain first-hand understanding on the development of business transformation of organizations through innovation;
- ii) To analyse the type of innovation that has become key organizational success factor to achieve high-performance and competitiveness; and
- iii) To address and provide input to the MPC Creative and Innovation Consultative Panel (CICP).

### 1.3 Scope of the study

This study analyses on the exemplary practices where business transformation has been made through innovation. Three organisations will be identified and featured for this study.

### 1.4 Methodology

- Literature reviews
- Direct interviews with selected organizations
- Site research to acquire hands-on experience and understanding on the said subject

### 1.5 The timeline

The timeline of the project is four months: May 2011 to November 2011.

## 2.0 LITERATURE REVIEW

Business transformation and innovation are the fundamentals for survival in challenging economic situations as these two factors enable organizations to realign their strategies and shift according to the dynamic market changes. The two factors can be about operational, logistical and financial efficiency, as well as bringing new products and services to the market. Organizations have shifted in the way they operate and structure for better efficiencies and cost management. Trends such as outsourcing as well as merger and acquisition are modes of business transformation. Business transformation and innovation can also be seen by better utilization of resources, creating and delivering enhanced values to customers, developing creative collaborations with complementing organizations and identifying more effective means to promote products and services. Basically, there are three types of innovation; they are incremental innovation, radical innovation, and disruptive innovation.

Incremental innovation refers to an innovation that is improved on gradual incrementing and regular degrees (Von Hippel, 1988). Accordingly, this innovation normally emerge from practice such as the immigration processing of passports from three months to one month, then one week before progressing to one day and now one hour. Radical innovation, on the other hand, is about innovations that are carried out from the root or base of a product or services. This innovation may be demand driven based on market requirements or social needs, or supplier driven due to new technological possibilities. Disruptive innovation relates to an innovation that disrupts an existing market. It is also an innovation that causes a new and unexpected market through the application of a different set of values. Examples of disrupted market are the floppy disk drive of computers to CDR/W and to (pen) thumb-drives. With the intense business competition and globalization, these three types of innovations are being increasingly inculcated and observed in organizations for business competitiveness and survival. As such, effective business transformation and innovation processes should be emplaced for determining the right projects that could bring real differences for organizations.

According to Capgemini Consulting and the Economist Intelligence Unit (2007)<sup>2</sup>, there are six external factors that drive the need for business transformation. The trends are: increased competition from overseas competitors, industry consolidation, increased competition from domestic competitors, technological change, changing customer preferences, and regulatory or government policy change. In essence, the forces of globalization has increased the need to do transformational activities that

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<sup>2</sup> Capgemini Consulting & the Economist Intelligence Unit (2007, April). Trends in Business Transformation Survey of European Executives. Retrieved 23 May 2011 from [www.corporate-leaders.com](http://www.corporate-leaders.com).

align organizational initiatives relating to people, process and technology with its business strategy and vision. This initiative aims to support and help innovate new business strategies and to meet long-term objectives. Innovation and business transformation are essential factors that complement each other. They are also fundamental business strategies for sustainability in an economic slowdown. As economic crisis brings challenges, organizations need to look beyond their industry's boundaries for new ideas and new opportunities. Innovation and business transformation will certainly assist organizations to be different and facilitate organizations to venture into new and potentially profitable territories.

In tandem with the New Economic Model (NEM), 10<sup>th</sup> Malaysia Plan, and the Government Transformation Programme (GTP), MPC would like to study how has the local business community transformed through innovation. This is crucial as innovation, the heart of business niche, is prerequisite to the survival and sustenance of businesses, both at home and internationally.

Moreover, the nation needs to build up innovation practices among sectors, especially the SME. It is envisioned that the currently being formulated SME Master Plan by SME Corp with the collaboration of World Bank will provide the impetus and direction for the SME sector until 2020. Accordingly, the plan will facilitate the growth of SME through productivity gains and innovation.

The importance placed on innovation is emphasized as Malaysia managed to achieve only the 28<sup>th</sup> position among 132 economies in the Global Innovation Index and Report 2009-2010 by INSEAD in partnership with India's Confederation of Indian Industry. There was a decline of 3 rankings as Malaysia was in the 25<sup>th</sup> position among 130 economies in the 2008-2009 report. Through the experiences of Iceland, Sweden, Hong Kong as well as Singapore, innovation has been proven to be a key enabler for national progress and competitiveness.

### 3.0 INNOVATIVE BUSINESS TRANSFORMATION AT CEREBOS (MALAYSIA) SDN BHD

#### 3.1 The Company

The history of Cerebos Pacific Limited business began in 1892, when a French chemical engineer decided to mix calcium phosphate with salt and invented a dry-pouring salt. The brand name 'Cerebos' was derived from 'Ceres' which is the Roman Goddess of wheat harvest, and 'os' from the French word for 'bone' that is strengthened by the calcium phosphates mixed salt. From there, the business grew to include a wide range of food products through its acquisition of Brand & Company in 1959.

Cerebos has its initial footing in Asia through Singapore in the 1920s. This company bought over all Rank Hovis Mc Dougall PLC subsidiaries in the Far East in 1982, and was subsequently listed on the Singapore Exchange Securities Limited (SGX) in 1983. Cerebos is now a leading food company with its corporate headquarters in Singapore and provides management services to subsidiaries and associate companies in the Asia Pacific. Its flagship product, BRAND'S<sup>®</sup> Essence of Chicken is the category leader. Currently, it has its presence in Asia, Pacific, North America and Europe.

Accordingly, BRAND'S<sup>®</sup> has been established for almost 177 years. The BRAND'S<sup>®</sup> Essence of Chicken has been passed through generations as a nutritious food for all walks of life. BEC was commercially launched in 1835 by Mr. Hendersen William Brand, chef to the British royal family in Buckingham Palace, London. He had concocted this essence of chicken tonic to boost the flagging health of King George IV in the 1820s. History has that Mr. Brand, upon his retirement as the royal chef, set up a shop at Mayfair to commercially sell his essence of chicken under his name and eventually this brand grew in tandem with the expanding British Empire in various regions especially Asia.

With many Asians cultures consuming double-boiled chicken soup made with natural ingredients as a health tonic, it was no wonder that BRAND'S<sup>®</sup> Essence of Chicken caught on fast in the Asian markets. BRAND'S<sup>®</sup> Essence of Chicken is preferred over the traditional double-boiled chicken soup because the product was carefully formulated to be free of fat, cholesterol, artificial colouring and additives thus making it a healthier option. Having many generations to date, BRAND'S<sup>®</sup> has become a trusted name among the young and old.

BRAND'S<sup>®</sup> Essence of Chicken is managed under the company name of Cerebos (M) Sdn Bhd. Cerebos (M) Sdn Bhd established itself on Malaysian shores on 14 October 1960, and set up its first plant here in 1962 to produce the popular BRAND'S<sup>®</sup> Essence of Chicken. In 2010, the company moved from its landmark factory to a bigger site in Bukit Jelutong, Shah Alam to cater to the nation's growing demand for BRAND'S<sup>®</sup> products.

Taking into consideration the religious sensitivities of its consumers in Malaysia, BRAND'S<sup>®</sup> has achieved the Halal certification where strict Halal specifications are adhered to at all levels and aspects of the BRAND'S<sup>®</sup> Essence of Chicken manufacturing process. In addition, BRAND'S<sup>®</sup> has also obtained the ISO 9002 international standard of manufacturing in 1996.

Besides BRAND'S<sup>®</sup> Essence of Chicken, Cerebos also produces other health supplements that promotes general well-being and bring about beauty benefits such as BRAND'S<sup>®</sup> Bird's Nest and InnerShine<sup>®</sup> fruit essence. Not forgetting special formulated AlphaMynd Essence of Chicken for juniors with DHA & Vitamins B to cater for the growing demand of kids' nutrition.

### 3.2 The Business Innovations

As the company grew, it charted numerous business transformation journeys such as its innovative packaging, scientific research on BRAND'S<sup>®</sup> Essence of Chicken its key product and the diversifying market segments as well as marketing strategies.

#### Transformation in Packaging

One noted innovation of BRAND'S<sup>®</sup> is the revolutionary packaging of the BRAND'S<sup>®</sup> Essence of Chicken product: from being packaged in aluminium cans in 1835 (*see Diagram 1*) to two different designs of vacuumed sealed bottle in 1946 and 1994. Packaging is deemed as the number one medium to communicate the brand. Hence, BRAND'S<sup>®</sup> has modified their packaging several times to keep with current trends to stay relevant to consumers while ensuring the safety of their product. The latest innovation is the adoption of the German concept of "Twist & Pop", the twist top cap (*see Diagram 2*) that was launched in March 2005. Two advantages of the twist cap are that it is able to keep the product more secured as well as maintains the freshness of the product. As the first company to use this concept, Cerebos (Malaysia) Sdn Bhd has patented the bottle cap that was designed using the most advanced cap technology. The company is the first in the world to offer triple safety tamper proof features on its packaging.



Diagram 1. The original aluminium-canned product



Diagram 2. The twist top cap product

### Innovative findings through scientific research

The other noted innovation of BRAND'S<sup>®</sup> is its initiative to conduct scientific research on its core product, the essence of chicken, and what makes it unique. To date, there are 30 scientific research papers done on BRAND'S<sup>®</sup> Essence of Chicken. In the past 20 years, the company has collaborated with universities worldwide to conduct various researches on BRAND'S<sup>®</sup> Essence of Chicken and its benefits. A breakthrough finding is that recently researchers from BRAND'S<sup>®</sup> Brain Research Centre have isolated ProBeptigen<sup>®</sup>, the amazing peptide found naturally in BRAND'S<sup>®</sup> Essence of Chicken that is responsible for helping to improve motivation to learn as well as enhancing learning and memory.

Two key research findings are from Malaysia and Japan. Daily consumption of BRAND'S<sup>®</sup> is clinically found by Azhar and Mohsin (2003)<sup>3</sup> as well as Azhar (2008)<sup>4</sup> to improve concentration by 22% and memory by 15% in 14 days. In the 2003 research that was conducted in Malaysia by Prof. Azhar, dean of the Medical Faculty at University Putra Malaysia (UPM) and Mohsin, they tested BRAND'S<sup>®</sup> Essence of Chicken on 175 fourth-year medical students. They were asked to consume a bottle of BRAND'S<sup>®</sup> each for 14 consecutive days. Data collected and analysed after the trail period indicated that the students' mental alertness and cognitive abilities were strengthened. The essence is also found to be capable of relieving anxiety. Azhar repeated similar tests in 2008. BRAND'S<sup>®</sup> Essence of Chicken is the only scientifically proven product of its kind, backed by over 20 years of extensive scientific and clinical research with findings documented in 30 scientific journals published in collaboration with scientists from universities in the U.K, Japan, China, Taiwan, Malaysia and Singapore. BRAND'S<sup>®</sup> is also one of the pioneers in the health food industry to invest in scientific and clinical research to prove its

<sup>3</sup> Azhar, M.Z. and Mohsin, S.S. J.Mal. J.Nutr (2003), 9: 19-29.

<sup>4</sup> Azhar, M.Z. Mal. J. Med. Health Sci (2008), 4: 57-68.

product benefits and investigate the mechanisms behind how the products work.

In the 2006 research in Japan by Dr. Shigeki Watanuki, Professor of Physiological Anthropology at Kyushu University, he found his sample of 24 university students showed higher EEG (Electroencephalography) wave upon scanning their brains after consuming a bottle of BRAND'S<sup>®</sup> Essence of Chicken each for 14 consecutive days. This finding indicated that drinking BRAND'S<sup>®</sup> improves the mind's concentration and alertness effectively. Dr. Watanuki's findings are indicated in Diagram 4 below.

Diagram 3. Those who consumed BRAND'S<sup>®</sup> Essence of Chicken obtained higher score in the number of recall test

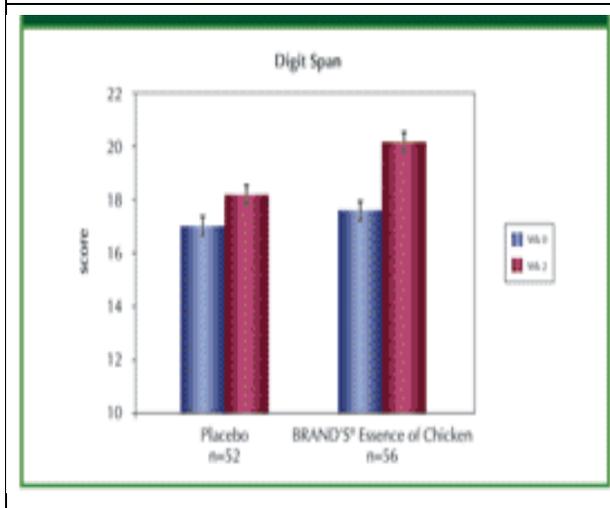
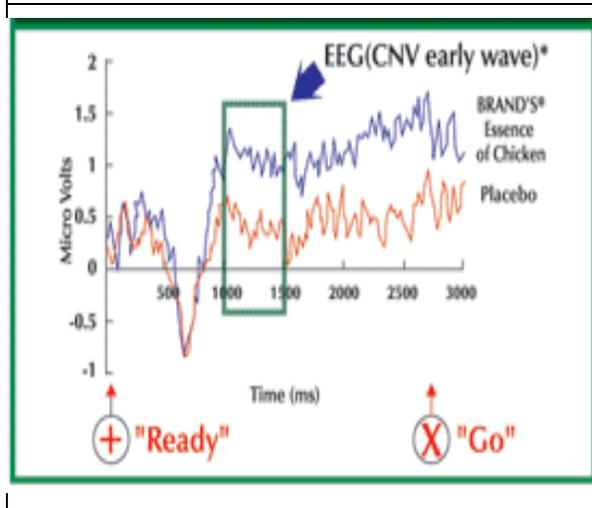


Diagram 4. BRAND'S<sup>®</sup> increased the EEG wave showing better mental attention



### BRAND'S<sup>®</sup> Lean Management and Experience Centre

The company's plant that has recently relocated from Petaling Jaya to Bukit Jelutong has 35 full time employees. The production line that runs in two shifts is highly automated. The researchers were told that this new Cerebos world class manufacturing plant is capable of producing 400 bottles of BRAND'S<sup>®</sup> Essence of Chicken in a minute with its high technology facilities. Another innovative feature of the new Cerebos factory is its BRAND'S<sup>®</sup> Experience Centre. Visitors to this centre will be able to see the historical milestones and innovations of the company. Additionally, visitors can also embark on a multi-sensory journey of discovery to learn more about the product and how it can positively help on our health and physical well-being. A walk around this centre enables visitors to have a first-hand look at the company's production facility and the well-positioned production machines. This plant inculcates high level of quality environment practices.

## Transformational and Innovative Marketing Strategies

The company has also transformed its marketing strategies; diversifying it from a reactive product to nurse poor health or given when visiting patients in hospitals to a proactive product such as consuming it to improve one's daily mental performance, and as gifts for many occasions, and contemporary events. This change began with its "Stay Alert, Stay Ahead" campaign which saw the company using integrated marketing approaches to reach potential customers at every touch point including TV commercials, MTV, radio, print, billboard, PR, online, in-stores and interactive consumer activities. BRAND'S<sup>®</sup> had also 'unChinesed' its image and successfully penetrated the Malay market with assertive marketing through its *Generasi Hebat* campaign programme sponsorship such as *Jangan Lupa Lirik*, *Akademi Fantasia* (main sponsor), and Drama Sebak @ EraFM activations. During this aggressive period, Cerebos sponsored the *Akademia Fantasia 8* and featured young and talented singers - Hafiz, Aril, Akim as well as Choo Hou Ren in its *Generasi Hebat* campaign advertisement that promotes positive values through its *Generasi Hebat* concept. HEBAT is the acronym for *Handal* (Ingenious), *Explorasi* (Open Minded), *Boleh* (Go-Getter), *Aktif* (Alert) and *Tekun* (Determined).

## Innovative products

Through its 49 years in Malaysia, BRAND'S<sup>®</sup> has introduced many products that cater to healthy lifestyle, mental performance, improving general well-being, beauty and children. Initially, Cerebos has only one key product in Malaysia; namely, the BRAND'S<sup>®</sup> Essence of Chicken. Then in year 1982, BRAND'S<sup>®</sup> Bird's Nest with Rock Sugar and BRAND'S<sup>®</sup> Essence of Chicken with Herbal Range made their debut. BRAND'S<sup>®</sup> Essence of Chicken for Junior was added to the growing range of Cerebos products in Malaysia in 1994. In an effort to add value to its range of BRAND'S<sup>®</sup> Essence of Chicken, the company progressed to introduce its innovative products into the market like InnerShine<sup>®</sup> Prune Essence in 2004 and InnerShine<sup>®</sup> Berries Essence in 2007.

## Transforming its image

In its effort to reach out to diversified market, BRAND'S<sup>®</sup> has transformed from a brand that was perceived to be for old people to a vibrant brand for all. To further reach out to the younger generations, the company developed different Facebook accounts to cater to its different product themes such as the InnerShine<sup>®</sup> Facebook, Generasi HEBAT Facebook and Smart Living Facebook. This branding evolution coupled with the right business strategies and the company's ability to stay relevant have contributed to its business growth of 136% from FY05/06 to FY2011. Through its creative business approach, a business breakthrough was experienced by the company. Previously 70% of its sales was through the Chinese Medical Halls; now 60% of

its sales are through contemporary outlets such as Giants, Tesco, Jusco and Guardian.

Since its inception in England 177 years ago, BRAND'S<sup>®</sup> has evolved into a multinational brand. Its products are available in many countries. In Asia, its headquarters is still in Singapore although Cerebos is presently owned by a Japanese company. The ownership by Japanese has contributed to the enhanced scientific research on BRAND'S<sup>®</sup> essence of chicken.

### 3.3 Summary

BRAND'S<sup>®</sup> has seen a revolutionary change since it was commercially introduced in 1835. In Malaysia, Cerebos has made transformations and innovations to its core product in terms of its branding, packaging and promotion while expanding its range of products to sustain its market and growth in its business. The company practices disciplined monitoring of its products, market and customer relationships through its many interactive platforms and its focus on providing quality products through their continuous research & development in improving & producing new products to meet & exceed consumers' expectation. Findings from the various scientific researches firmly support the benefits of BRAND'S<sup>®</sup> products especially in the improvement of mental performance.

Through the stewardship of the current General Manager, the company has also innovated its customer services by making it more visible, accessible and customer friendly. The company has evolved from the traditional approach to contemporary ways of reaching as many segments of the markets: the young, the working adults and the senior citizens. It has also kept up with the times and evolved its forms of communication to include educational and informative web-pages on health matters as well as provide a platform for an educational tour through the BRAND'S<sup>®</sup> Experience Centre at its new plant. In short, Cerebos (Malaysia) Sdn Bhd through BRAND'S<sup>®</sup> has transformed its businesses by innovating its people, process and technology towards the impressive achievement of 96% market share for essence of chicken in Malaysia.



Mr Koh Joo Siang  
General Manager of Cerebos (M) Sdn Bhd

## 4.0 INNOVATIVE BUSINESS TRANSFORMATION AT DIGI TELECOMMUNICATIONS SDN BHD



### 4.1 The Company

Established on 24 May 1995, DiGi is the first telecommunications company in Malaysia to launch a fully digital cellular network. DiGi.Com Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad and is part of the global telecommunications provider, Telenor Group. DiGi continues to be a game-changer for the Malaysian telecommunications industry. It has a solid history of product and service innovation and is a leader in driving progressive and responsible business practices in the provision of mobile voice, internet and broadband services. The Group is committed to driving Malaysia's growth by building a mobile internet and broadband ecosystem that enables true connectivity and participate in socio-economic development.

### 4.2 The Business Transformations

Change is constant at DiGi. It has and continues to be very much part of its DNA. Today, DiGi focuses on transforming its business operations from a voice-centric business to become a strong Internet Service Provider. It has made holistic changes aimed at preparing its business for the next phase of data explosion. Four key areas have been identified namely, modernizing its network, modernizing its IT landscape and processes, enhancing its distribution and focus on bringing out the best in its people.

Addressing the backbone of its operations is necessary to ensure it has the capacity and strength to stimulate and manage data demand. Determined to be the high-speed mobile internet provider of choice, DiGi has taken steps to build the best network in Malaysia with its investment in a brand new 4G-ready network that promises to deliver substantially higher speed to more Malaysians through larger coverage at affordable prices. This is supported with the streamlining of its information technology landscape and processes to allow it to react quickly to market demand and reduce time-to-market in rolling out new products. The Company has also looked at a number of significant changes in its retail set-up that enhances the customer's in-store experience and back-end processes to ensure it has the most advanced distribution system in the industry. Human Resources transformation is another key focus area where efforts are ongoing to enhance clarity of roles and expectations, have structured development platforms and put in place a

very competitive reward structure for its people all aimed at continuing its legacy of being one of the best places to work in Malaysia.

If there is one constant at DiGi, it would be its commitment to be the enabler of connectivity and enriching the lives of the people through continuous product and service innovation.

### *Transforming the organization structure*

The change in the organizational structure started in 2004. The Company believed it needed to change the way it operates to grow its business. The work culture and work environment at DiGi today remains unique to Corporate Malaysia and is often referenced as the 'Google of Malaysia'. Amongst the uniqueness of the organisation structure includes no job grades aimed at promoting better employee engagement and collaboration. With the flattened structure, DiGi also introduced a two-track career path: management track and expert track and a single benefit for all employees. The proposition of simplicity to customers is reflected internally through clean reporting lines, fewer and better managers, improved career tracks and open office concept.

### *Transforming the work environment / workplace*

To coincide with the change in organisational structure, DiGi relocated to its present site at the Subang Hi-Tech Industrial Park, Shah Alam known as D'House. D'House is the physical embodiment of DiGi's creative spirit and is designed to tap on and encourage innovation amongst employees. Contemporary in design, D'House is intentionally built four floors high and with glass finishes to symbolise the flat structure and emphasis on transparency. It boasts open office spaces where employees who are equipped with a laptop each are encouraged to practise 'hot desking'. It also practises the philosophy that as a mobile telecommunications company, employees should have the mobility to work from anywhere and anytime as long as they meet the required performance indicators of the company. Aptly called *Work@*, DiGi promotes flexible working arrangement with full trust. It allows people to plan their work as long as they are in the office within the core hours of 10 a.m. and 5 p.m. *Work@* has been found to be a practical benefit for its employees. These transformational efforts have kept DiGi's attrition rate at about 11%; well below the industry's average of 15%.

## *Transforming the DiGi brand and business approach*



The DiGi brand has grown to be synonymous with innovation, a reputation it has earned through the years as a result of its creative spirit that transcend beyond product and service offering. It is the challenger mindset in every aspect of the business translated into the way of working that continues to differentiate DiGi from the rest.

DiGi today focuses on enabling “Internet for All” and making internet available to more people as part of its commitment to build a connected Malaysia. To enable connectivity, it has put a lot of emphasis on driving demand for the Internet by making smartphones more accessible to every user with a wider range of phones across all platforms and lowering barrier of entry through smart bundling. Since the launch of its 3G services in 2009, it has proven its ability to grow the mobile broadband market by increasing market share from 0% to 12% by end of 2010; despite a late start, less coverage than the competitors, and fierce competition. Promoting usability of smart phones by combining availability of device and good usage experience is key to accelerating adoption. This is achieved by striking the right partnerships and working with partners here and abroad to bring content and applications to customers.

Leveraging on full value from being part of the Telenor Group underscores DiGi’s ability to lead the industry through the next phase of data explosion. While DiGi continues to tap on the experience and expertise of Telenor Group in the various areas, its affiliation enables it to roll out Long Term Evolution (LTE) very quickly and cost-effective with the advantage of learning from experience of Telenor Group’s LTE implementation in the commercial launches of the world’s first commercial LTE networks by Telenor in Sweden and Norway. DiGi’s timely roll out of a brand new LTE-ready network will ensure the best-in-class broadband services available to more Malaysians which is necessary to drive development of a high income nation.

### *DiGi’s Accolades*

DiGi has stamped its mark with many achievements over the years. It was the first in Malaysia to deploy a fully digital cellular network in 1995, first in prepaid service in 1998, first in automatic international roaming and GPRS in 2002, first in multimedia messaging service in 2003, first for high speed data network in 2004, first in postpaid with zero monthly fees in 2005, first for 1-Low-Flat-Rate for any network, anytime , anywhere in 2006, first in mobile podcasting in 2007, first in mobile instant messaging in 2007, first in personal accident coverage via your mobile phone in 2008, first for unlimited mobile

music portal in 2009, first in shared mobile network infrastructure in 2010 and first to introduce a family-friendly broadband plan through partnership with McAfee recently.

DiGi has also won many accolades over the years for its business innovation, structured governance and creative spirit. Recent awards include No. 1 in Malaysia in the Asian Sustainability Ranking 2010; Best First Time Reporter *by the Association of Certified Chartered Accountants awarded by ACCA* Malaysia Sustainability Reporting Awards 2010; Information & Communication Technology Category Winner and Information & Communication Technology Category Sectoral Winner of the KPMG Shareholder Value Award 2010; Distinction Award *by Minority Shareholder Watchdog Group (MSWG) in the Malaysia Corporate Governance Index 2010*; and Advertiser of the Year *by the Association of Accredited Advertising Agents Malaysia (4As) at the 2010 Kancil Awards*.



#### 4.3 Summary

Through its business transformation and innovation efforts and successes, DiGi has lived up to its tagline "Always the smarter choice". The company is committed to help drive Malaysia's transformation into a high income, inclusive and sustainable nation. DiGi will continue to leverage on its strength in telecommunication to build a connected Malaysia through mobile and Internet services that makes life easier, enables social economic development and helps businesses grow.

## 5.0 INNOVATIVE BUSINESS TRANSFORMATION AT THE ITALIAN BAKER SDN BHD

### 5.1 The Company

The Italian Baker Sdn Bhd, established on 21 March 2011, is a wholly-owned subsidiary of the Federal Flour Mill (FFM) Berhad, the largest miller in the Malaysian wheat flour industry. The Italian Baker Sdn Bhd is located at Taman Perindustrian Pulau Indah in Port Klang. This RM120 million new baking plant is strategically located near FFM Pulau Indah to facilitate easy access to the raw ingredients needed for the baking process.

### 5.2 The Business Transformations



Before diversifying into the bread business under the brand name of MASSIMO, FFM Berhad has been expanding into other businesses. Some of their business expansions include the animal feed integrated business into frozen food as well as nuggets and frankfurters under the Marina brand that are currently among the most recognizable brand in the freezer of most households. There is also the Seri Murni cooking oil to Seri Murni curry paste, sardines and eggs. FFM Berhad through the marketing arm, FFM Marketing Sdn. Bhd (FMSB) has a logistical reach of over 40,000 retailers. This has enabled the company to market and distribute leading brands such as Clorox, Jordan, Johnson & Johnson, V Soy, and Vitamilk.

As part of its continuous pursuit of business innovation and transformation, FFM Berhad has added bread products to its business portfolio. The bread products are marketed under the brand name of *Massimo*, *Favorito* and *Duetto*. Massimo is the Italian word connoting maximum satisfaction. The Massimo sandwich loaf comes in two varieties of two sizes. The sandwich bread with wheat germ range is packed in green bags while the white loaf is packed in blue bags. Both come in the sizes of 400g and 600g respectively. The Massimo range of cream rolls, Massimo's *Favorito* represent the Malaysian favourite of chocolate and corn while Massimo's *Duetto* is the double creamed roll of blueberry with cream or coffee with cream. These products are currently available in the Klang valley area, Ipoh and Penang. Plans are in place to expand its market to other regions of Peninsular Malaysia.

“Wholesome Goodness, Maximum Satisfaction” is not just an advertising tagline, The Italian Baker Sdn Bhd believes that this tagline also doubles up as the company’s motto, giving wholesome goodness products towards achieving maximum satisfaction not only for the consumers but also for the staff of the Italian Baker who have passionately contributed to the availability of the good and wholesome products. The Italian Baker has initiated the development of the distinct ‘Malaysian-Italian’ products to meet the evolving 21<sup>st</sup> century customers’ demand for quality bread that corresponds to their dynamic life-style. The downstream expansion from milling flour to baking bread is itself another innovative business transformation of FFM Berhad.

The Italian Baker Sdn Bhd has a wholly Malaysian R&D team who developed the Massimo, Favorito and Duetto ranges. The products’ experimentations and market testing took almost two years before availing them in July 2011. All the Italian Baker’s products are inspired from the Italian passion for food and its preparation. Fresh ingredients, modern while keeping to the tradition state of art equipment, stringent quality control are just some of the many attributes that go to ensure the products are wholesome and healthy.

Mass produced sandwich bread with wheat germ is pioneered by the Italian Baker and certainly the first of its kind in Malaysia. It is a known fact that wheat germ, a rather pricy health food, has the goodness of lowering cholesterol and improving the body’s immune system. As wheat germ is also considered a health beneficial food with minerals and vitamins, there have been numerous requests to make wheat germ bread available to the common consumers. The availability of Italian Baker’s MASSIMO is now able to satisfy this request. This initiative of Italian Baker has value-added the common sandwich loaf, a staple food in many Malaysian homes. An observation of the local bread products in the Klang Valley shows that the normal sandwich loaf available in the local market is either the white bread or the high fibre range. Malaysian households have now an added choice of sandwich loaf. In relation to the developments above, improving the nutritional value of bread in Malaysia is not just an expectation but has become a necessity. Mass sampling started on 4<sup>th</sup> July 2011. The Italian Baker began their presence in the market by distributing complimentary sandwich loaves to selected residential areas in the Klang Valley. Customers who have tasted the bread liked the product and have been raving about its soft texture, taste and health benefits.

A visit to the plant’s walkway or viewing gallery will enable visitors to view the highly automated and quality production lines. The state-of-the art machineries from the United States and Europe are installed in phases. It is only with the fresh quality ingredients, stringent processing and production

methods that equate to any in the world that have enabled the Massimo bread to stay soft even after a few days. As quoted by the general manager and director of the Italian Baker Sdn Bhd, Jimmy Chang, "Our combination of bread-baking passion and technology result in the production of superior quality bread filled with wholesome goodness."<sup>5</sup> The modern production bread line has the capacity to produce 10,000 loaves per hour while the cream roll line is 24 000 pieces per hour. All the bakery processes at the plant are aligned to HACCP and ISO22000 standards.

As with most bread production processes, there are several stages involved such as dough mixing, dough dividing, rounding (shaping the dough into proper shapes), sheeting, moulding and panning before the dough is sent to the proofer and finally, the oven for baking. Before packing, there is an hour of cooling, thereafter, the baked bread are put through a metal detector for final quality check before one gets to see the Massimo sandwich loaf packed in the attractive designer plastic bag.

The Italian Baker Sdn Bhd is continuing with its R&D journey as the company believes that there is potential growth in the bread market. This optimism is supported by the smarter Malaysian consumers who now go for healthy foods containing the freshest and most nutritious ingredients. Plans are also in the pipeline to promote a bread culture by producing a variety of quality bread products that meet the budget of consumers. With the changing lifestyles of consumers, the company hopes to meet consumer's demands for more innovative bread products beyond the basic bread types that are currently available.

### 5.3 Summary

Massimo, Favorito and Duetto, although are "young" in the market, the Italian Baker believes that the good, wholesome products are competitively priced and meet the requirements of the modern day discerning consumers. Through its R&D team, the company will continuously innovate and introduce new bread products to transform its businesses while conforming to the required food standards of the respective authorities. The management attests that the company's bread is baked with total dedication to quality and adheres only to the highest standards. Adopting the Italian core values of baking breads with passion, stringent process, appreciation for the art and skill of baking, and fresh ingredients, will certainly enable the Italian Baker Sdn Bhd to live up to its promise of offering " Wholesome Goodness, Maximum Satisfaction" products.

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<sup>5</sup> Business, Star Metro dated 27 September 2011, p.12

## 6.0 CONCLUSION AND RECOMMENDATIONS

Innovation has been identified as a key driving force for the journey of the nation towards Vision 2020 and achieving a high-income economy. Hence, it is pertinent that we tap on our creativity and use those workable ideas to create value for the country. Innovation is noted as the conversion of knowledge and ideas into products and services that can be commercialised for the benefits of the people. It is also about transforming ideas into commercial value.

Each of the featured organisations in this study has shown various approaches in using creativity and innovation to transform their business. Cerebos (Malaysia) Sdn Bhd has innovated and transformed the company's marketing strategies, transformed its image as well as produced numerous innovative products for Brand's® such as the Essence of Chicken with herbs and the Innershine® range. The innovation of DiGi Telecommunication Sdn Bhd is reflected in the company's many first in Malaysia products for the fully digital cellular network. This is also shown through the long list of accolades the company has achieved for its business innovation, structural governance and creative spirit. Hence, the tagline of DiGi "*Always the Smarter Choice*" resonates well its business transformation and innovation efforts and successes.

FFM Berhad has also capitalised on the creativity and innovativeness of its employees. The outcome is seen through the many business diversifications of the company. The latest venture of FFM Berhad is the Italian Baker Sdn Bhd. This bakery company that complements the flour production of FFM Berhad, creates a value-adding business and production chain among the company's diversified businesses. The "*Wholesome Goodness, Maximum Satisfaction*" principle of the Italian Baker is livened up through its wheat germ loaf product called *Massimo*, the first of its kind in Malaysia and the dual cream rolls of *Duetto*. The Italian Baker Sdn Bhd that is equipped with its own R&D team is continuing with its journey to produce more innovative bread products to meet the demands of the smarter Malaysian consumers.

Through the success stories of the featured organisations, a key enabler to successful implementation of creativity and innovation in organisations is certainly mindset management. Mindset management is the ability to identify and connect with employees to get them to generate ideas and then take the ideas to usefulness. This can be summed up by the following quote:

“It is about working smarter, managing smarter,  
organising better and more importantly,  
inculcating a mindset which is productivity and innovation driven,  
about having the tenacity and perseverance  
to develop new and creative ideas.”

-Datuk Mukhriz Mahathir,  
Deputy Minister (Trade),  
Ministry of International Trade and Industry (MITI).

Hence, more research endeavours should be undertaken to source and propagate the home-grown creativities and innovations. This sharing of information will help highlight, motivate and expedite the innovation momentum in Malaysia.

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