Pick your battles

There were many questions from the floor during the panel discussion at ***The Edge***-Digi forum on Digital Transformation: Myths, Reality and Relevance. Below is a selection of some of the questions, which were presented on sli.do, and the replies provided by four of the speakers (picture, from left) — Photobook Worldwide CEO Leow Wee Jonn, Digi Telecommunications Sdn Bhd chief business officer Eugene Teh, Crowe Growth Consulting Sdn Bhd managing director Michael Lim and Ficus Venture Capital Sdn Bhd co-founder Baiza Bain.

Digitisation is a need now, but where it is heading? How will artificial intelligence (AI) and 5G change people's behaviour?

Eugene Teh: Take motor insurance. In Malaysia, when we buy car insurance, there is a fixed premium that you pay according to a few simple criteria. But with AI and connected devices, insurance companies can price your risk based on your individual driving profile. They can collect information on each person's driving behaviour and assess their risk based on various metrics.

If you are a safe driver, you can expect insurance companies to offer you a lower premium. From the perspective of consumers, they will demand that companies serve them better and provide them with cheaper and more efficient services.

Where is it heading? I do not think there is one answer for a certain group of people or industry. However, I would argue that all of us should start thinking about the baby steps we can take to approach digitisation. Small and medium enterprises (SMEs) need to have different entry points in different places and dates to start their digitisation journey. This is important.

Once you start doing it, you would collect more customer data and put more intelligence into it. Then, you would naturally know where you want your company to head towards in this journey of digitisation.

How much should SMEs invest in digitisation?

Baiza Bain: In my experience, SMEs should have proper planning before investing in digitisation. They can structure it in stages so when they try something out and it does not work, they can take a step back. Do not put everything in one basket and spend every single dollar on it. The digitisation process involves a lot of trial and error. Many success stories out there may make you think it is straightforward, but it is not. Again, try it in several stages.

Leow Wee Jonn: I think there are two key reasons you want to digitise your business. The first is to solve an existing problem. So, the amount you invest in it should commensurate with the problem you are trying to solve. The second is harder to determine. You may want to digitise your business to seize an opportunity in the market. What I have observed is that, as an entrepreneur, you may oversize the opportunity and overinvest simply because you are way too optimistic about how big the opportunity is.

Michael Lim: As a consulting firm, we have some numbers. Most companies that have done well in their business digitisation process invest 15% of their annual turnover, on average, the first time they embarked on the journey of digitisation. The amount of investment will become much lower in the subsequent years. In fact, when you are already quite digitised, your digital cost is very minimal, about 3% of your annual revenue.

Why 15%? Because you would need to invest in new devices to digitise your processes. For instance, you cannot connect your old point of sale system to the cloud. You need the right devices to do so. SMEs should try to invest five years ahead as technology gets obsolete so fast. Do not invest in something that came out five years ago.

Can you tell us what assistance is being provided by the government for private companies to digitise their businesses?

Baiza: Actually, there are a lot of grants available. There is one is offered by the Ministry of International Trade and Industry. It allocated RM15 million under last year's national budget to conduct Industrial Revolution 4.0 (IR 4.0) readiness assessment for 500 qualified SMEs. On top of that, what many people do not realise is that, if an SME is qualified and suitable for IR 4.0, the Malaysian Investment Development Authority will provide the company with a grant and assist it in upgrading its business to be IR 4.0-ready. Also, SMEs can always go to government-linked agencies such as SME Corp, the Malaysian Global Innovation & Creativity Centre and Cradle Fund Sdn Bhd.

Actually, businesses do not just look at government grants right now. There are a lot of angel investors out there. There are also venture capitalists, equity crowdfunding (ECF) platforms and peer-to-peer (P2P) financing platforms. It is an exciting time for businesses in Malaysia to get funding from various sources.

Will a start-up be able to compete with large corporations by leveraging technology and digitalisation?

Leow: The various developments that happened in the last 10 years favour smaller companies. First, technologies accessible to start-ups and smaller businesses today are at a fraction of the cost they used to be compared with 10 to 20 years ago. Because of the concept of Software as a Service (SaaS), start-ups can just spin out a server and computing power [comparable with those of big corporations] just like that using Amazon Web Services. You just need to swipe your credit card and that is all. It is so different from owning a server and setting up a server room a decade ago.

Then, there is access to capital. There is definitely a lot more capital in the market today (partly enabled by technological advancements) whether it is through ECF, P2P financing or other methods. There are also many rich uncles out there willing to fund ideas at an extravagant valuation.

Start-ups and smaller companies are also more nimble than large corporations. It is always harder for big companies to take risks and innovate. It is also harder for them to align the vision of everyone in the organisation as they have their own portfolio and responsibilities. So, these are the three reasons I think start-ups can compete with large corporations.

Lim: I have a different viewpoint. I think start-ups have to understand which market they are looking at. Some segments are being looked at by big corporations. It is important for start-ups to really know their segments and not fight every battle out there.

I have worked with a lot of investors, including private equity guys, venture capitalists and family offices, and I have seen many start-ups grow quickly based on hype and die like flies. I think it is also very important that start-ups do not go down that path.

I also think the world today is starting to understand the concept of FOMO, which means fear of missing out. If you can incite enough FOMO, you could get really crazy valuations. But at the same time, I want to paint you all the reality on the ground. A lot of family offices are expecting a recession to come in 2020. So, the days of FOMO and crazy valuations are starting to leave us slowly. So, pit your game well from now on.

I want to share this quote with you: 'Small is not strong. Big is not strong. Strong is strong.' If you are strong, you are strong regardless of your size. Even if you are a start-up without capital and relationships, you could still have great ideas and be a hustler, so big companies want to collaborate with you and do great things together.

How do you stay resilient and maintain the spirit of a start-up even after your company has grown bigger? How do you always think of moving things fast?

Leow: It is about keeping steady and maintaining good mental health. Such a fact is very underestimated by people. At the end of the day, we believe we can solve all the problems out there and continue to do well. But the real enabler for all these to happen is good mental health. It is not just me, but my senior team members as well. To me, this is the biggest factor to be successful. Its importance is beyond having a good strategy and all. How are you able to figure out these strategies, know what to do next and push yourself hard? That is mental health. I am a big believer in this. I think you should invest in this mindset and work on it.

Lim: Mental health is the No 1 thing to some CEOs. They will spend time away from people to refocus on what is on their mind. I know of one CEO who runs a really huge company in this region. He swims in the afternoon and does not attend networking dinners after 8pm. He wants to focus on what he needs to do next.

It is also very important for you to have a mentor who can help you reflect on yourself and tell you, 'Hey, are you sure about what you are doing?' Sometimes you just cannot see yourself clearly.

It is also good to always go back to your roots. Ask yourself, 'Hey, how did this idea come about in the first place?' It is good to revisit that, but do not get stuck in the past. What worked well for you back then may not work well for you in the future. **E**