Building Strategies for a Smarter Business in Malaysia

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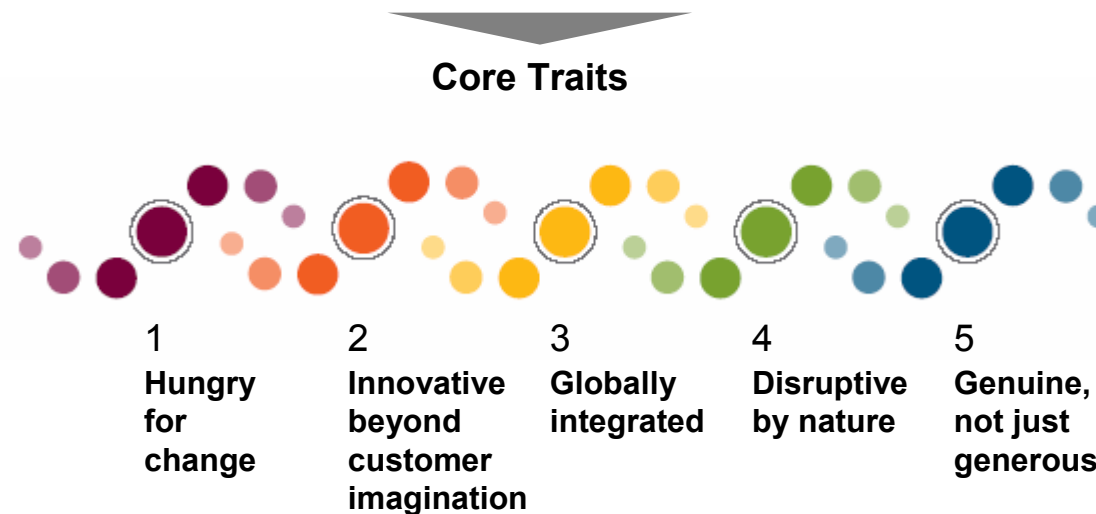

Let's build a smarter planet.

Let's build a smarter planet.

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The wisdom of CEOs who participated in our 2008 Global CEO Study has led us to five core traits of the Enterprise of the Future

Findings from 1,130 interviews

- Organisations are bombarded by change, and many are struggling to keep up
- CEOs view increasingly demanding customers not as a threat, but as an opportunity to differentiate
- Nearly all CEOs are adapting their business models—two-thirds are implementing extensive innovations
- CEOs are moving aggressively toward global business designs, deeply changing capabilities and partnering more extensively

Core Traits

1	2	3	4	5
Hungry for change	**Innovative beyond customer imagination**	**Globally integrated**	**Disruptive by nature**	**Genuine, not just generous**

Every CEO can now assess how ready they are for becoming the Enterprise of the Future.

While CEOs are more confident about managing change, the gap in their capabilities and the challenge ahead is growing

2006

8% CHANGE GAP*

13%
22%
65%

12%
31%
57%

2008

22% CHANGE GAP*

6%
11%
83%

19%
20%
61%
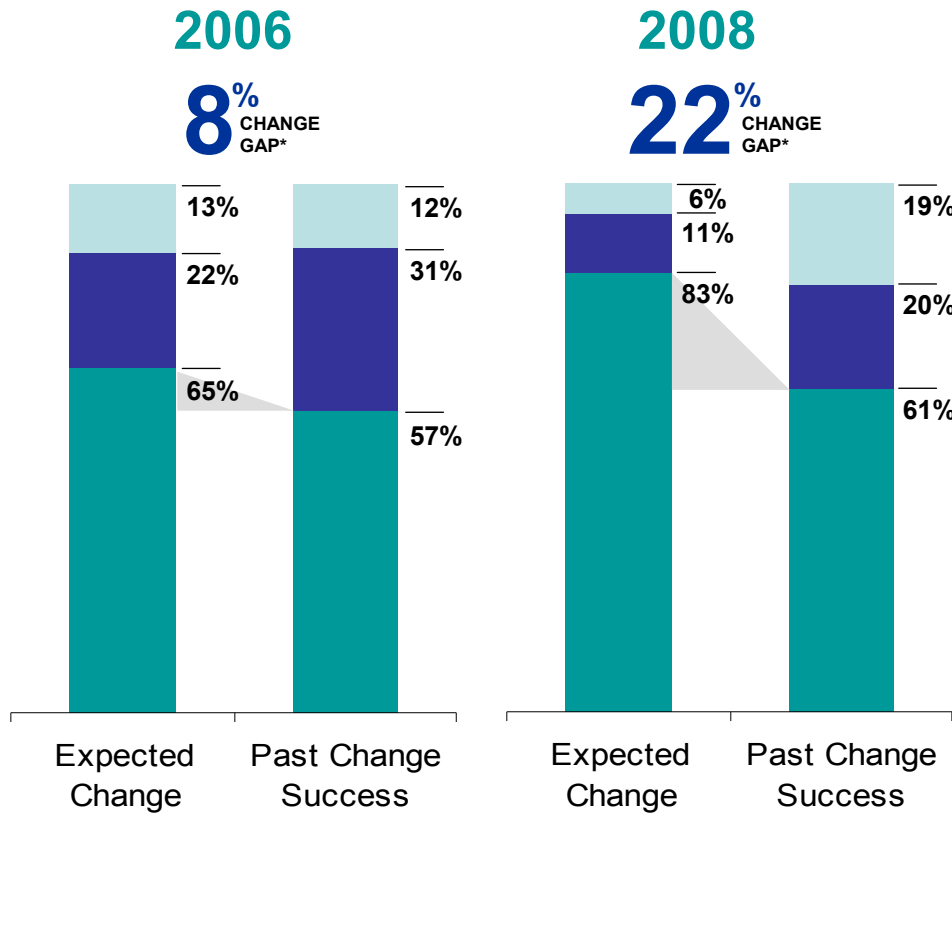
- In two years the gap between the ability to manage change and the challenge ahead has <u>tripled</u>

- The number of companies reporting limited or no success has surged 60%

Expected Change
- No/limited Change
- Moderate Change
- Substantial Change

Past Change Success
- No/limited Success
- Moderate Success
- Successful

Expected Change | Past Change Success | Expected Change | Past Change Success

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CEOs of organisations with <1000 employees have a greater challenge managing change than larger enterprises

Global

22% CHANGE GAP*
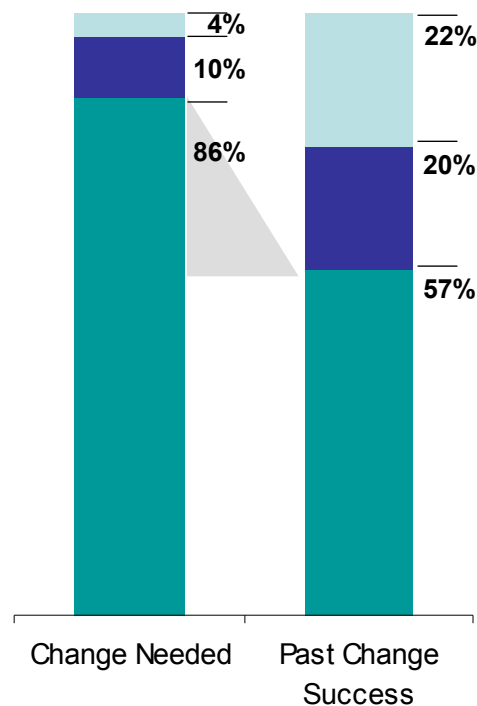
6%	19%
11%	20%
83%	61%

Change Needed | Past Change Success

MSO

29% CHANGE GAP*

4%	22%
10%	20%
86%	57%
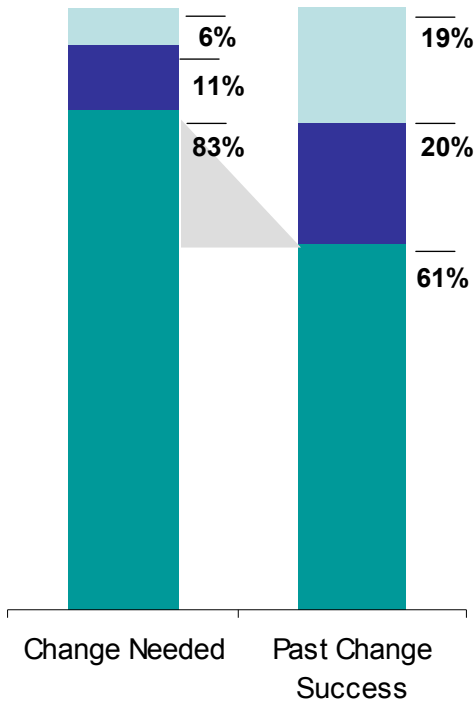
Change Needed | Past Change Success

"*Change in the organisation is not happening fast enough… the gap is opening up.*"

Change Needed
- No/limited Change
- Moderate Change
- Substantial Change

Past Change Success
- No/limited Success
- Moderate Success
- Successful

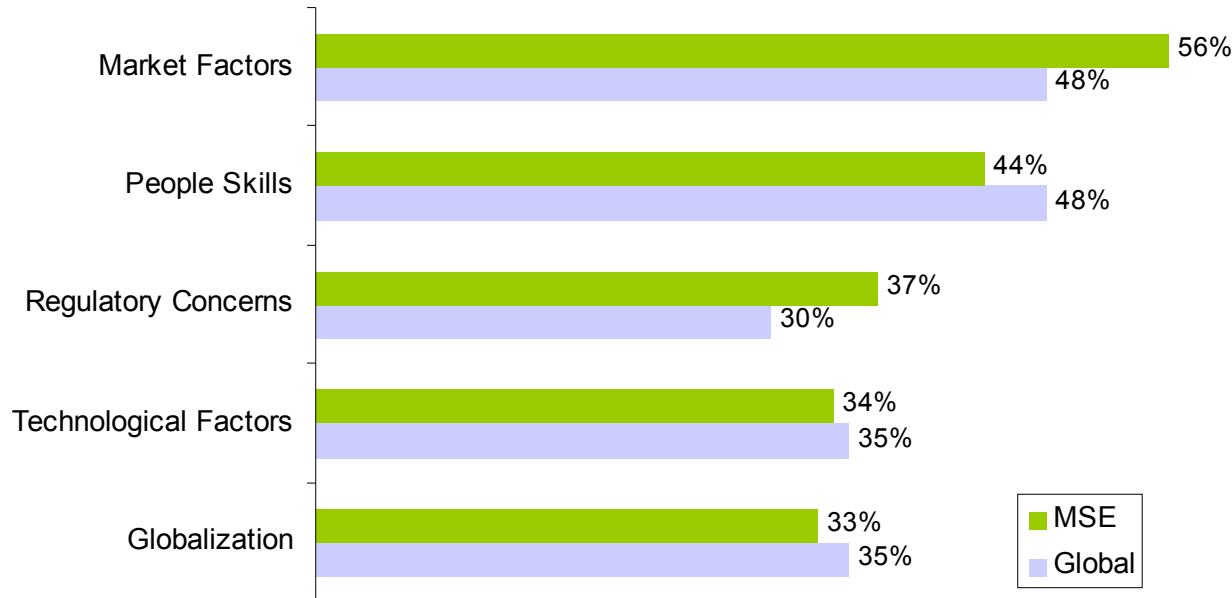Source: IBM Global CEO Study 2008; n (2006) = 709, n (2008) = 1104

4

Many factors are contributing to the change gap but there are five that were most frequently cited by midsized organisations

External forces impacting organisations with fewer than 1000 employees over the next 3 years

Factor	MSE	Global
Market Factors	56%	48%
People Skills	44%	48%
Regulatory Concerns	37%	30%
Technological Factors	34%	35%
Globalization	33%	35%

"We are not prepared for the change we hear about. We need to change the DNA."

Source: IBM Global CEO Study 2008; n (Global) = 1130; n (MSO) = 136

CEOs of successful midsize businesses have internalised and embraced change contributing to stronger financial performance

Underperformers**
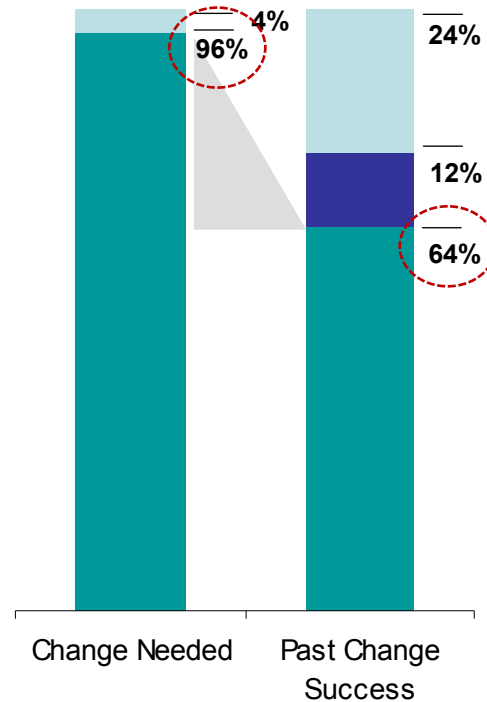
41% CHANGE GAP*

3%
14%
83%
39%
19%
42%
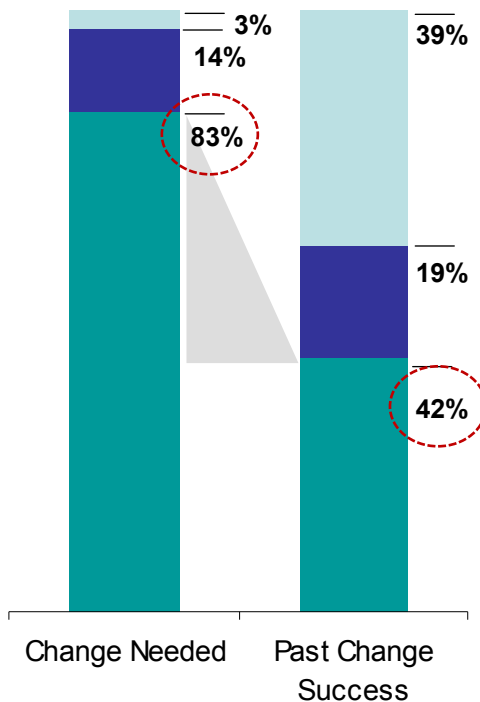
Outperformers**

32% CHANGE GAP*

4%
96%
24%
12%
64%

- Nearly all outperformers say change is necessary and almost two-thirds of these CEOs say they've been successful managing this change

Change Needed
- No/limited Change
- Moderate Change
- Substantial Change

Past Change Success
- No/limited Success
- Moderate Success
- Successful

Change Needed | Past Change Success

Change Needed | Past Change Success

** Performance based on industry comparisons within survey sample of revenue CAGR 2003 to 2006

Source: IBM Global CEO Study 2008; n (underperformers) = 36, n (outperformers) = 28

The Enterprise of the Future is hungry for change

	Building the Enterprise of the Future				
HUNGRY FOR CHANGE	Ad hoc and reactive change	Project driven change	Change portfolio and program	Anticipating and proactive change	Change becomes the strategy

Recommendations

|	
Strategic	▪ Continue to build the expectations of continuous and disruptive "damage" into the culture of the organization
People	▪ Hire, recognize and retain visionary challengers who are given freedom to infuse deep change
Process	▪ Develop processes to ensure viable new ideas that can be quickly exploited
	▪ Develop process internally – and across partners - that can adapt to frequently changing business models
Technology	▪ Leverage technologies that create new and disrupt current industry structures
	▪ Develop adaptive IT infrastructure to support changing business models

80%of CEOs of midsize companies see a positive impact from the surge in the informed and collaborative customer

Rise of the Informed and Collaborative Customer

Global

Negative impact 10%

No impact 14%

Positive impact 76%

MSO

Negative impact 5%

No impact 15%

Positive impact 80%
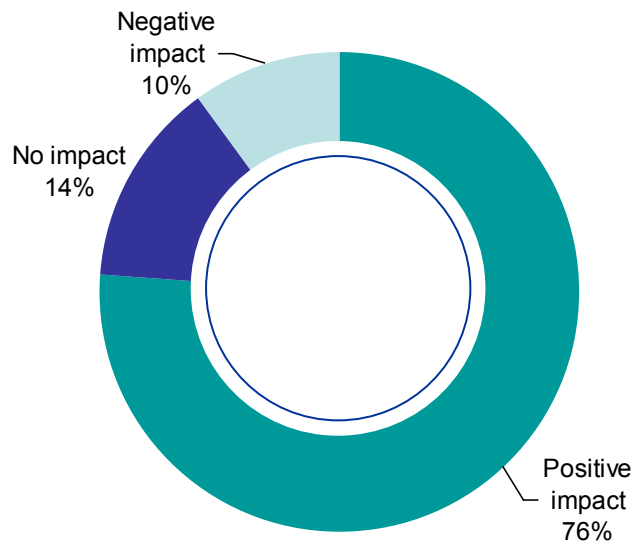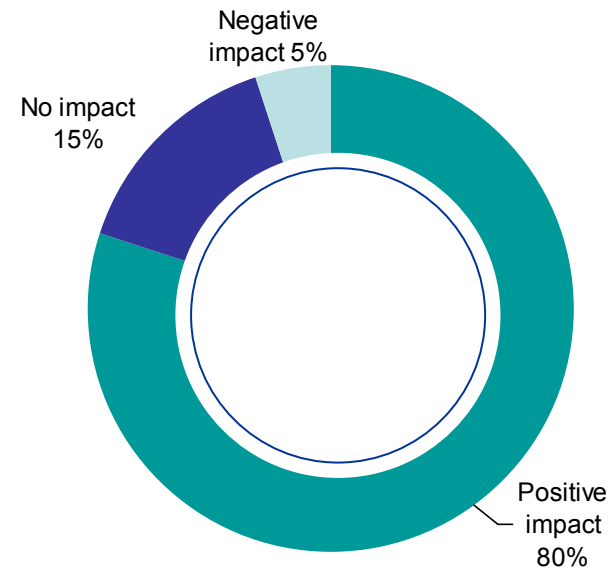
Source: IBM Global CEO Study 2008, n (Global) = 609; n (MSO) = 73

8

Past and future investments in the informed and collaborative customer are higher amongst outperforming companies

Rise of Informed and Collaborative Customer

Underperformers**

25% INCREASE

19.0%

15.1%

Investment past 3 years | Investment next 3 years
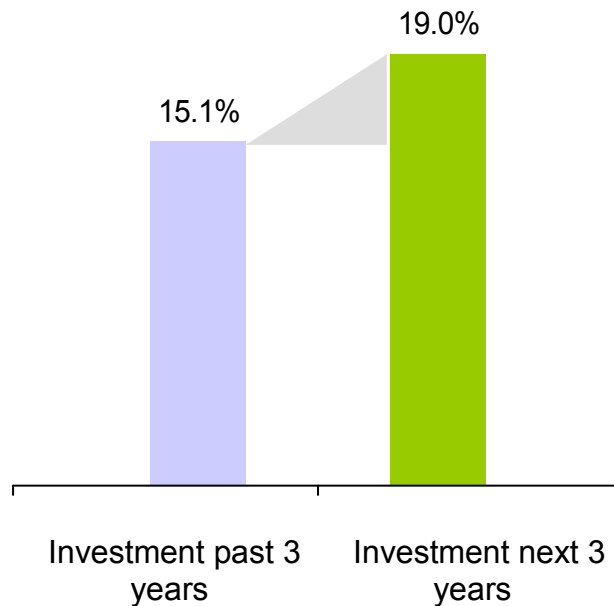
Outperformers**

19% INCREASE
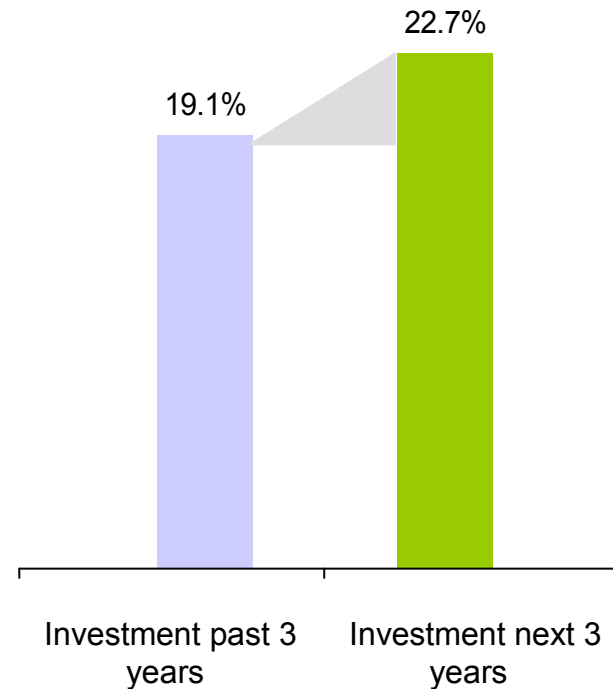
22.7%

19.1%

Investment past 3 years | Investment next 3 years

** Performance based on industry comparisons within survey sample of revenue CAGR 2003 to 2006

Source: IBM Global CEO Study 2008 n (underperformers) = 21, n (outperformers) = 15

The Enterprise of the Future is innovative beyond customer imagination
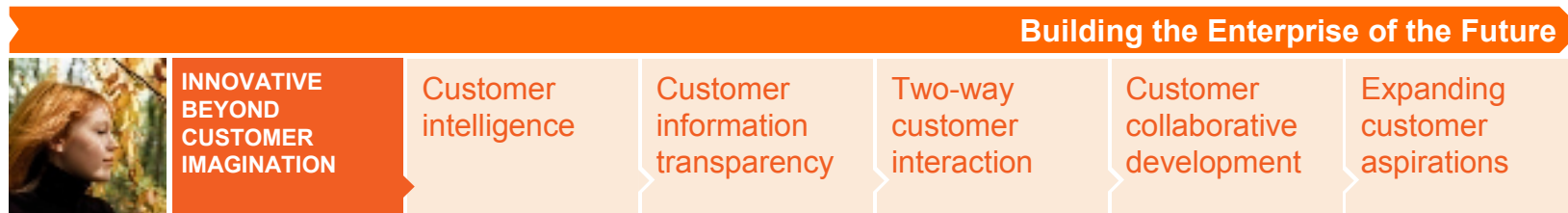
Building the Enterprise of the Future

INNOVATIVE BEYOND CUSTOMER IMAGINATION	Customer intelligence	Customer information transparency	Two-way customer interaction	Customer collaborative development	Expanding customer aspirations

Recommendations

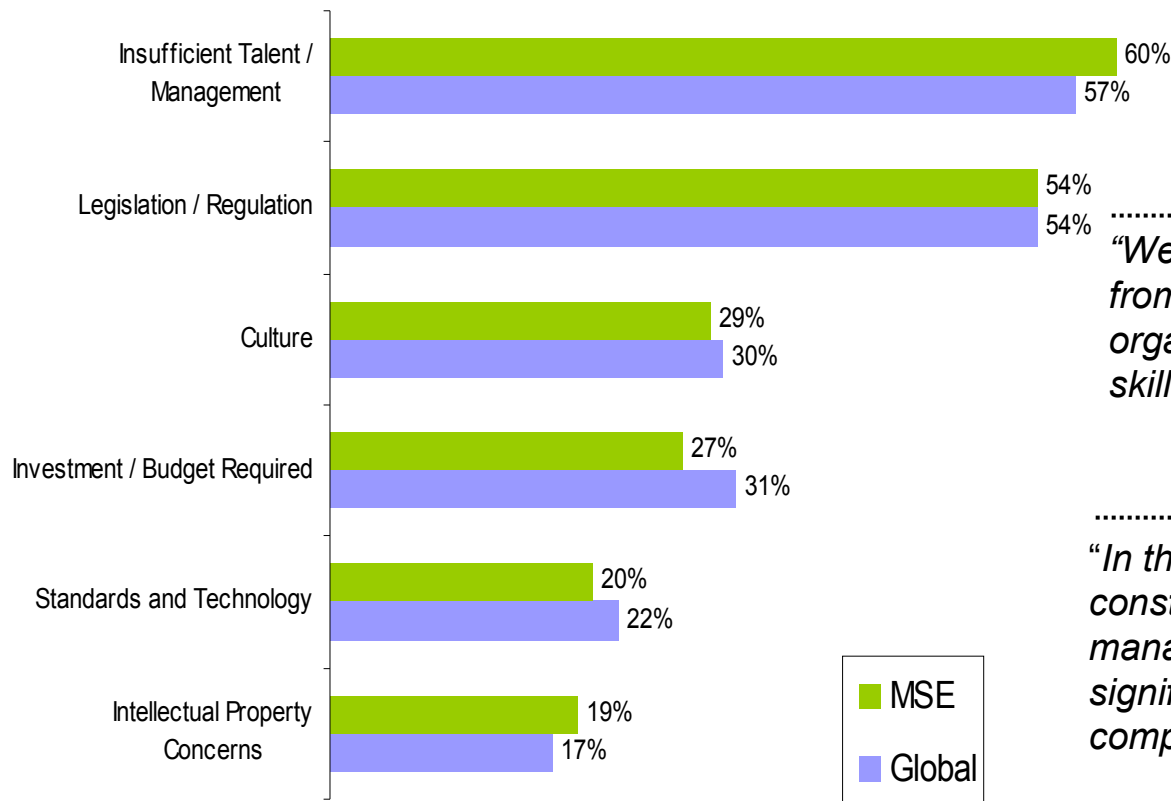|	
Strategic	▪ Build collaborative relationships with key external partners and key customers for open innovation
People	▪ Proactively approach customers to co-develop ideas for mutual benefit
Process	▪ Develop and integrate processes and guidelines for external partner management
	▪ Enable open innovation
Technology	▪ Leverage collaborative tools to support co-development
	▪ Deliver technology platform to support open innovation

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CEOs of midsized companies are changing their business design to benefit from global integration and adapt to the turbulent pace of change

- Midsize companies are actively changing where they will compete globally but are conflicted as to how to best optimise business design
  - Partnering will be critical to future success of midsize companies
  - Outperformers 20% more likely to actively enter new markets
  - Outperformers 26% more likely to change capabilities mix as they look to benefit from global integration

- Outperforming CEOs plan to implement business designs with a more global focus
  - Cluster analysis revealed four common approaches toward global integration
  - Outperformers are more likely to be "globalisers"
  - There is a need for a carefully calibrated business design to be globally integrated

- People skills and talent management remain the biggest challenges for midsize companies as they exploit opportunities and execute their global integration strategy

Talent and skill management represent the greatest challenges to building a global business

Barriers to benefit from Global Integration

Barrier	MSE	Global
Insufficient Talent / Management	60%	57%
Legislation / Regulation	54%	54%
Culture	29%	30%
Investment / Budget Required	27%	31%
Standards and Technology	20%	22%
Intellectual Property Concerns	19%	17%

"We are recruiting senior managers from diverse backgrounds and organisations to get the best of people skills."

"In the past, we've been focusing on constantly improving own technical and management capabilities. We need to adopt significant change or transformation to compete in the global markets."

Source: IBM Global CEO Study 2008 Global: N = 1130, MSO: N = 136

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The Enterprise of the Future will be globally integrated

Building the Enterprise of the Future					
GLOBALLY INTEGRATED	Exploring global opportunities	Driving specific global initiatives	Building global capabilities systematically	Global centers of excellence	Global enterprise innovation

Recommendations

Strategic
- Adopt a proactive position across multiple innovation levers to drive new value and maintain market leadership

People
- Embed collaboration into performance management system
- Identify new business opportunities based on global talent sourcing

Process
- Business services enable new market innovations
- Enable processes to support open innovation
- Leverage global "centers of excellence" to optimize capability and delivery

Technology
- Create technology services to enable new market innovations
- Deliver technology platform to support open innovation across the ecosystem

Malaysian midsized companies are facing critical business challenges

Optimizing business model / processes — 73%

Better predicting market trends, finding new opportunities and managing risk in decision making — 73%

Improving customer service/ Managing relationships — 71%

Improving efficiency/ Reducing costs — 70%

Increasing employee productivity — 68%

Becoming a more flexible and nimble enterprise — 63%
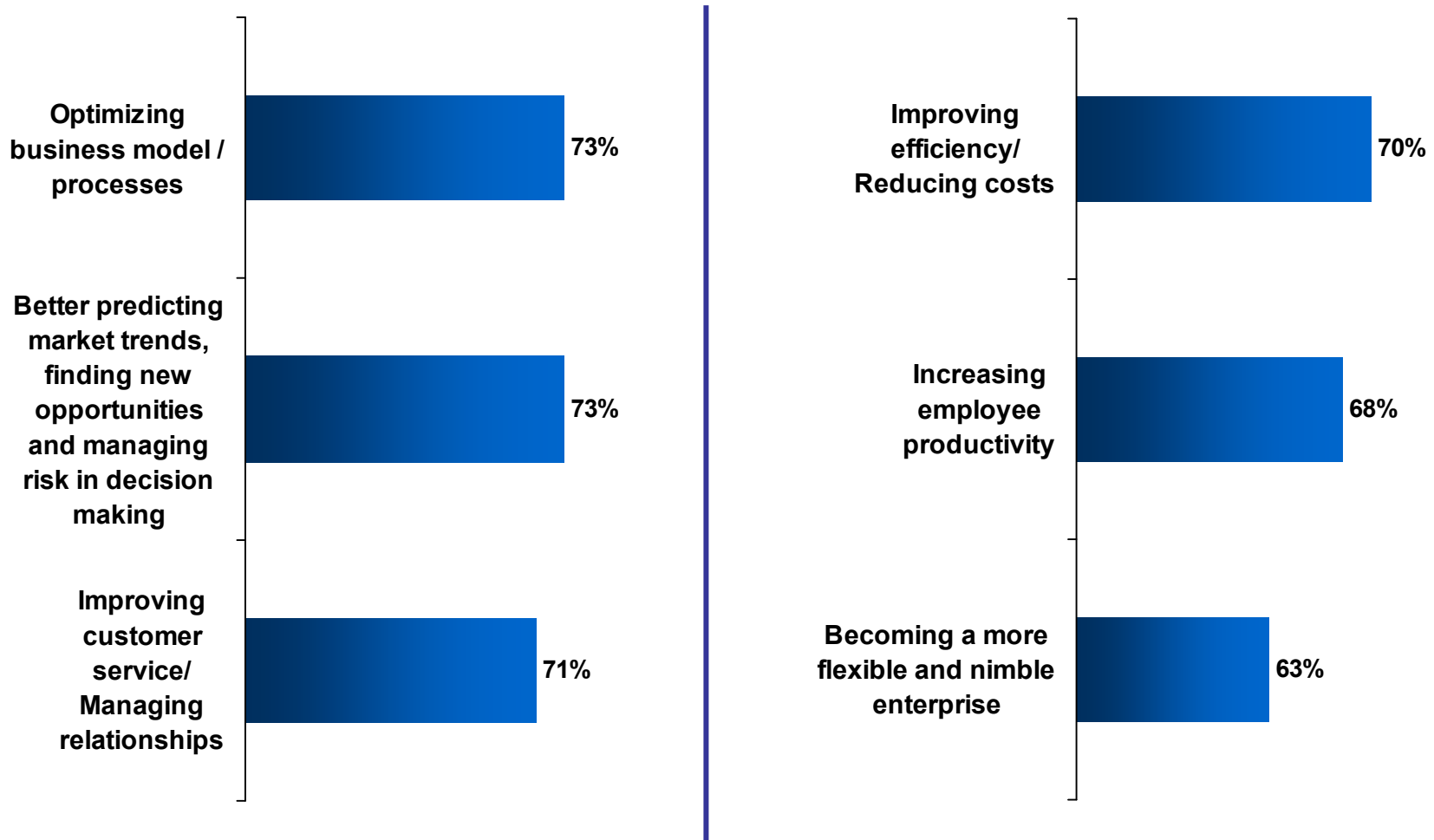
How critical is it to address each of the following challenges with regards to improving your business performance and efficiency?
Top 2 box percentages on a 1- 5 scale of not at all critical to extremely critical

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Midsized companies in Malaysia are focused on improving efficiency and growth

Q. How would you characterise your current corporate mindset?

42% Reducing spending, cutting costs and improving efficiency

33% Finding ways to grow business, enter new markets and take share from competitors

16% Continuing to innovate, using downturn as opportunity to transform company / change business model

10% Focusing on customer retention, selling more to current customers and reaching new customers

Midsized companies in Malaysia want to lead in IT adoption

Q. Which of the following best describes your company and how it views information technology adoption?

23% Leads the way by being the first ones to adopt

31% Is part of the second wave of adoption

29% Moves/adopts along with the masses

18% Waits until the technology is widely available and proven

0% Last to adopt new IT technologies

The majority of Malaysian midsized companies' IT investments won't change

Q. Which of the following best describes how your IT investment priorities have been affected as a result of the changes in the economy?

23% Have increased investment in IT as result of economic environment

45% IT investment stayed the same, but re-allocated to new or different areas

26% Have decreased IT spending

6% Economic environment has not had an impact on IT investment priorities

Malaysian midsized companies are hungry for "strategic" IT solutions

Green IT — 68%

Software as a Service — 65%

Regulatory Compliance — 59%

Pervasive Mobility/Communications: — 56%

SOA (Service Oriented Architecture) — 56%

Dynamic Infrastructure — 56%
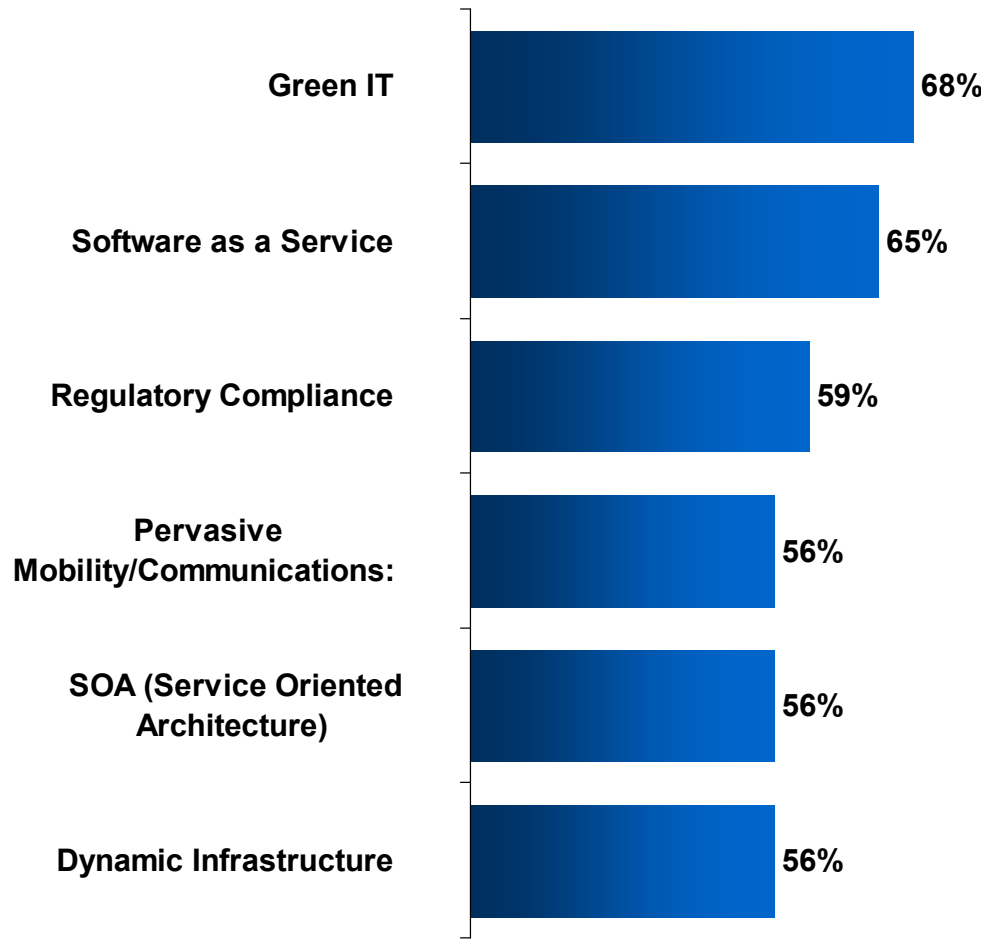
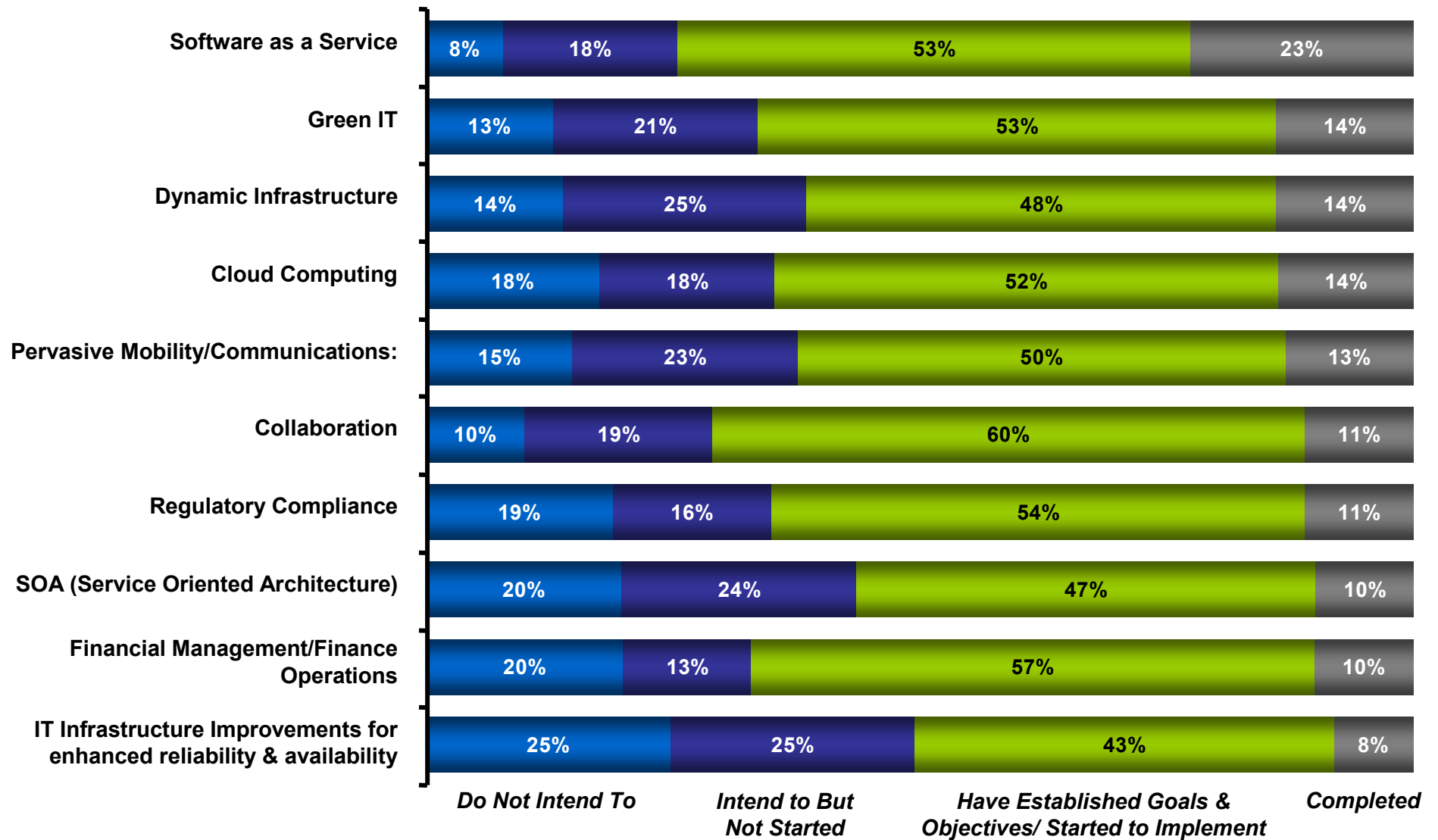### *Key barriers to solution implementation in Malaysia*

- **Cost, lack of budget**

- **Technology Skills**

- **Implementation Time**

- **Resources/Infrastructure constraints**
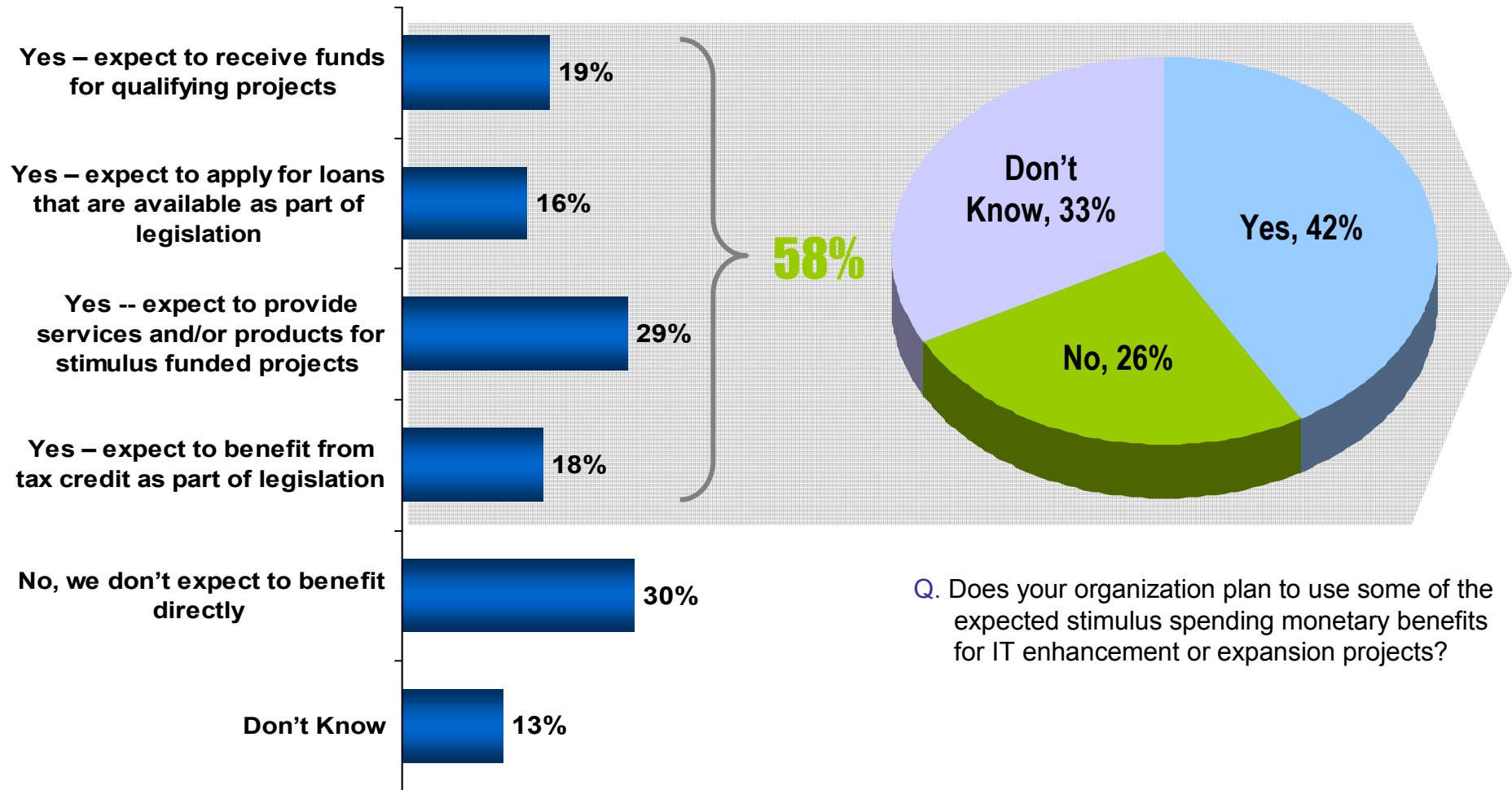
- **Disruption to Business Operations**

How critical are each of the following IT areas with regards to improving your business performance and efficiency?
Top 2 box percentages on a 1- 5 scale of not at all critical to extremely critical

Current solution implementation in Malaysia

	Do Not Intend To	Intend to But Not Started	Have Established Goals & Objectives/ Started to Implement	Completed
Software as a Service	8%	18%	53%	23%
Green IT	13%	21%	53%	14%
Dynamic Infrastructure	14%	25%	48%	14%
Cloud Computing	18%	18%	52%	14%
Pervasive Mobility/Communications:	15%	23%	50%	13%
Collaboration	10%	19%	60%	11%
Regulatory Compliance	19%	16%	54%	11%
SOA (Service Oriented Architecture)	20%	24%	47%	10%
Financial Management/Finance Operations	20%	13%	57%	10%
IT Infrastructure Improvements for enhanced reliability & availability	25%	25%	43%	8%

How would you best summarize your organization's current implementation of the following IT areas?

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Over half of the midmarket companies in Malaysia expect to benefit from stimulus spending packages. Of those, 42% expect to use any funding for IT projects

Yes – expect to receive funds for qualifying projects — 19%

Yes – expect to apply for loans that are available as part of legislation — 16%

Yes -- expect to provide services and/or products for stimulus funded projects — 29%

Yes – expect to benefit from tax credit as part of legislation — 18%

58%

No, we don't expect to benefit directly — 30%

Don't Know — 13%

Don't Know, 33%

Yes, 42%

No, 26%

Q. Does your organization plan to use some of the expected stimulus spending monetary benefits for IT enhancement or expansion projects?

Q. Does your company expect to receive funds, or benefit, from recently enacted stimulus spending? Select all that apply.

Becoming a Smarter Business:
Success Examples

Robust and sturdy systems and solutions ensure business continuity and operational reliability which customer rely on during peak business hours

Streamlined business management workflow from planning, forecasting, back-office and store-front functions to significantly improve customer service and sales

With retail solutions, employee productivity at Secret Recipe increased by 5%, and service delivery times improved between 10% and 20%. Overall, company's sales grew by approximately 10%

Vietnamese fish farms are now able to track their products throughout their export lifecycle – from harvesting and shipping to retail - to help ensure food safety effectively and efficiently

21

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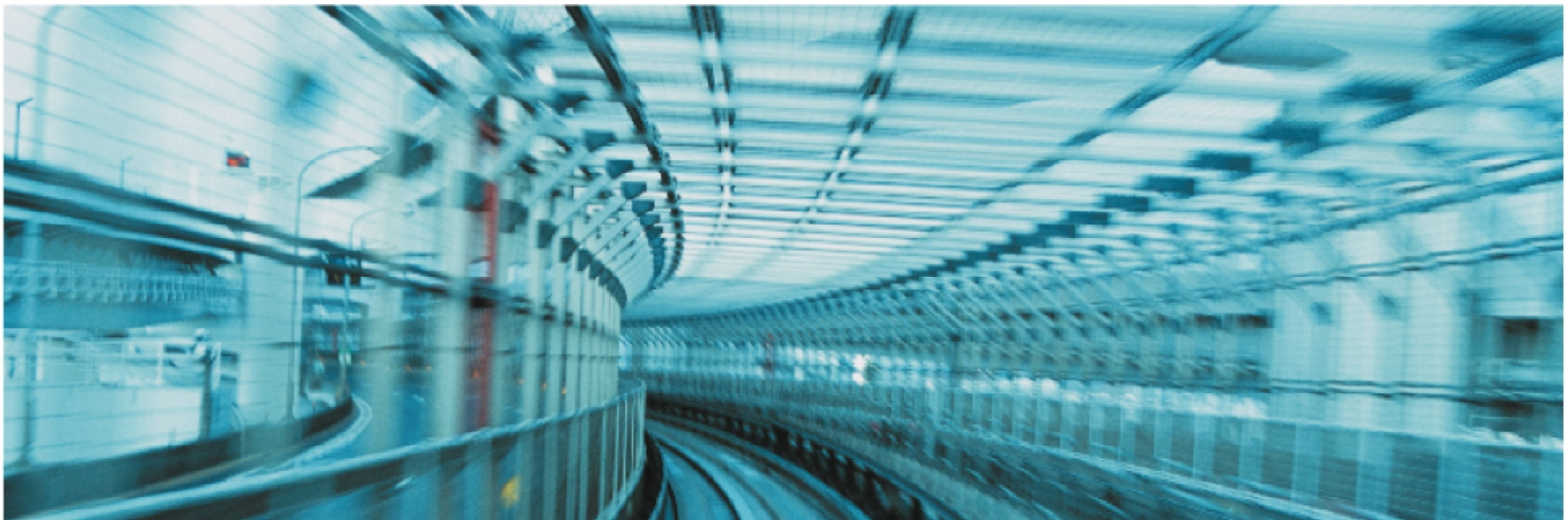
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