

SME Innovation and Adaptability: Insights from V'Asia's Industry Response

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Small and medium-sized enterprises (SMEs) in the cosmetic and healthcare sector face constant pressure to remain competitive amid evolving industry trends. This study explores how V'Asia, a Malaysian SME, adapts to such challenges by leveraging technological advancements and fostering innovation. A qualitative approach was employed, using semi-structured interviews with company stakeholders and document analysis to capture strategic responses. Thematic analysis revealed three key insights: first, V'Asia's adoption of digital platforms enhanced market reach and operational efficiency; second, resource constraints were addressed through creative problem-solving and strategic partnerships; third, continuous product innovation and customer-centric strategies strengthened resilience. These findings highlight how SMEs can balance limitations with adaptability, offering practical lessons for sustaining growth in competitive markets. The study contributes to broader discussions on SME innovation, providing implications for practitioners and policymakers seeking to strengthen sustainability in the cosmetic and healthcare industries.

Keywords: Small and Medium-Sized Enterprise (SME); Cosmetic and Healthcare Sector; Technological Advancements; Qualitative; Thematic Analysis; Sustainability

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INTRODUCTION

Small and medium-sized enterprises (SMEs) are widely recognized as the backbone of Malaysia's economy, representing 97.4% of business establishments and contributing nearly 38% to national GDP (SME Corp Malaysia, 2023). They play a vital role in employment creation, innovation, and regional development. Within this ecosystem, the cosmetic and healthcare sector has become increasingly significant, driven by rising consumer demand for natural, Halal-certified, and sustainable products. Malaysia's unique positioning as a global Halal hub further enhances the competitiveness of local SMEs in this sector (Malaysia's Cosmetic Industry, 2025). Despite their importance, SMEs often face structural challenges such as limited financing, regulatory compliance costs, and intense competition from multinational corporations, requiring them to adopt innovative and adaptive strategies to remain viable.

V'Asia Cosmetic & Healthcare, founded in 2011, exemplifies how SMEs can thrive despite resource constraints and industry pressures. The company specializes in herbal-based cosmetic and healthcare products manufactured under Good Manufacturing Practice (GMP) and Halalan Toyyiban standards, ensuring compliance with the Ministry of Health Malaysia (V'Asia, 2011). With sales surpassing RM100 million, V'Asia has emerged as one of Malaysia's most

successful Bumiputera-owned cosmetic and healthcare SMEs (Azhan.co, 2017). Its trajectory highlights the importance of innovation, adaptability, and strategic positioning in sustaining competitiveness, making it a relevant case study for understanding SME resilience in the cosmetic and healthcare sector.

Innovation capability has been consistently linked to SME performance. Jalil, Ali, and Kamarulzaman (2021) demonstrate that technological adoption mediates the relationship between innovation capability and business success, underscoring the role of digital transformation in sustaining competitiveness. Similarly, contextual ambidexterity—balancing exploration and exploitation—has been shown to enhance SME resilience in Malaysia (MDPI, 2023). The cosmetic and healthcare industry is undergoing rapid transformation, with sustainability, inclusivity, and digitalization identified as dominant trends (The Byuti, 2025). The rise of social media platforms such as Instagram and TikTok has reshaped consumer behavior, creating demand for personalized and trend-driven products, while AI and ERP technologies are increasingly being adopted to streamline operations and improve competitiveness (Multiable, 2025). Moreover, Malaysia's growing medtech industry positions the country as a regional hub for healthcare innovation, further intensifying both competition and opportunities for SMEs (MIDA, 2024).

Despite these opportunities, SMEs continue to face challenges such as limited access to capital, regulatory compliance, and market saturation. Najlaa Syafiqah (2020) identified financing, marketing strategies, and innovation capability as key determinants of success among SMEs in Malaysia's cosmetic and beauty industry. A review of the sector also highlights consumer concerns about product safety, sustainability, and ethical sourcing, which SMEs must address to remain competitive (HRMARS, 2020). While prior studies have examined SME innovation broadly, few have provided sector-specific, case-based evidence from Malaysia's cosmetic and healthcare industry. Existing literature often emphasizes macroeconomic trends or general SME challenges, but lacks detailed analysis of how individual firms strategically adapt to industry dynamics.

This gap highlights the need for qualitative inquiry into the lived experiences and adaptive strategies of SMEs in this sector. By analysing V'Asia's navigation of industry trends and challenges, this study seeks to provide practical insights into innovation and adaptability for SMEs, contributing to both academic discourse and policy development. The main objective of this study is therefore to analyse how V'Asia navigates industry trends and challenges, providing practical insights into innovation and adaptability for SMEs. Specifically, the study aims to examine the technological advancements leveraged by V'Asia to adapt to industry trends, explore how the company addresses challenges unique to SMEs in the cosmetic and healthcare sector, and identify strategies instrumental in fostering innovation within V'Asia.

METHODOLOGY

This study employs a qualitative case study design to examine how V'Asia navigates industry trends and challenges, offering practical insights into innovation and adaptability for SMEs. Semi-structured interviews were conducted to capture rich, contextual perspectives from individuals directly involved with the company. A total of 10 participants were purposively selected to ensure diverse viewpoints. Five internal staff members were drawn from different roles and departments,

including product development, marketing, operations, customer service, and management, to provide insights into organizational strategies and internal processes. In addition, five external stakeholders were interviewed, comprising suppliers, distribution partners, and industry collaborators, to reflect external perspectives on V'Asia's adaptability and innovation practices. This balanced distribution of participants allowed the study to triangulate findings across internal and external sources, thereby strengthening the validity of the analysis. The details of participant distribution are summarized in Table 1.

Table 1: Details of participant and simple description

Participant Group	Number of Participants	Role/Examples
Internal Staff Members	5	Product development, marketing, operations, customer service, management
External Stakeholders	5	Suppliers, distribution partners, industry collaborators
Total	10	

To ensure a comprehensive exploration of the research objective, the interview process was systematically structured around three guiding themes: technological adaptation, SME-specific challenges, and innovation strategies. A total of ten participants were purposively selected, comprising five internal staff members from diverse departments and five external stakeholders such as suppliers and industry partners.

Each participant was engaged through semi-structured interviews, with questions tailored to the study's core inquiries (technological adaptation, SME-specific challenges and the innovation strategies) as shown in Table 2. This thematic framework facilitated the collection of diverse perspectives, enabling the researcher to generate rich, contextual insights into organizational practices and external stakeholder experiences.

Table 2: Theme and guiding questions during semi-structured interviews

Theme	Guiding Question
Technological Adaptation	What technological advancements have been leveraged by V'Asia to adapt to industry trends?
SME-Specific Challenges	How does the company address challenges unique to SMEs in the cosmetic and healthcare sector?
Innovation Strategies	What strategies have been instrumental in fostering innovation within V'Asia?

All interviews were transcribed verbatim and subjected to thematic analysis, with codes developed iteratively to identify recurring patterns related to technological adoption, innovation strategies, and responses to SME-specific challenges. The analytic process involved constant comparison across participant groups to ensure validity and depth of interpretation. Ethical considerations were rigorously observed throughout the study, with informed consent obtained from all

participants and confidentiality maintained to protect their identities and contributions.

RESULTS AND DISCUSSION

The analysis of interview data revealed three dominant themes—technological adaptation, SME-specific resilience, and innovation strategies—that collectively illustrate how V'Asia navigates industry trends and challenges. Internal staff emphasized the company's proactive use of digital platforms, including e-commerce systems, social media marketing, and customer relationship management tools, as key drivers of growth. External stakeholders reinforced this view, noting that V'Asia's engagement through platforms such as Instagram and TikTok enabled rapid product promotion and direct consumer feedback. The adoption of ERP systems further streamlined inventory and supply chain coordination, reducing operational bottlenecks. These findings align with Jalil, Ali, and Kamarulzaman's (2021) assertion that technological adoption mediates SME performance, and they echo broader industry observations that digitalization is reshaping consumer behavior in the cosmetic and healthcare sector (Multiable, 2025; The Byuti, 2025).

Participants also highlighted the company's strategies for addressing SME-specific challenges, including resource limitations, regulatory compliance, and competition from multinational corporations. V'Asia responded by forming strategic partnerships with local suppliers and leveraging government support programs, while fostering a culture of cross-functional collaboration to maximize internal capacity. Stakeholders praised the company's agility in responding to market shifts and regulatory changes, demonstrating contextual ambidexterity. These practices resonate with MDPI's (2023) findings that balancing exploration and exploitation enhances SME resilience, and they reinforce Najlaa Syafiqah's (2020) observation that financing, marketing, and innovation capability are critical determinants of SME success.

Innovation emerged as a central pillar of V'Asia's trajectory. Internal participants cited continuous product development, particularly herbal-based and Halal-certified offerings, as essential for brand differentiation. External stakeholders viewed V'Asia as a responsive and trend-conscious partner, noting its emphasis on consumer-driven innovation and holistic strategies that extend to packaging, branding, and promotional approaches. This reflects broader industry trends emphasizing sustainability and differentiation in the cosmetic and healthcare sector (MIDA, 2024; Malaysia's Cosmetic Industry, 2025). By embedding innovation across multiple dimensions of its operations, V'Asia illustrates how SMEs can remain competitive in dynamic markets.

Taken together, these findings demonstrate that V'Asia's success lies in its ability to integrate technological advancements, address SME-specific challenges through collaboration and adaptability, and foster a culture of continuous innovation. The case study provides practical insights for SMEs seeking to strengthen resilience and competitiveness, while also offering implications for policymakers to enhance support mechanisms that enable SMEs to overcome structural constraints.

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