Key Success Factors of Digital Transformation in Southeast Asian Countries

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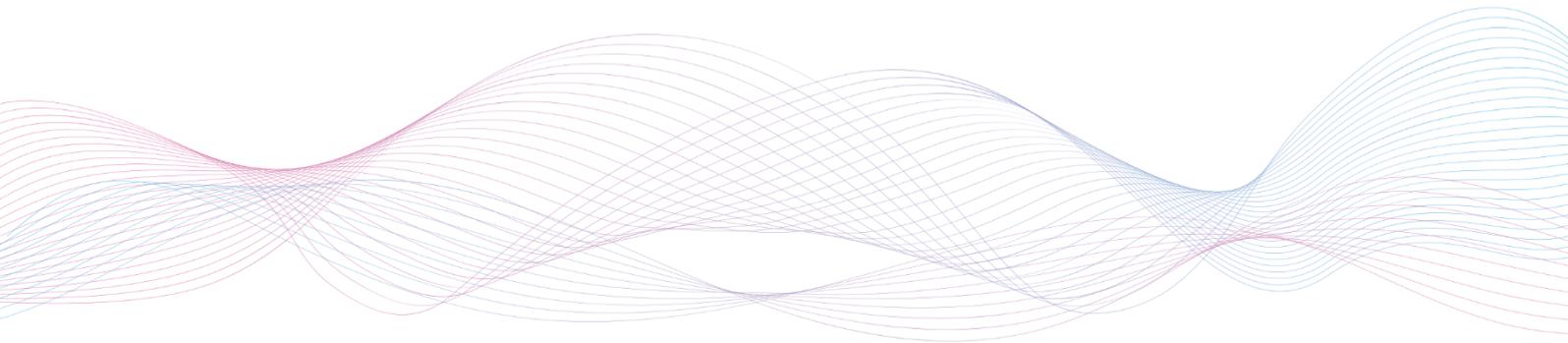
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Prologue - The Impact of COVID-19

The world is in transition. Many countries have flattened—and in some cases, nearly eliminated—the curve of COVID-19 infections and begun the work of resuming economic activity. Meanwhile, many companies are running spreadsheets to see how many people spaced two meters apart will fit in an office, planning one-way paths through the workplace, and figuring out adaptations to restrooms, lunchrooms, and entrances. All of those are critical tasks, but they are not enough. What's needed are some lessons for the future; an enterprise-wide ability to absorb uncertainty and incorporate lessons into the operating model quickly.

Transition implies progress, but it comes with the risk of backsliding into successive waves of disease, W-shaped recoveries, and further economic and human devastation. Recoveries have always mattered in business. Some of the biggest shifts in market share occur coming out of downturns, when new industry leaders—and new industries—often emerge. The post–Covid-19 world will accelerate some existing trends and create new ones, and all business models will have to evolve in order to grow and thrive. But there's no way to accurately predict the coming year. For leadership teams, the recovery will mean restarting—in some cases, reinventing—operations in an unstable world of shifting conditions.

ABeam has identified 3 main meta-trends that will be paramount in a post COVID-19 world:

Changes in corporate values

The rules in the game of capitalism will be redefined. Capitalism had become the standard model for economic progress and social development for most of the 20th century. The pursuit of endless economic growth for shareholders was considered the primary reason for businesses and corporations to operate. We expect this to continue in the future, but with added focus on pursuing social value for the communities in which businesses operate, and all other stakeholders. Businesses need to identify how to co-exist with the virus for many months and will subsequently create new values and standards for sustainability.

Urgency of digitization

While COVID-19 has been wreaking unprecedented havoc onto societies and economies, it has also given us a glimpse into the future – one where digital has become central to every interaction, whether it is social or commercial. This is a world where digital has sometimes become the preferred method of customer interaction, and automated systems promote productivity. This will continue with added urgency in the post COVID-19 world

Enterprise transformation

The combined effect of accelerated digital transformation (DX) along with the paradigm shift of operating in a "new normal" environment will create a new standard from which companies will be evaluated.   Leading companies of tomorrow will have to adapt to increasingly volatile conditions more frequently and operate in environments that are sensitive to all their stakeholders.   Businesses will re-design their operations and create value from accommodating needs from key stakeholders such as employees, customers and suppliers.

Driving forces

Economic and social volatility	
New normal	
Digital technologies	**Enterprise transformation**
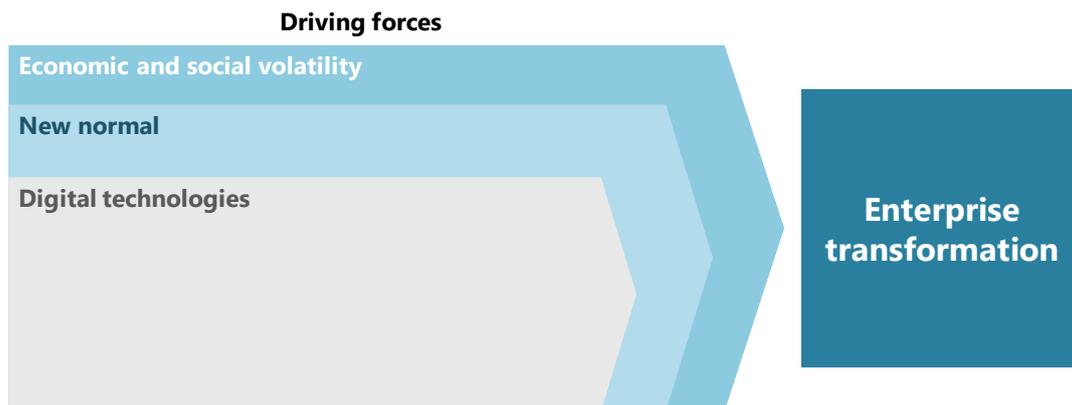
Companies must urgently recognize these paradigm shifts in the current operating environment and understand that they are pre-requisites for success in tomorrow's economy.   The "new normal" is not just something that companies will have to adapt to – in fact, the real leaders and first movers of industry will create the "new normal" by invoking change in their respective industries by changing the way they operate their businesses.

Re-design for companies that create the future

Redefining purpose and vision, long-term thinking and future design, resetting strategic goals, strategic story that creates empathy.

Companies of choice in post-COVID19 era

The goal of companies and organizations in post-COVID19 is to overhaul themselves to be a companies of choice in post-COVID era, which create the future, the new normal. Companies required to accomplish Enterprise Transformation.

Evolution to ambidexterity

- Exploration and improvement
- Co-creation and organic growth
- Agile and planned
- Autonomy and governance

Digital ready organization

- Future oriented mindset
- Unleashing power of technologies
- Company-wide promotion

1. COVID-19 Is Forcing Us Online

As the COVID-19 outbreak continues to spread across the globe, companies have had to quickly adapt to a new "normal" way of operating. The status quo has been disrupted like never before, and businesses are being forced to quickly rewire their operations to adapt to new social distancing measures. While the changes brought about by the pandemic are unprecedented, the world we live in is increasingly volatile and riddled with trade wars and geopolitical tugs-of-war. Some things may return to the way things were, or change may be the new normal, and the pace of change is accelerating. Quick thinking companies have been quick to adopt digital strategies to ensure business continuity, whether through remote working or ecommerce. Businesses that once planned digital strategies in multi-year timeframes have had to accelerate their roll outs in a much quicker manner.

While COVID-19 has been wreaking unprecedented havoc onto societies and economies, it has also given us a glimpse into the future – one where digital has become central to every interaction, whether it is social or commercial. This is a world where digital has sometimes become the preferred method of customer interaction, and automated systems promote productivity. In Southeast Asian countries, we have already started to see this in financial services and retail sectors, and the urgency of digitization is obvious for many other industries as well. Immediately after the government mandated social distancing measures, most of all banking players in the region saw a huge increase in the number of new users for their online platforms to take advantage of cashless payment options – SCB in Thailand gained 10 thousand new users in 3 days[1] while BCA in Indonesia recorded 91 percent annual rise in mobile banking[2] and VIB in Vietnam saw a significant increase of transaction via digital channel[3]. Grab has also seen a 400% increase[4] in food deliveries as consumer behavior has shifted from eating in restaurants to home deliveries. If there is one benefit to this whole situation, it is the emergence of improvisation and experimentation from newly digitized companies who are more willing to learn from trial and error than ever before. The ways they learn and adjust to today's crisis will influence the way they conduct business in tomorrow's changed world. Companies such as Pronto Denim in Thailand, an apparel retailer, have been using non-traditional mediums such as Facebook Live[56] to engage with their customers while their stores have been closed. This has resulted in a fivefold increase in customer engagement numbers while converting a significant portion of that into digital sales. Some companies were forced to acknowledge their unpreparedness for tomorrow's digital economy when offices were ordered closed and their staff had no way of working remotely causing disruption to their businesses. Other traditional firms in industries

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[1] https://www.bangkokpost.com/business/1895320/scb-easy-gains-10-000-new-accounts-in-3-days

[2] https://www.thejakartapost.com/news/2020/05/28/bca-sees-jump-in-digital-banking-services-amid-pandemic.html

[3] https://tuoitre.vn/thanh-toan-dien-tu-tang-dot-bien-trong-dich-covid-19-20200414180922844.htm

[4] https://www.bangkokpost.com/thailand/special-reports/1891370/virus-crisis-fuels-food-delivery-bonanza

[5] https://www.facebook.com/prontodenim/

[6] https://www.bangkokpost.com/business/1910036/facebooks-live-social-sales-jump-200

such as manufacturing or construction might have been less disrupted, but this might be a wake up call for them to digitize enact business continuity plans in case of future events. Some companies have realized the limitations of their continuity plans when not all their operations are able to operate remotely. Whether due to data security concerns or technical limitations, we are often seeing back office operations remain on site, while other staffs can operate remotely. Back office operations are critical to businesses and they should be digitized to enable their continued running through future disruptions.

Now is not the time to reassess digital initiatives, especially those that help reposition the company for a post-crisis world. In this new world, some things may eventually return to the way things were, while other things will be forever changed. We can anticipate this happening in sectors where consumers quickly become accustomed to convenience, such as online retail or home delivery food. Delaying digitalization efforts today may seem like a safe option but could actually be the worst option if companies waste this valuable time to reposition their businesses for a post-COVID digital world. The risk of doing nothing is greater than ever. First movers can seize the market leaving others struggling to compete.

Companies know how to undertake digital initiatives under "normal" circumstances, but how many know how to do so under these volatile social and economic conditions? ABeam's Digital Transformation matrix outlines 4 areas of focus which can lead to innovative new digital offerings or redesigning existing operations to be more efficient in a lower revenue environment. All of these solutions optimize for profit through revenue expansion or cost reduction through business model or process transformations.
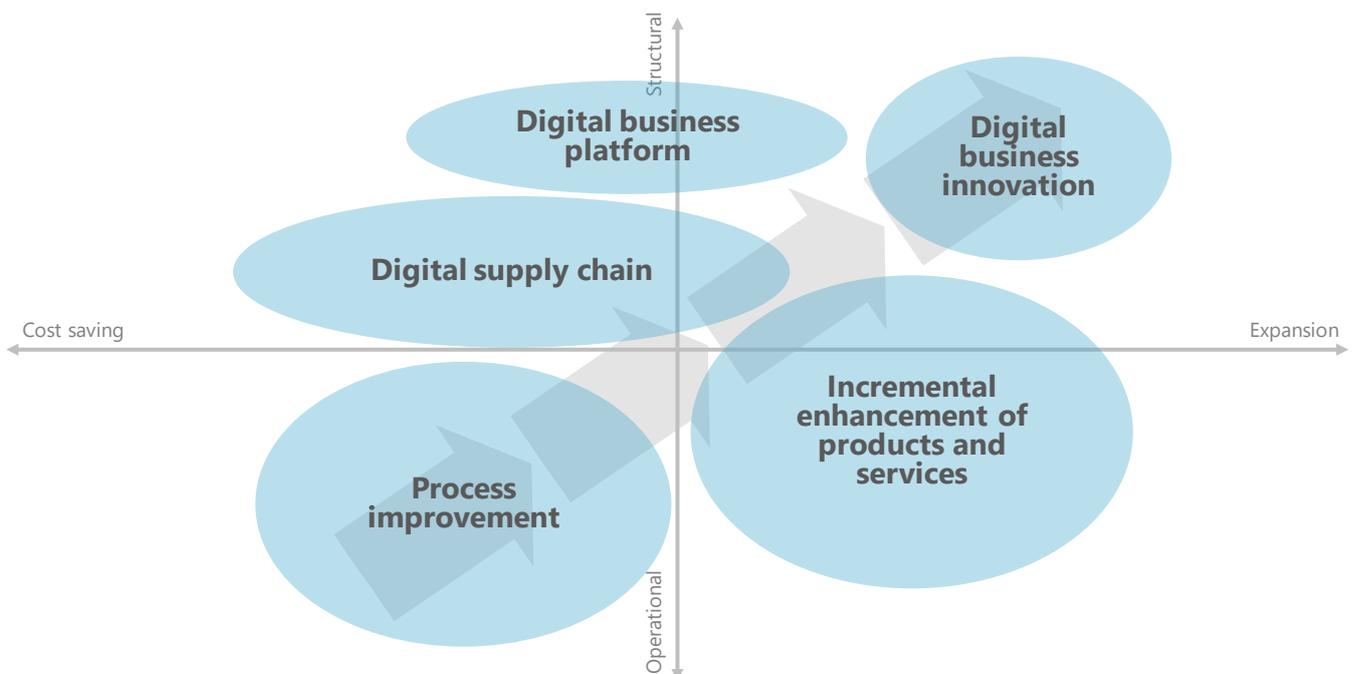

Figure 1: ABeam Digital Transformation Matrix

Changes

New Business Opportunities:

Just as new digital platforms disrupted value chains in the past, the crisis caused by the COVID-19 pandemic will result in similar changes to existing ecosystems.   New ways of serving customers will emerge, as will new supply chain opportunities that have adapted for a world with closed borders.   In the immediate term, organizations are looking for virtual replacements for their previously physical offerings, or at least new ways of making them accessible with minimal physical contact.   The new offerings that result can often involve new partnerships or the need to access new platforms and digital marketplaces in which your company has yet to participate.

New opportunities may arise outside the traditional bounds of your organization's business areas, warranting deeper analysis and appropriate allocation of resources.   While focusing on your customers, your organization should also maintain visibility of how suppliers and competitors are responding to the crisis and how the ecosystem surrounding them is responding to life after the crisis.

Product / Service Enhancement:

Capitalizing on opportunities beyond your organizations traditional bounds will require taking a deep dive into your business and operating models.   Focusing on areas that are complementary or overlap with your core or existing business will give you the best chances of success in the long term, rather than making changes to areas that are non-core.   Tinkering with non-core operations often result in returns that are too small to scale or are not applicable in other parts of the business.   The leaders of tomorrow will utilize large amounts of data in this rapidly evolving landscape to make rapid and accurate course corrections.

While the opportunities that exist vary greatly by industry, there are some common themes in a post COVID-19 world:

- *Supply Chain Flexibility:*

  Closed borders and trade wars have left globalized supply chains in the past.   Shortages and stockpiles have become the norm in many parts of the world, resulting in inefficient asset allocation.   Organizations can learn from the retail industry to build transparent and flexible supply chains to mitigate supply chain disruption in the future.

- *Business Continuity Plans:*

  Citywide lockdowns and suspended transportation have accelerated the embrace of remote working. Learning how to maintain productivity and continue automating activities will be critical to capturing value from this situation.   Organizations that implement automated processes and systems to replace human input during social distancing will have cost advantages in a post crisis world.

Business Process Improvement:

In industries such as e-commerce there has been widespread use of robots to take over transactional tasks such as product picking and inventory checking.   These innovations are being emulated in other industries through robotic Process Automation (RPA) where repetitive tasks are automated, freeing up resources for more value generating tasks.   Business Process Reengineering (BPR) also identifies existing operating inefficiencies that can be restructured, and those resources can be reallocated to more meaningful parts of the business. Organizations see returns from these investments in less than 12 months, and they will continue to pay dividends in a post-COVID19 world.   Those that have done so will find themselves operating with cost advantages in a post crisis world when the economy recovers.

In situations of uncertainty, businesses need to learn quickly what is working and what isn't.   This abrupt shift to an all-digital world, both within your organization and in the outside world provides abundant opportunities to those bold enough to make the required changes and adapt to the changing environment quickly.   ABeam has been working with our partners for years to put in digital best practices and plan for business continuity in times of uncertainty.   In normal times, experimentation might seem risky and leaders don't often make changes to their businesses unless they absolutely must.   The COVID-19 crisis has made experimentation necessary, whether that is transitioning your workforce online, or engaging with your customers in a virtual environment.   The greatest lessons are often learned during the most devastating crises.   We believe our partner clients can emerge from this crisis ensured that their digital future is more robust coming out of COVID-19 than it was going in.

2. Importance of Going Digital Now

Over the past decade, a new type of company has emerged. Digital native businesses operate at a fast speed and iterate their products quickly. Disruptive companies grew up in the region such as Grab, GoJek, Lazada, Shopee, Tokopedia and others all utilize cutting edge technologies such as cloud computing and data analytics to scale and evolve their businesses at speeds that were previously unheard of. On the other end of the spectrum we have companies that have not yet embraced digitization and are attempting to do business the same way they have for years. The rapid changes brought about by the COVID-19 pandemic have accelerated the need for these traditional companies to adapt to an increasingly digital way of doing business. Customers and businesses have been forced online as a result of cities being locked down, and in some cases, businesses are operating entirely online. The companies that are quickest to recognize the urgency of digitization and adapt to this "new normal" will be the ones most likely to succeed.

The pandemic has forced companies to go digital. But prior to this, companies were pushed to this change by recognizing the existential threats from disruptors, backed by well-funded Venture Capital companies. Disruptors in the region raised in total US$7.7 billion in 2019[7] and keep up raising in 2020 nevertheless in slower pace, this is money that will be used to reimagine business models and build newer, more agile businesses. Corporate backed Venture Capital companies such as Central Capital Ventura by BCA in Indonesia, FPT Venture by FPT in Vietnam, Adventures by SCG in Thailand also provide networking and ecosystem advantages to startups that receive their backing. While this was previously viewed as an existential threat, the reality today means these companies can serve customers that have been pushed online by the COVID-19 pandemic. In today's environment where everyone is forced online, the impact of increasingly connected people, companies, services and systems will surely create new digital value chains. With strong government support for digital technology, this is how companies will have to operate in the future. Understanding the impact of these changes and successfully evolving to avoid being disrupted or negatively impacted by increasing volatility is critical to survival.

Some established firms have witnessed the success of digital native companies and the benefits of their way of doing business and have embarked on unprecedented efforts to digitize their business operations. Nowhere is this more evident than in the banking industry. Siam Commercial Bank in Thailand has invested more than 40 Billion Baht in digital transformation projects[8]. Military Bank in Vietnam has invested 900 billion VND in 2018 and 1,200 billion VND in 2019 in technology research in digital transformation.[9] The benefits of these projects will be numerous; new backend systems designed to enable new types of services, more agile teams creating new products, lower cost

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[7] https://www.cento.vc/wp-content/uploads/2020/02/Cento-Ventures-SE-Asia-Tech-Investment-FY2019.pdf

[8] https://www.bangkokpost.com/business/1531582/scbs-digital-transformation-takes-shape

[9] https://forbesvietnam.com.vn/tin-cap-nhat/mb-bank-tu-truyen-thong-den-da-nang-8461.html

operations by moving the customer experience online.   The options are endless.   In 2018, IDC estimated companies would spend $1.9 Trillion globally on digital transformation projects between 2019 and 2021[10].

Trends in Southeast Asian companies

Consumers in Southeast Asia are ready to embrace the digital economy.   Out of a total population of 570 million in ASEAN-6 countries, more than 390 million people are active internet users.   People in Southeast Asia are always known as internet enthusiasts; online time spending is 10 hours per day in Philippines, the longest hours in the world in 2019, followed by 9 hours in Thailand and 8.5 hours by Indonesia[11].   These figures are surely higher today, when everyone is forced to work remotely.   Companies have recognized this is a unique opportunity to engage with their customers in an entirely new way.   KBank's K-Plus app in Thailand is used by more than 10.6 million users and has been signing up more than 10 thousand new users per day since social distancing measures were put in place[12].   A significant portion of these customers have shifted their spending online after signing up for mobile banking services[13].   Equally impressive is the government's quick development and roll out of contact tracing platform in Singapore, Thailand and Malaysia. Thaichana, Thailand version platform, was developed to enable businesses such as shops, restaurants and other crowded venues to reopen after social distancing measures were relaxed.   The platform was used by more than 2.6 million people in the first weekend it was rolled out, and was used by thousands of businesses to give peace of mind to their customers.

In spite of increasing technology investments, our analysis shows many companies do not place very high on our Digital Transformation (DX) maturity model.   When looking at company leadership, organization and their overall approach to DX strategy, most companies are in stage 1.   This means they have spent some time explroing some digital projects from the top down and are viewing their digital initiatives as Proof of Concept ideas.   This approach is taken sporadiclly and independently of a company-wide approach.   It is not uncommon for leadership in these companies to want to explore small scale digital projects in specific parts of their business operations.

There are some companies that are fairly advanced in their DX strategy and DX leadership and therefore they are further along in the DX maturity model.   Some of these companies are in stage 3 or stage 4; they have designed and deployed company wide digital strategies for their entire company.   These companies have leveraged these digital initiatives and external partnerships to unlock additional value from their customers through co-marketing or data

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[10] https://www.idc.com/getdoc.jsp?containerId=prUS44440318

[11] https://hootsuite.com/resources/digital-in-2019

[12] https://www.bangkokpost.com/business/1905415/kbank-makes-most-of-digital-channel-services

[13] https://www.slideshare.net/DataReportal/digital-2020-thailand-january-2020-v01?qid=d103920e-6e33-424f-9ac0-ebefb1067e25&v=&b=&from_search=1

gathering. An example of a digital native company operating at stage 6 are tech giants such as Google and Amazon. There is no company in the region that has succesfuly transformed into a stage 6 company.

	Stage1: Conceived DX ideas	Stage2: Set company-wide DX strategy	Stage3: Run several on-going DX initiatives	Stage4: Implemented company- wide DX initiatives	Stage5: Built co-creation model to run business
Transformation leadership	• No specific DX direction & Plan • "Some digital" mission(s) from the top	• Company-wide DX boost from the top • The top has adequate knowledge of DX	• The Leader's commitment to DX initiatives and start having experience in DX	• The Savvy leader with digital experiences focuses on execution and verification rather than planning	• Leader's agile decision making ability: frequent and quick responses continuously
DX culture and awareness	• No aware of necessity of DX(No culture) • Some highly conscious person(s) or IT dept. is aware of DX and leading partially	• Company-wide DX culture starts with a boost from the top • Biz & IT division's collaboration role & responsibility is determined	• Specific division(s) aware of effect of DX • Digital literacy : DX technical Center of Excellence(CoE) function is established	• Each division leads digitalization in usual business/process • New business model creation mindset • CoE supports DX initiatives by connecting Biz div. & IT	• Digital culture is fully integrated in entire company • Share resource assets and realize value in co-creation • Strengthen mutual solidarity and develop relationships to fulfill the missions
Vision and strategy of digital transformation	• Some DX idea is existing, but not company-wide strategy	• Portray the 'Will-based' company-wide DX Biz & IT strategy of which corporate new value & Sustainable Social Responsibility is determined • Envision the path by back casting to reach a goal	• Agile DX strategy (goal & path) is updated by Biz & IT evolution	• Start connecting to other business partners with digital technology • Plan to expand connection to other business partners	• Make decisions on Biz portfolio reorganization and resource in a faster period to achieve future targets • Define the foundational values in the co-creation & high competitive strategy for each
Technology, data management and analysis	• Digital technology and analysis knowledge in specific area is gathered	• Analysis requirements are clarified based on DX strategy • Digital IT landscape & roadmap are created for the entire company	• Digitization tools (ERP,RPA, OCR) are implemented • Data storage and analysis are started but still silo	• Internal & connected external data are utilized for value improvement • DX platform is established, store and merge digital data for analysis	• Analysis result with multiple data is utilized to create new business model or more value improvement • Digital platform is fully integrated and all data is utilized in co-creation
Transformation engine and operating model	• No official process to manage digitalization idea • Some pain/improvement points to realize strategy/process is clarified for DX in specific division/area	• DX BPR requirements are clarified and prioritized for the entire company	• Individual digitization such as ERP,RPA,OCR for digital BPR for process improvement by Biz & IT	• Realize company wide/value-chain BPR with digitalization tool(s) • Conduct business operations flexibly, by responding to changes in the business environment	• Continually envision new values for customer and realize revenue & delivery schemes in co-creation • Lean and high value-added, highly flexible, and flat org. • Evaluation system encourages the people who embrace DX

Figure 2: Digital Transformation Maturity in typical Southeast Asian companies

Within the DX Process and IT Implementation components, many companies are performing slightly better, they are in stage 3 or 4. This means many companies have started digitizing by implementing solutions such as ERP systems by Oracle or SAP, or RPA and OCR solutions for automating existing manual processes. Connecting these discrete solutions within the company is what defines a company as being in stage 4; this is happening, but not very often. To progress to stage 5 or 6, organizations should be connected beyond their own enterprise. The organization, their customers and the data that is generated should be connected to a greater ecocystem consisting of other corporate service providers to create new value for society as a whole. It appears not many companies are ready for this stage yet.

And herein lies a notable challenge for many companies. Many organizations have embarked on DX implementation projects as a result of these push or pull factors, without properly planning for a company wide DX strategy. Companies can become easily distracted by delivering short term plans for various IT projects, but this can lead to eventual failure if they are not focused on the overall strategic vision for the whole company. This is particularly true today when companies are reacting to the shock of the pandemic. In 2015, GE Digital was spending billions of dollars on a wide range of technology initiatives. Without a strategic focus and vision of its goals, they gravitated to pleasing shareholders with short term projects that were cash flow positive. Unfortunately, there was little synergy

to be had due to the lack of allignment, resulting in long term financial losses. By some estimates, as much as 70% of digital transformation investmetns are wasted on failed programs[14]. A big factor that differentiates top digital business entities from others is how quick and adaptable they are in setting, executing and adjusting their digital strategies – in other words, companies have to be agile enough to be able to quickly adapt to changing circumstances and requirements.

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[14] https://www.cnbc.com/2019/10/30/heres-why-ge-fords-digital-transformation-programs-failed-last-year.html

3. Strategically Transform Your Digital Presence

In today's economy, everyone wants to go digital.　It is even more pertinent in today's economic environment where social distancing is the "new normal" and more businesses move online.　But digitally transforming your company is about more than having a web presence or a mobile app or automated back office operations.　Digital transformation is the implementation of digital technologies into all areas of business in order to build more sustainable relationships and better understand the needs of customers.　In these challenging times, businesses are rightfully concerned about curtailing non-essential spending.　But never before has the need for a comprehensive digital strategy been more necessary.　The COVID-19 pandemic and resulting economic shock has showed us having reliable digital systems enable business continuity when regular operations are disrupted, and they enable new businesses opportunities when consumer behavior shifts online.　But this is just one of the ways to look at it. When talking about digital, we can think of discovering new frontiers and using innovation and technologies to push your business. It's about finding new possibilities of an existing service in order to design and deliver a better experience for your customer. Some might argue it's a new way of interacting with customers.　All these interpretations involve 3 critical components, Vision, Planning and Action.

In 2018, IDC reported nearly 2 trillion dollars would be spent globally on digital transformation projects[15] between 2019 and 2022.　While some of these projects may be delayed due to the COVID-19 pandemic, many companies are accelerating the rollouts of their digital projects to enable business continuity[16].　Now more than ever, companies require a comprehensive strategy to align all their digitization efforts.　While the pandemic and ongoing economic shocks has pushed everyone online, the uncertainties surrounding future economic growth means businesses must carefully select where and how to invest their money to get the most impact.

Vision:　It is evident digital transformation is already occurring - over 75% of companies interviewed by IDC agree with this statement.　Over half of the companies interviewed agree that digital disruption is having a transformative impact on their business and their industry.　While COVID-19 has forced many companies to re-evaluate their expenditures, the importance of having a reliable digital platform on which to operate and sell today is obvious. Less obvious is the importance of having reliable back-end systems to enable business continuity when operations are disrupted.　This can enable businesses to have an online presence, or to enable remote operations when staff members are working from home.　Leading companies can envision the opportunities digital transformation can provide to their businesses and are investing in change.　This is striking when you consider that none of the respondents interviewed in 2015 agreed with that same statement.

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[15] https://www.idc.com/getdoc.jsp?containerId=prUS44440318

[16] https://www.10thmagnitude.com/covid-19-business-continuity-accelerating-transformation/

Planning: Many leaders fail to define clear roadmaps, set realistic goals, or implement effective systems to collect internal feedback and the right data for success metric tracking. This not only makes the implementation process more difficult, but it also puts the success of the whole initiative at risk.   Effective strategic plans span the whole lifecycle of implementation and are highly scientific in their approach. Breaking the launch of your initiative down into smaller sprints is a good way to make the project feel more attainable and will also allow you valuable time to step back and evaluate how everything is going.   No one can predict when the end of the pandemic will be, keeping an agile approach to project management is the best way to iterate projects frequently and adapt them to an environment that is constantly changing.   Each of these sprints should follow the same process: Produce a piece of the plan, test, collect data, analyze feedback, evaluate areas of improvement and success, use learnings to develop slight iterations in strategy, and move to the next phase.

Action: There is near unanimous thinking that digital transformation is real and is here to stay.   But many companies continue to pursue DX projects on a piece-by-piece basis, without any overarching strategy.   An MIT Sloan report states strategy is more important than technology.   Despite this, only 15% respondents from companies that are at the early stages of going digital say that their company has got a clear digital transformation strategy. This is in stark contrast with digitally mature companies where more than 80% of respondents say they have a clear strategy. Implementing different projects at different stages or urgency can save companies from spending unnecessarily while also providing immediate cost savings through leaner operations.

Does your company have a clear digital transformation strategy?
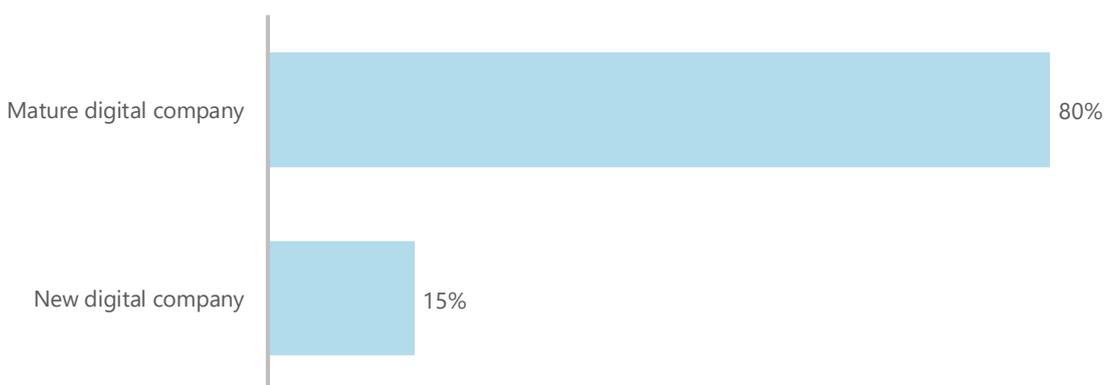(% of respondents answering yes)

Figure 3: A survey result of digital transformation strategy

One of the biggest obstacles to becoming digitally mature company is the lack of an integrated IT and business strategy. Fifty percent of survey participants named the lack of strategic direction as the main barrier to digital maturity.   Lacking a company-wide strategy can also result in subdivisions within the company undertaking their

own DX projects, often at odds with one another.　The impact of these projects will be significantly reduced if they have to compromise with the dynamics from legacy business portfolio and do not "plug-in" to the rest of the company. There are several examples. Lippo group in Indonesia started one of the largest payment platform, OVO, expecting its growth and great synergies with Lippo's other business portfolio. It ended up with divestment of 70% of shares, where there were cut-throat battles burning a large amount of money against well-funded venture backed players. Other similar case is True in Thailand launched their digital wallet. It was designed to only work with true products, and not within the greater ecosystem of the C.P. Group of companies.　They missed an opportunity to leverage the partnership with 7-11 or its other F&B outlets, resulting in a lower number of customers and a missed opportunity to take an early lead in digital wallets.

And what is the state of digital strategies, you might ask? In a race between enterprises and startups, the later seems to be leading. 55% of startups have already adopted digital transformation strategy, by contrast, only 38% of traditional enterprises did. But this doesn't mean that the race is over. Among the established organizations, the wind of change is blowing heavy with 89% of companies either already adopting or planning to adopt a digital-first business strategy, with Services (95%), Financial Services (93%), and Healthcare (92%) at the forefront.　This trend will continue as more businesses reimagine the opportunities for their workplaces and upgrade the way they operate.

4. Transitioning to a Digital Company

Years ago, it was possible for a company that had a great product and was run by a group of talented leaders to stay on top of their industry without being threatened by newer, smaller, rivals. In today's digital current era, things are changing faster than ever and traditional companies are constantly challenged by well-capitalized start-ups that have reimagined the way things are done. This is truer than ever today, when digital upstarts are challenging traditional companies while customers must stay home during the COVID-19 pandemic. The truth is, many traditional companies must change the way they do business in order to stay relevant. We know Industry 4.0 is here to stay, and it is vital that manufacturers and other businesses make the most of the opportunities available to them. Businesses will reemerge from the pandemic with new values allowing them to coexist with the virus. In fact, we have seen digital companies react and respond to the changes from COVID-19 in a more effective manner than traditional and offline companies. Yet all too often, companies undertake digital transformation projects and fall into the same traps. Fortunately, we can focus on 5 principles to ensure a strategic approach is taken and learn from companies that have heeded these lessons.

1. **Focus on long term goals** – Many companies lose sight of the objective of a digital transformation which should always be creating value for users. Effective transformations can sometimes take years to complete, which can overwhelm and discourage some. It is also easy to fall into the trap of seeking short term projects to create some visible impact. Focus on the objective and get comfortable with a realistic timeframe for completion.

2. **Be agile and constantly iterate** – Many people think transformations must be applied everywhere immediately, and must involve a complete overhaul of processes, software, systems, team structures etc. This is not something that can be achieved in weeks or months. While it is pertinent to recognize the urgency of digitization, transformations take many months to prepare for, and years to implement. Effective transformations are never truly finished, technology evolves daily, and so should we.

3. **Don't prioritize technology over the customer experience** – Adopting technology for the sake of adopting technology is not digital transformation. Adopting technology to achieve specific goals is. Companies often adopt popular technologies because they think they are supposed to (such as AI or Blockchain), when actually those technologies have no strategic value to their company at all. It is better to start small, be strategic, use data to measure what works and what can be improved.

4. **Involve stakeholders** - Strategy needs to start at the top and then needs to be sold to the entire company. Every employee needs to understand what they are doing, why it's important how it fits into the overall goals. Digital transformation is not a technology issue, it's a company issue. It's a brand issue. It's a marketing issue, a sales issue, and a HR issue. Companies need to realize how far and wide technology and digital

transformation ultimately reach within their organizations, and stakeholders should understand the objectives and their roles.

5. **Prepare, prepare, prepare!** – Failing to prepare, is preparing to fail.   Transforming the way you do your business requires a lot of preparation.   Seemingly small questions can have a big impact on the outcome of an impending transformation.   Successful companies have digital teams in place that can facilitate other teams in getting used to the new way of working and has knowledge to share.

Success stories

Many companies have heeded these lessons and incorporated them into their digital transformations. Different industries have different needs and have approached their challenges differently.

Financial Services Industry (Thailand) – Embrace and overhaul

Industries today face competition from everywhere.   The incumbent players in an industry are no longer the only competition to worry about.   In today's digital world it is imperative to consider entrants from other industry verticals disrupting the status quo.   We can see this happening globaly and locally.   Google is entering the automobile industry[17].   Rabbit is entering the consumer finance industry with Rabbit finance[18].   Grab has launched GrabPay and is disrupting the payments industry[19].

Siam Commercial Bank recognized that in spite of operating in an industry that has high barriers to entry, they were going to be disrupted.   New fintech operators were not only more agile in operations, but also knew how to operate and successfully earn revenue online.   Thus SCB embarked on a 5 year 40 billion baht overhaul of their systems to enable digital technologies.   Mobile banking was promoted to be on par with the service offerings from the branch. Contactless payments were also promoted with the waiving of digital transfer fees and QR payments, fending off competitive pressure from mobile wallet fintechs.   Kbank has undertaken a similar transformation and has teamed up with digital natives such as Line[20] and Grab to increase their customer base to 10 million users and offer new kinds of loans.   New data points on customers enable better credit scoring techniques and can improve the profitability of products while giving customers a better product or lower iterest rates.   These early changes have put both of these banks in the digital banking lead, and both have benefitted during the COVID-19 pandemic as consumers shift to contactless payment solutions.   Traditional financial service companies understand the nature of disruption, they are pre-emptively disrupting their own businesses before someone else does so they can stay

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[17] http://www.waymo.com

[18] http://www.rabbitfinance.com/en

[19] https://www.bangkokpost.com/business/1709083/grab-readies-e-wallet-with-kbank-for-the-unbanked

[20] https://www.nationthailand.com/business/30360285

relevent in tomorrow's economy. By undertaking these projects, industry leaders have maintained their market leadership and have started to build services that would normally come from disruptive companies, limiting any erosion in their leadership status.

Automotive   (Indonesia) – Separate and unleash creativity

Automotive, one of traditional industry, has been prosperous under the strong market growth in Southeast Asian countries. They have expanded their dealer network and build local relationship between local dealers and customers. Digital transformation in automotive manufacturing and distribution seems to be slower than that in banking and other consumer facing industries since people still aim to have physical touch points when they buy high value durable goods. Meanwhile several companies have started investment in digital area and tried to equip digital channels for customers. Online marketplace for used car has been getting familiar. A few have started selling new cars on online marketplaces. These are only experimental stage where no one knows the best practice in the next decade. It however seems to be considered that doing nothing is a great risk.

These experimental projects are never easy for successful companies. There is strong inertia emerged by corporate dynamics, which leads investments only for projects contribute direct value to existing business operations while avoids investments for experimental projects for exploration.

Astra group is one of the most successful automotive conglomerate which have many JVs with Japanese OEM. It established a separate special entity in 2018, named Astra Digital which has launched several digital products in rapid pace. For example, seva.id (marketplace), CariParkir (parking app), Sejalan (ride sharing), Movic (car rental marketplace). Despite that Astra group has its own conventional ICT subsidiary, it built a separate entity specialized in digital innovation, which could allow to unleash creativity by leaving heavy burden of corporate dynamics.

Banking   (Indonesia and Vietnam) – Solve customers' problems

It has been observed that many digital products launched by conventional players such as banking and consumer facing industries. They however are not always successful as expected in their formal business planning documents.

The biggest challenge in consumer digital products is having people continuously use apps. UI/UX is important but not the only aspect for this challenge. Those corporate apps are facing extremely tough competition against entertaining apps such as Instagram and Tiktok, and communication apps such as Whatsapp and LINE. While these apps give mobile users enjoyable and satisfying moments, it is almost impossible for other apps to expand their share of use on one's device unless they can strongly attract people.

There are some successful efforts in advanced companies. Military Bank in Vietnam started its strategic journey for several years and now focusing on customer centric view with setting the goal as "Be the most convenient bank" and driving its digital transformation projects. It resulted multiple successes, for example, their payment app reached 3 million users. Moreover, it has putting efforts on improvement of UI/UX using advanced computer vision technologies.

Other case is BTPN in Indonesia. It released a mobile banking app, called Jenius, which gained strong support from young generations. It provides a fully online convenient experience for account registration using app features including video call. It provides virtual credit cards which allow them to subscribe Netflix and other online services. It also has other useful features for young generations such as split bill, money transfer and saving and provides many promotions. These features are intensively designed for the target segments of young generations to enjoy the app.

Media (Thailand) – Understand customers with data

As companies become more digital, more connections emerge between its parts, encouraging colloboration and increasing efficiencies.   Connections then beyond the organization, with data and processes from third parties that create new value for customers and new value for digital societies.   The outdoor advertising company VGI (part of the BTS Group) recognized the value of these connections by linking with Rabbit - another entity under the BTS Group, to better understand the journeys different demographics were taking on mass transit.   Understanding the movements of differnet population segments has allowed them to better targer their advertisements, showing the most relevent ads at the right stations at the right time of day.   VGI has created an Offline to Online (O2O) patform that utilizes big data from multiple sources to increase the value of its advertising platform.   By partnering with Line, this data can be linked to online advertising, therefore out of home and online advertising campaigns can be synchronized to increase total advertising views.   The nature of these linkages also mean the success of a particular campaign can be more effectively tracked via social media interaction [21].   Traditional advertisement display companies do not have this level of control over their portfolio, nor do they have the data to show their clients the success of a particular advertising campaign.   VGI is in a position to profit from these investments if it can convey these benefits to their clients.

Retail (Vietnam) – Improve end-to-end operations

Companies often only see partial side of digital transformation such as advanced technologies. In reality, companies are not operating only with web sites and mobile apps. There are sales, distribution, customer services and many other operations behind the scene. Customer satisfaction is built through a whole experience based on an operational excellence.

These front-end technologies are now easily deployed by using cloud platforms. It means this layer of technological advancement could be easily imitated by competitors. Therefore, there is no success without advancement in operations. It is famous stories that Amazon and Alibaba have made huge investment and improved their physical logistics operations.

Mobile World Group is a leading retail company of digital gadgets in Vietnam. It has launched its web site and mobile app to build omni channel and O2O. Meanwhile it started transformation to build up its strong core operations

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[21] http://www.vgi.co.th/en/solutions

through overhaul of back-end technologies such as ERP, call center, CRM, etc. integrating with frond-end technologies.

Retail (Thailand) – Hire specialist talents

As the biggest retailer in South East Asia, Central understood the threat posed by online merchants such as Lazada. In more developed markets such as USA and Europe, Amazon had all but taken over the retail industry at the cost of the incumbent big players such as Sears or JC Penny.   The same could happen in Thailand.

Developing a successful online business takes skill and time.   Central could leverage their existing supply chain and network to get high quality products in a timely manner, but they lacked expertise in the online customer experience, e-commerce warehousing and last-mile delivery.   Instead of developing these assets internally, Central responded to the threat by investing over 8 billion Baht in several online initiatives, including the purchase of established players such as Zalora, setting up a local Joint Venture with JD.com from China and investing in Grab.   These investments were not only for brand and market reach, but also to acquire the specialist talent from these companies to work for Central.   Many of these individuals are leaders in their industries and can share their knowledge with other companies in the Central Group. By keeping the online companies separate from the main Central retail corporation, they can continue to iterate at the same pace as small digital companies do and grow at the same fast pace they had been.

About ABeam Consulting

ABeam Consulting provides business transformation services that create strategic advantage, improve business processes, leverage technology innovation, and enhance organizational performance for leading multinational and domestic companies worldwide. ABeam partners with clients to diagnose and solve their real challenges with solutions that combine industry and operational best practices with technical expertise. Pragmatic approaches ensure that clients gain measurable value more quickly. Headquartered in Tokyo, ABeam's 6,600 professionals serve more than 800 clients throughout Asia, the Americas and Europe. For more information, please visit http://www.abeam.com/