CAN MALAYSIA’S TOP COMPANIES WIN IN THE DIGITAL AGE?

MALAYSIA’S DIGITAL PERFORMANCE INDEX
EXECUTIVE SUMMARY

Fifty years after its inception, the Association of Southeast Asian Nations (ASEAN) is the world’s 6th largest economy and the 3rd largest in Asia.¹ With digital accelerating growth in the region, ASEAN’s digital economy is projected to add an estimated USD1 trillion to the region’s GDP over the next 10 years.² To capitalise on this, the Malaysian government has set a goal of growing its digital economy to 20 per cent of national GDP by 2020.³
As part of ASEAN – the world’s third largest market by population – Malaysian companies can benefit from looking beyond national borders for new growth opportunities made possible by digital innovation. However, most Malaysian companies remain in the early stages of their digital transformation journeys. Many have yet to realise improved financial performance through the execution of digital strategies.

To gauge the current level of digital transformation across corporate Malaysia, Accenture conducted an evaluation of top Malaysian companies across multiple industries, using Accenture’s Digital Performance Index (DPI).

This index measures a company’s digital performance across four key business dimensions: planning, manufacturing, selling and management. These measurements show the extent to which a company plans and executes digital strategies, creates digital products and services, uses digital in marketing, sales and customer service, and fosters a digital-led innovation culture within the organisation.

Our analysis revealed that while 44 per cent of companies evaluated have digital growth strategies in place, only 7 per cent have announced dedicated budgets to implement these strategies. And while 37 per cent of companies sold products and services through mobile-configured channels, just 15 per cent provided customers access to delivery and services (e.g. click & collect, track & trace) via digital means. Furthermore, only 11 per cent of companies regularly reviewed the effectiveness of their digital investments.

WE BELIEVE MALAYSIAN COMPANIES NEED TO DO MORE TO ENSURE THAT THEY REMAIN COMPETITIVE IN AN INCREASINGLY DIGITAL GLOBAL ECONOMY.

ACCENTURE HAS IDENTIFIED FIVE WAYS IN WHICH THEY CAN DO SO:

1. Put digital at the core of your business strategy
2. Drive fast, iterative innovation
3. Be hyper-relevant to the customer
4. Create flexible structures that cut across silos
5. Leverage the innovation ecosystem
These companies were scored using the Accenture DPI framework, which is organised across four key business dimensions – plan, make, sell, and manage. Each dimension was broken down into three key action points along the value chain (see Figure 1), and a total of 42 business activities and 117 detailed behavioural metrics were used to provide insights into each company’s digital performance.

Companies were given scores between 1 and 4 for each business dimension, and the total score was averaged to derive an overall company score. Industry scores were calculated from the average scores of companies within the same industry, while the Malaysia DPI score reflects the average of these industry scores. All information used for scoring was gathered from public sources, providing a view of companies from the perspective of investors and customers.
Here is a more detailed look at how digital applies in each of the four key business dimensions:

**PLAN**

Looks at how digital trends are reflected in strategic plans and their implementation. This covers the weight given to digital in a company’s long-term strategic plan, how that plan is translated across the value chain, and how investment and workforce allocations are planned.

**MAKE**

Assesses the use of digital in innovation, production and delivery. It evaluates whether companies integrate digital into the design and manufacturing process of their products and services, and how digital streamlines activities across the supply chain.

**SELL**

Evaluates a company’s management of the customer experience across digital channels. It analyses how digital is used to engage customers, to sell through multiple channels, and to serve customers after a sale has been made.

**MANAGE**

Examines the presence of digital technology and a digital mindset in a company’s corporate culture and its internal operations. It evaluates how companies assess their own digital culture and infrastructure, and how they improve efficiency and renew their resources with the aid of digital.

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**Figure 1: Digital Performance Index: Business Dimensions and Action Points**

- **PLAN**
  - SEE
  - PLAN
  - ACT
  - DIGITAL STRATEGY

- **MAKE**
  - DESIGN
  - BUILD
  - RUN
  - DIGITAL PRODUCTION AND DELIVERY

- **SELL**
  - ENGAGE
  - SELL
  - SERVE
  - DIGITAL CUSTOMER EXPERIENCE

- **MANAGE**
  - ASSESS
  - IMPROVE
  - RENEW
  - DIGITAL CORPORATE CULTURE AND OPERATIONS

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COMPANY STRATEGY

COMPANY OPERATIONS
Based on the average for each of the four business dimensions, Malaysian companies chalked up a score of 1.7. By comparison, companies in the United States scored an average of 2.5, with global disruptors such as Google, Salesforce and Uber achieving average scores of 3.5 out of 4 in other DPI studies.

Looking at specific industries, companies in the banking industry emerged with the highest overall score of 2.3 out of 4. Media & Entertainment and Communications both scored 2.2. Malaysian companies in these industries have started to innovate using digital technologies, but have some way to go.
Nearly half of the companies analysed seem to recognise the importance of incorporating digital into their growth strategy with 44 per cent creating leadership roles to drive digital strategies. However, only one in five companies have appointed leaders dedicated uniquely to digital. Also, few companies follow through in translating intent into action, with only 7 per cent of companies reporting dedicated budgets to implement digital programmes.

It is encouraging that more than half (52 per cent) have launched new digital products and services, and 44 per cent have digitalised existing offerings. The potential of digital, however, has not been fully leveraged to enhance manufacturing processes, with only 11 per cent doing so. Despite Malaysia’s high mobile penetration rate of 98 per cent,0 coupled with high internet usage (77.6 per cent active internet users), only 37 per cent of Malaysian companies sell their products and services using apps or sites configured for use on mobile phones. And while more than half the companies analysed gather customer information from social media, just 37 per cent offer the option of real-time communication with customers. With eight in every 10 internet users in Malaysia looking online for information about products and services, companies are missing opportunities to connect directly with potential customers.

Just 11 per cent of the Malaysian companies analysed review the effectiveness of their digital investments on a regular basis. Also, while 30 per cent of companies have made the effort to improve their employees’ digital skills through formal training, fewer (15 per cent) have taken action to break the traditional silos that inhibit such skills from being harnessed across business functions.
Companies that achieve high scores across all four business dimensions are considered Digital Leaders.

Based on the World Economic Forum’s Digital Transformation of Industries research, those that understand the value and importance of digital transformation are potentially 26 per cent more profitable, contingent on their ability to successfully transform the existing organisation.

The business potential for Malaysian companies rests not only on leveraging digital innovation but also on its highly digital savvy population and young workforce: over 30 per cent of its population is between 20 and 40 years old. The Malaysian government has also demonstrated a strong commitment to growing the country’s digital economy by mobilising various agencies such as the Ministry of Science, Technology and Innovation and the Malaysian Digital Economy Corporation (MDEC). These agencies are accelerating digital adoption through various initiatives, most notably the creation of the world’s first Digital Free Trade Zone (DFTZ).

In this highly encouraging environment, what can Malaysian companies do to become Digital Leaders, and ensure their investments in digital initiatives enable them to expand and increase financial returns?

Accenture has identified five imperatives to accelerate the journey towards becoming a Digital Leader, with examples of initiatives taken by Malaysian companies that have leveraged digital innovation to stay ahead in their industries.
Digital Leaders understand that their digital and company strategies are one and the same. They proactively scan the business and external environments for disruptions that might impact their industry. They are also well aware of their existing digital capabilities. Knowing how to use digital to drive growth, they set up their internal and external strategies with dedicated budgets, and put in place specific metrics to measure the effectiveness of their digital investments.

In addition, they realise the importance of actively involving senior leadership in defining their digital strategies, and establish a governance structure to aid the implementation of initiatives across various departments.

And they don’t stop there – they understand that having the right employee culture is key to any digital transformation. By driving focused communication and changes in the way work is done, these companies ensure the shifts in mindset that are critical to the success of their digital strategies.

**Telekom Malaysia** recognised how digital would change its business, and embarked on a digital transformation journey in late 2015. It started at the top, ensuring management, including the CEO, fully bought into its transformation efforts before moving to change both its front and back-end operational and business support system architecture.

At the front-end, this included more agile customer-facing applications, and at the back-end, more stable core systems. The company also recognised that its workforce needed to be equipped and excited about this transformation, which guided talent acquisition and the creation of agile cross-functional teams.
What differentiates Digital Leaders is not that they drive innovation, but rather the way in which they do so: intelligently, quickly, and with permission to fail.

They relentlessly leverage analytics to inform their decision making, helping them identify new products and services, as well as find better ways to build on existing strengths.

The pace at which technology is developing today also means that companies must move fast. Digital Leaders emulate this thinking best by combining an ability to move fast with an ability to build – and rebuild – just as quickly. Instead of striving for perfection, they launch new ideas and customer propositions for the market to test, monitoring and pivoting quickly when something doesn’t work.

KFit, a Malaysian startup, first gained popularity by offering unlimited access to gyms and fitness studios for a fixed monthly fee. Realising that the idea was not sustainable or cost-effective, it scrapped unlimited access and looked for other ways to give its customers a good deal. KFit’s analysis of usage data showed that most customers only visited a gym six to eight times a month. With that knowledge, the company repackaged its deal to offer 10 sessions a month for a fixed price. This ensured that most users were not affected by the change while giving heavier users the option to purchase add on sessions on an a la carte basis.
Digital Leaders leverage digital channels to create unique interactive experiences designed to grab and retain their customers’ attention.

They delight their customers and ensure they come back for more.

Our analysis of global companies shows that while business-to-business (B2B) companies are starting to think more about the customer experience, their focus tends to be more on the “internal environment” — digitalising their internal processes (HR, finance, supply chain, etc.). Business-to-consumer (B2C) companies, on the other hand, focus more on transforming their “external facing environment,” with customer experience transformation being a prime area of focus.

Maybank launched a mobile wallet payment service, MaybankPay, in 2016, to encourage cashless payments. The app allows customers to pay using their smart phones, and the amount is then charged to their Visa cards. The company plans to launch the app in Indonesia, Singapore and the Philippines by the end of 2017.

CIMB has taken several of its existing branch activities into the digital space with initiatives such as CIMB Clicks, a one-stop financial portal, and CIMB EVA, its award-winning Enhanced Virtual Assistant and ASEAN’s first chat-bot banking application. In 2016, its “1View” On-the-Go (OTG) platform was launched to establish a top-class digital experience in all branches by enabling current and savings accounts to be opened instantly.
Digital Leaders ensure that digital transformations are treated just like any other business-driven transformation – with the right structure, skills and performance measures in place.

They understand that without a solid support base, any digital transformation initiative will be short-lived.

Yet, traditional organisational structures, pervasive in Malaysia, may not lend themselves to agile ways of working, nor do they encourage rule breaking or risk taking. Digital Leaders strive to break the silos within their organisations, for instance, by forming cross-functional teams that tackle problems or incubate ideas across business functions. This organisational fluidity allows for greater collaboration, and creates a shared purpose across more diverse groups of employees.

Digital Leaders also ensure that their employees are equipped with the necessary knowledge and skills to drive digital initiatives. Advanced digital skills take both time and resources to develop. Having the right structure and support to house and nurture talent will ensure that there is sufficient room and ample opportunity to build and sustain the skills required.

**Sime Darby** has taken action to better support field employees through Sime Darby Digital Supervision (SDDS), which makes use of GPS-enabled handheld devices and allows real time and online reporting from the field. This technology improves the transparency of field harvesting activities and removes barriers to communication between estate managers, assistants and supervisors, helping them to make better and faster decisions.
Digital Leaders enter into new and often unconventional partnerships to enhance their digital capabilities when building in-house capabilities may not be feasible.

They often collaborate on open innovation platforms with external partners such as universities, start-up accelerators and technology/solution providers. This has the double benefit of offering them quick access to capabilities while allowing them to maintain lower levels of up-front investment. They gain a degree of nimbleness and access to new ideas, capabilities and funding, which helps them innovate and scale faster than their peers.

Maybank, for example, launched a regional, collaborative fintech Sandbox17 that provides opportunities for start-ups and innovators to develop and test new ideas. The first of its kind in ASEAN, the initiative allows start-ups to leverage the banking group’s internal digital and technological expertise, and get their ideas off the ground. By providing an ecosystem that brings together regional developers, businesses, academia, and other start-ups, the bank hopes to accelerate and exponentially grow regional fintechs, while keeping themselves abreast of the latest innovations in this space.
While some early adopters have shown good progress in driving digital transformation, the gap between corporate Malaysia and global leaders is still significant.

This seems to be a prevailing regional trend, with many other ASEAN countries still lacking the infrastructure and policies to drive a digital economy. Early adopters have cast a spotlight on some of the challenges and solutions, demonstrating the gains to be made from a speedy adoption of digital, as well as some of the pitfalls to be avoided. Given the pace of technological change, companies must embrace the need to experiment while also allowing for and learning from failure.

To meet its goals, Malaysia and its corporations need to move quickly and decisively.

Malaysia has many natural strengths that could accelerate its digital journey, namely, a relatively young, multi-lingual and multicultural workforce, as well as strong commitment at both government and corporate levels. With 2017 designated the Year of the Internet Economy, and the creation of the world’s first Digital Free Trade Zone (DFTZ), e-commerce growth is expected to double over the next three years and contribute RM211 billion to GDP by 2020.

The five imperatives identified above provide Malaysian companies with a framework that will help propel their digital transformations. Malaysian companies must seize the opportunity now to capitalise on ASEAN’s growing digital economy, not just today, but in the next 10, 20 or even 50 years, and they need to move faster than ever before.
About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions – underpinned by the world’s largest delivery network – Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With more than 411,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

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