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Pulse on Malaysia's Digital Economy 2016

January 2017



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Pulse steady, where a strong beat is needed

■ By Karamjit Singh

We knew it was a bold undertaking from the get go, to attempt to get a 'feel' of the pulse of Malaysia's Digital Economy. But it was also important enough that Digital News Asia felt we had to do it. After all with so many aspects of life and work going digital, it will be sooner rather than later that the word "digital" will not be used with "economy", that's when you know that digital has hit mainstream with strong economic growth not possible if not underpinned by robust digital based business and processes.

I heard a version of this back in early 2000 when I was speaking to a broadband provider and asking them when "broadband" will hit critical mass. The COO replied, "When people don't couple 'broadband' together with internet. That's when you know that having internet access means having broadband." It was an elegant answer that cut through buzz words and hype straight to the heart of the matter.

But don't expect any elegant answers in the stories that we bring here because it is clear that Malaysia's digital economy is a work in progress, and while the rhetoric and buzz may be loud in some areas, think startups, overall we are moving along at a steady clip but not fast enough to be among the winners who arrive early and have adjusted their rules, regulations, policies and created the enabling ecosystem to allow their companies and entrepreneurs to innovate, try new things and find opportunities they can tap.

Having covered the tech beat from a policy, entrepreneur and technology angle over the past 17 years, I would say Malaysia has a steady digital pulse and if I was forced to put a score on a scale of 1 to 10 on where we are at in terms of the Digital Economy, I would say 3.5. And that is not anywhere near enough for the country to be a digital economy winner. For that we need a strong pulse. So what's a strong pulse in this sense?

Well, some of the components of what would make up a strong pulse are profiled in our articles within this inaugural Pulse of Malaysia's Digital Economy 2016. And while the plan was to score each of the components that we covered, we decided to hold off until the second Pulse that we will publish in Dec 2017.

But for sure, to be a winner in the Digital Economy, the digital infrastructure has to be world class. No two ways about it. That means mobile networks that offer real 4G speeds and with ubiquitous coverage in urban and industrial areas, the main economic centres for most countries. Why choose mobile over fixed? Actually consumers have chosen mobile over fixed and businesses have had to respond. And with ubiquitous connectivity and always on having become key features of digital, mobile networks have taken on a much greater importance than ever before.

How important is this? Well, European Commission President Jean-Claude Juncker has prioritised the Digital Single Market as arguably the single biggest factor in determining European growth over the coming years. The Commission estimates €415 billion in additional growth per year will flow from a fully realised Digital Single Market. And, it is making the case that investments in digital networks, especially mobile, are therefore investments for European growth.

Malaysia can't go wrong in taking the same position. Indeed in a conversation I had with Mohd Ali Hanafiah, chief officer, communication, digital services and standards sector, Malaysian Communications and Multimedia Commission, it came up that our mobile network operators has gone to see the regulators asking for more time to comply with their LTE rollout commitments. That extension ends in June after which Ali says the MCMC will start its enforcement of those who fall below the stated quality standards. (see Pg18). At that can't happen soon enough for me.

Quality networks, both fixed and mobile are just the starting point. They help accelerate the entrepreneurial drive of startups, tomorrow's digital companies, and serve as the platform for both SMEs and large companies to start adapting, experimenting and innovating to stay abreast of the changes happening triggered by rapid digitisation.

But digital networks serve as no guarantee that corporates will leverage on them is described as one of 20 countries globally under the "Fast Transitioners" category, do refer to the excellent [GSMA Mobile Connectivity Index](#) and its inaugural 2016 report to see what I mean, it hasn't acted as a spur for our SMEs to move up the manufacturing value chain.

I was planning to write an article on where Malaysia stands in terms of Manufacturing4.0, where advanced manufacturing meets sensors, meets analytics, meets Internet of Things but found out to my dismay that our entire manufacturing sector is still frighteningly mired in Manufacturing2.0! I had to drop that story from this Pulse but will be writing that article on DNA in the near future.

While our manufacturing is stuck in 2.0, fortunately government is moving away from eGovernment to Digital Government, which entails making its physical services available online, including getting licenses. By the way, there are apparently 1,700 types of licenses that the government issues. The game plan is to ensure most of those can be applied for and delivered digitally to businesses and citizens. (see Pg16)

That's already a work in progress, as is DNA's inaugural Pulse of Malaysia's Digital Economy. Do share your feedback with me at karamjit@digitalnewsasia.com on how to make the second edition more accurate reflection of our Digital Economy. ■



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TIMETM

Opportunities for the taking amidst challenging times in 2017

■ By Edwin Yapp

The Malaysian business landscape has experienced a challenging year in 2016 but amidst these tougher times, industry leaders and observers believe that there are still opportunities for businesses to take advantage of in the coming year.

However to do so effectively, enterprises – both large and small – will have to capitalise on all that technology has to offer, leveraging on cloud computing, big data, mobile technologies and the Internet of Things (IoT).

According to IDC, the overall economic outlook for Malaysia in 2016 was somewhat weaker than 2015. Political and economic uncertainties have also impacted the private sector's spending and investments, causing a slowdown in the overall economy, the analyst firm added.

"Following a weak economic growth, enterprises have been cautious with IT investment, in particular those from the banking, insurance, public, and utilities sectors, said Jun-Fwu Chin, the research director for IDC Asia/Pacific. "Enterprises in Malaysia are looking at reducing their capital expenditure and moving towards operational investments."

Concurring with this view was Pikom, Malaysia's national information and communication technology (ICT) association. Its chairman Chin Chee Seong said the association had recently lowered its forecasts for Malaysia's 2016 and 2017 gross domestic product (GDP) to 4.2% and 4.0%, respectively. Pikom previously estimated that the country's 2016 and 2017 GDP growth to be at 4.5% for both years.

Chin said factors such as the depreciation of the ringgit against the greenback, the unexpected outcome of the Brexit vote and the US presidential election results, as well as the uncertain future of the Trans-Pacific Partnership Agreement (TPPA), had affected the forecast for Malaysia's GDP growth.

"We are living in uncertain times and we cannot ignore the impact that these factors could have on the future of our economy and our country; in particular the potential changes in US economic policies and the threat of a slower economy in China," Chin [had told the media recently](#). "The lower forecasts are based on concerns over uncertainties and upward risks in the external environment."

Still, Malaysia's ICT custodian, the Malaysia Digital Economy Corporation (MDEC) also reported earlier in 2016 that MSC Malaysia saw RM19.8 billion (US\$4.4 billion) in new investments, with RM15.2 billion



Yasmin Mahmood



Henrick Choo



Chin Chee Seong



Jun-Fwu Chin

FUTUROLINE

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(US\$3.34 billion) coming from existing investors, while RM4.57 billion (US\$1 billion) came from new investors – the highest since its establishment in 1996.

Of the new investments, 87% came from foreign direct investments while the rest were via direct domestic investments, MDEC added.

TRANSFORM NOW

Despite the somewhat gloomy outlook forecasted, not all Malaysian organisations are reluctant to spend, preferring to invest in strategic initiatives instead.

MDEC chief executive officer (CEO) Yasmin Mahmood had said that while 2016 was a challenging year,

nevertheless local companies are realising the potential of the digital economy.

This is especially true for enterprises wanting to take advantage of the slowdown to gear themselves to transform their businesses to become more digital in nature, according to IDC's Chin.

As indicator of this trends, the analyst said that in the past two years, C-level priorities have somewhat begun to change. In 2015, the top three priorities were: The escalating cost of operations, new government regulations and new competitors in the market.

In 2016, the top three priorities were: Globalisation, new government regulations and the lack of new

business models and relevant skills sets to manage talent, Chin noted.

These shifts – especially that of globalisation and the need for new business models – in priorities necessarily imply that business leaders are turning towards several key technologies that have emerged in the last three years, namely cloud computing, big data, mobile technologies and to a lesser extent the IoT in a bid to digitise their businesses.

“The common understanding resides in the fact that cloud will be the base technology architecture driving the digital transformation as it’s known for agility and flexibility,” Chin argued. “Organisations in mature markets are leveraging cloud as it is an agile IT resource delivery model that enables business transformation and gains competitive advantage.”

The analysis by IDC is confirmed on the ground by IT software and services provider, Dimension Data, which noted that there is a significant increase in on-premise operational expenditure/ consumption-based models being adopted as organisations opt to reduce their capital expenditure.

“Fully managed services models with private cloud, hybrid or public cloud are on the uptrend,” said Henrick Choo, managing director of Dimension Data Malaysia.

“We see organisations wanting to embrace new business strategies, with CIOs and enterprise IT organisations leading their transformation to hybrid IT to be more flexible, agile,” he noted. “They also want to deliver new applications and solutions swiftly across the world as they expand geographically.”

Choo said there is also strong interest in IoT and big data and that cloud computing continues to remain as the core and driving force towards digital transformation as organisations find ways to deploy their businesses across multi-vendor platforms to deliver a consistent application experience.

“For IoT, some of our manufacturing clients are looking into their machine maintenance windows in order to predict when they need to perform maintenance,” Choo explained.

“In retail environments, we’re beginning to see solutions where the network can track where shoppers are walking, and how long they dwell in a particular area. This information can be linked back to

architectural maps to provide rich insights for retail marketers about the foot traffic through their stores.”

Choo also argued that the marriage of big data and IoT has some significant infrastructure implications and in order to expedite the returns from their big data investments, many organisations are opting for cloud or managed services-based infrastructure for IoT and big data.

“This approach allows them to focus on the value of the data instead of spending months or years building infrastructure themselves,” he said.

THERE ARE CHALLENGES

As more business go digital however, companies are also facing challenges in the transformation process. Some of these include the lack of a clear cloud strategy, poorly defined business outcomes, and the lack of skilled technical resources, according to IDC’s Chin.

Chin said organisations have to realise that adopting any cloud strategy is not just about cost reduction, although that could be one of the measurements to define success. More importantly, there is a need to define the business and technology metrics that are expected as outcomes of cloud services.

“Organisations should work closely with cloud service providers and leverage their experience in defining a solid cloud strategy,” Chin advised. “This will also help organisations in overcoming the challenge of the lack of skillful resources as cloud service providers will be responsible in configuring, implementing, and supporting the cloud environment.”

Another point to note, said Dimension Data’s Choo, is that business leaders are also starting to make IT decisions and studies have shown that these are now sitting with business units rather than IT departments, as the new generation of business leaders are IT savvy, and often they play significant roles in the IT decision making process.

“Meanwhile, investment decisions are increasingly coming from outside of IT, from general managers, business development executives, or the heads of functions, such as marketing, finance and human resources, Choo explained. “Technology providers have to develop a new go-to-market model, providing diverse offerings, pricing, sales force and post-sales support to meet their (corporate) customers’ diverse needs.” ■

The (fast) changing landscape of the Malaysian digital economy

■ By Chong Jinn Xiung

Six years may seem like a long time but it is a blink of the eye when you consider the massive transformation in the digital landscape. Malaysia's digital economy is not trapped in a bubble but is growing and expanding at such an extent that we may not even recognise it in another five years.

Just as the Malaysia of today, from a digital point of view, is almost unrecognisable from the one Sajith Sivanandan, managing director of Google Malaysia, Vietnam, Philippines and New Emerging Markets arrived to, six years ago. It was a completely different world then versus today, Sajith feels. The Google chief needs to look no further than how the adoption of ride hailing apps has increased the mobility of his own family, with the better customer experience and security offered by the likes of Grab and Uber.

Beyond the ride hailing apps, the increasing pervasiveness of digital with its manifestations through greater ease in shopping, making payments, banking etc have just resulted in, "our quality of life changing overnight" says Sajith.

MOBILE BIG PART OF CHANGE WAVE

A big part of this change comes from the way mobile devices have altered the landscape, changing the way we communicate, obtain news and shop.

Although PCs are frequently used to shop online, smartphones are becoming the device of choice for online shopping. The recent iPay88 [e-commerce outlook](#) was but the latest confirmation of this strong mobile led trend.

In Malaysia, smartphone penetration was in the single digits a few years ago but it has since rapidly increased, rising from 51% in 2014 to 70% in 2015 and 80% in 2016, leading Sajith to declare, "the impact of this has been nothing short of seismic".

"There is no doubt that mobile devices and smartphones are changing the way we operate on a daily basis and one of the key changes in progress is

Sajith Sivanandan





how we pay for items, not just online but in our daily face-to-face transaction.” said Richard Hall, Country Manager of Nielsen Malaysia.

To be sure, e-commerce is but one indicator of a society transitioning from a physical to a digital world. But the rising rate of e-commerce has a larger ripple impact as once a person becomes comfortable buying goods online, it is inevitable that they will start purchasing services as well.

Being connected online means that people want convenience at their fingertips and lays the foundation for a booming online ecosystem with more consumers confident enough to make various other online purchases.

Lazada Group chief executive officer Maximilian Bittner notes that the high smartphone adoption rate in Malaysia has resulted in a shift in Lazada’s customers shopping more on their mobiles instead of the desktop.

Compared to two years ago where 50% of transactions were performed on Lazada’s mobile app, today, that has risen to 70%. Inevitably Lazada revamped its mobile app in early 2016 to offer shoppers a better experience.

“Everyone is building their business around e-commerce and digital. Banks have their financing solutions, telcos have communications ones,” adds Hans-Peter Ressel, Lazada Malaysia CEO.

Indeed, according to Nielsen’s Mobile Shopping, Banking & Payment Report in 2015, one-third of Malaysians say they have purchased a product or service in the past six months by using a mobile app.

Other data points from the report reveal the following:

- Malaysians spend on average over 200 minutes a day on their mobile devices.
- They now spend six minutes a day on calls from 12-14 minutes a day back in 2013.
- Many spend about 60 minutes on average, on chat apps like WhatsApp, WeChat and Line as their main form of communication.

LIVING IN THE MICRO-MOMENT

Because of this constant digital connection, Malaysians experience something Google calls micro-moments. These are intent-driven times when people reflexively turn towards their device to learn, discover, watch and buy something.

Breaking it down by the numbers, Malaysians most often use their mobile devices to look up product information (64%), compare prices (60%) and search for coupons or deals (51%).

We used to have to type our query into the search bar in our browser to find out about something but now information is at the touch of a button and we can ask Google with the sound of our voice.

“What has happened is that we are now “Generation Informed,” explains Sajith. “You could argue that we are over informed. Look at what is happening on YouTube. Sixty-five percent of views on Youtube come from a mobile device. In 2011, that number was in the single digits.”

Nielsen’s report confirms that users have grown savvier as six in 10 Malaysians view the Internet as a means of checking out products to inform their offline purchases.

Looking at the numbers, he said YouTube’s growth has doubled in Malaysia this year compared to last year. The fact that Malaysians spend an average of 40 minutes watching YouTube in a day shows that it is by far the biggest channel with the widest reach among the adult demographic.

With people living their lives online, businesses need to take a digital first attitude to capitalise on micro-moments.

CONTEXT MATTERS

Recalling his experience working for StarTV in India back in the mid-1990s, when prime time news and coverage by widely circulated newspapers was enough to reach a target demographic, things have changed.

“Now context matters the most in addressing a user’s micro-moments,” says Sajith, sharing an example of how context matters in marketing, “At 6pm, Pizza Hut can serve an advertisement to hungry commuters, enticing them to a hot pizza waiting for them when they reach home. That’s very powerful messaging.”

Sajith adds that context matters not just in urban centres but in smaller towns and villages as they are all coming online thanks to the proliferation of smartphones.

Adding to that is the Budget 2017 announcement that within the next two years fixed-line broadband speeds are set to double while having prices slashed in half.



The advent of ride hailing apps such as Grab have made getting around the city much more safe, reliable and comfortable for passengers who don't have to deal with the world's worst cabbies.

"When this starts to happen, we would have reached an inflexion point as more businesses, especially small-medium enterprises (SMEs) will undergo a transformative change," predicts Sajith.

"Businesses are just a lot more efficient now. The cycle between consumers realising what they want and need is getting a lot shorter. It certainly has gotten more efficient since I arrived in Malaysia in 2011," explained Sajith of the efficiencies gained thanks to the maturity of the digital economy.

WIDENING THE TALENT POOL

There are no old businesses anymore, all there is are just "old ways of thinking", declares Sajith. Indeed, the digital economy has reshaped the way businesses think as they all have to think from a digital perspective first.

However, Sajith notes that one impediment to the growth of the digital economy is the lack of ready talent.

"I believe matters like infrastructure are addressable in the short run and it is just a matter of policy but it takes time to develop and nurture talent," he said.

Google said it is helping drive more talent into the digital ecosystem with programmes like Ignite that provide a springboard for young talent to move into a digital marketing career by providing Google AdWords certification and chances at internships.

"We help train university students and prepare them for the working world, getting them certified and ready to advice businesses when they enter the job market. Last year we had 600 students certified and this year that number has increased by more than three times to 2,000 students," he said.

Lazada too is offering a helping hand to young entrepreneurs by providing online and offline classes through its Lazada University, teaching everything from selling basics to how to run a

store on Lazada. The best part is that these online courses are free.

But it is not just new entrants into the workforce who need to be digitally ready. The reality is that even senior level executives and those in the C-suite must understand what their customers are thinking online and what micro-moments mean.

"What is critical now is that all Malaysian companies really look into how to make their entire organisation digitally ready. I certainly hope this can happen in the next 12 to 18 months," says Sajith.

Dealing with the connected mind of the Millennials And if traditional businesses don't have enough on their hands with slowing consumer spending, they also now need to understand the impact of new consumer behaviour such as showrooming and consumers crowd sourcing for information.

Nielsen's executive director for consumer insights Monjur Elahi noted that research has shown that millennials don't just blindly trust word of mouth anymore. "They will read through blogs, reviews, online articles and news before asking their friends for opinions."

He also notes that it is more common for Malaysian consumers to engage in showrooming, the practice of checking prices online and inspecting items in physical stores and visiting physical stores. They then leverage on this knowledge and demand for discounts that they see online.

Consumers also now have, what Monjur calls "a connected mind". "They are combining their wisdom. So if you want to buy something, you would normally consult your network and the size of that network will define how smart you are as a consumer," he explains.

Truly, the rise of the digital economy has created a new set of challenges for businesses in Malaysia to deal with. ■

Turning the spotlight on 'soft' infrastructure

I am writing this article from the KLIA2 transit lounge en-route to Kota Kinabalu. It is 6am on a Sunday, and the airport is already buzzing with activity. I am having one of the worst days as an airline passenger, exacerbated further by undermanned check-in counters and lack of communication and personalised services.

As a frequent traveller, I believe that developing state-of-the-art amenities alone does not guarantee success. Rather, ensuring consistent, high-quality customer services is the key to finding the right balance between the use of modern, advanced amenities and a friendly, personalised touch. The incident got me thinking about the critical need for improvements in "soft" infrastructure to unlock the quality and sustainability of the country's growth.

Malaysia continues to amaze on several fronts, especially in how far its "hard" infrastructure, has evolved, with the rapid development of new roads, hospitals, ports, airports, race tracks, and skyscrapers, on par with the best-in-class in the world. Malaysia is also making significant progress on its digital infrastructure, as illustrated in Chart (right).

While developments in physical and digital infrastructure are a national priority, improvements in "soft" infrastructure remain an elusive concept that could undermine the country's aspirations to achieve developed nation status.

So how can Malaysia leverage the digital revolution to build up soft infrastructure in accelerating growth towards becoming a developed economy? Given its unique location and excellent infrastructure, can Malaysia be a role model for developing economies in the region? More importantly, how do we ensure that it provides a competitive advantage to companies based in Malaysia to thrive and succeed in the region?

As Malaysia transitions into a developed economy, soft infrastructure – the quality standards, skills and competency of its people – is a critical prerequisite to participating in a global knowledge and digital economy. Initiatives such as Digital Maker by MDeC are a step in the right direction in helping to strengthen skills and create jobs.

In Frost & Sullivan benchmarking studies, Malaysia's policy framework and strategy rate best- in-class globally in comparison to neighbouring countries. However, its development and innovation in the digital ecosystem are slower compared to China, India, and South Korea – all of which have distinct advantages in terms of size.



Manoj Menon

In its aspirations to build a successful digital economy, key public and private stakeholders in Malaysia first need to acknowledge that technology adoption alone is not sufficient to promote sustainable growth.

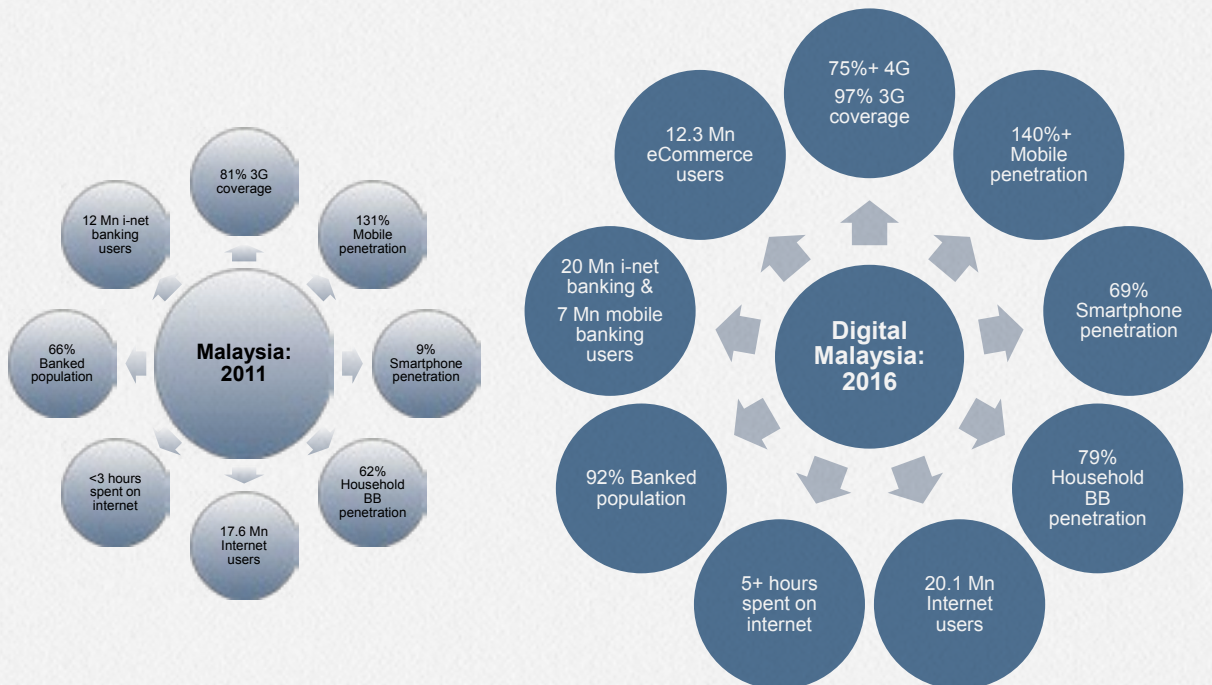
It is more about how these technologies can change and improve the way businesses and governments operate, improve the delivery of education and healthcare services, and enhance the way individuals and communities interact. While much has been done, there are opportunities for Malaysia to innovate and lead the region in the digital space.

I have articulated three of these below.

1. Cashless Society by 2020: Cash remains the most commonly-used mode of payment in Malaysia. The recent demonetisation drive in India opened the eyes of many to the possibility and benefits of moving into a completely cashless society. Countries like Sweden and Denmark lead the world in being cashless societies. Malaysia has the opportunity to be a role model to the developing world. Smartphone penetration continues to rise, presenting Malaysia with an incredible opportunity to completely bypass traditional form of e-payments and accelerate adoption of payments via mobile platforms.

A cashless society marks the beginning in achieving the broader goal of leveraging the power of Digital Finance to propel economic growth, paving the way for finance companies to develop new products targeting a wider pool of individuals and small businesses. The government could also benefit from more efficient tax collection and effective mechanisms to administer various national development programmes. The impact of a cashless society on the economy is estimated at between 2% and 8% of a country's GDP.

Digital Malaysia adoption trends



Source: SKMM, Bank Negara Malaysia, We are Social, Consumerbarometer.com, Frost & Sullivan analysis

FROST & SULLIVAN

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While the private sector continues to lead numerous digitisation initiatives, the stewardship of the Prime Minister is critical to translating this vision into a reality. A comprehensive campaign to educate the nation and bring every citizen onboard is also crucial to achieving this vision.

2. Smart Nation: Several initiatives are underway to developing smart cities across Malaysia, primarily Kuala Lumpur, Selangor, and Iskandar Johor, to name a few. Given the size of Malaysia, a national framework that provides an overarching guidance for these cities can help accelerate nationwide development. There are many benefits in adopting this approach:

Leveraging the Smart City/Nation framework could help Malaysia benefit from the multitude of projects being done globally and learn from best practices and available technology solutions.

Smart City solutions encompass distinct areas such as healthcare, energy, environment, waste, traffic, governance, and education, effectively integrating digital solutions into improving citizen-centric services. Private sector companies could benefit from the scale as these projects can be replicated across many cities in the country.

3. Active Citizenry: The heart of a country's ecosystem, citizens have the power to drive a country from sluggish growth into an economic superpower. The digital environment provides Malaysia with an opportunity to build platforms and crowdsource solutions to major problems.

Uber is a great example of how a digital platform is helping to improve the quality of an essential mobility service. Malaysians are highly vocal about national issues; however, their participation in government activities as well as in providing suggestions and ideas to issues and challenges are rather limited.

Active citizenry requires citizens to play a role as change agents rather than as passive recipients of services provided by the government.

Active citizenry means getting people involved in their local communities and governance at all levels. Active citizenry can be as small as a campaign to clean up streets to as big as educating youth about the country's values, skills and participation in civic life. Active citizenry is a combination of knowledge, attitude, skills, and actions that aim to contribute towards building and maintaining an inclusive society.

To be successful in a Digital Economy, we first need a Digital First approach to everything. Every Malaysian, business, and government agency needs to embrace a Digital First mindset, with transformation starting at the highest level. Ultimately, success will be determined on how sustainable our efforts are in driving this change. ■

Manoj Menon is senior partner & Asia-Pacific managing director at Frost & Sullivan, a growth partnership company. He currently lives in Iskandar Malaysia with his wife and two daughters.

Angel investing growing slowly but steadily

■ By Anushia Kandasivam

In November 2016, the Malaysian Business Angels Network (MBAN) joined forces with various Southeast Asian angel groups to form the ASEAN Angel Alliance. The objective of this affiliation is for the angel networks of member countries – Malaysia, Vietnam, Cambodia, Myanmar, Thailand, Singapore, Indonesia and the Philippines – to work together to ease cross-border investing and knowledge sharing.

A month earlier, MBAN and Hong Leong Bank announced a collaboration that will see the bank supporting the Malaysian startup ecosystem in the technology space through mentorship and developmental programmes that include grants for selected startups.

Tie-ups such as these are steadily driving the Malaysian startup ecosystem forward; support from angel investors, themselves an integral part of the ecosystem, is vital for its overall health.

There is no doubt that the startup space in Southeast Asia still has room for more ideas, innovation, disruption and business, and that investment opportunities are abundant. But who are angel investors and how do they pick what to invest in? Where is angel funding in Malaysia at? Is it at the nascent stage, matured or still taking its tender baby steps?

CROSSHEAD: INTENTION

"Angel investing is something of a trend now. People hear about Uber or Airbnb and want to be the investor in the next big thing," says Noomi Fessler, venture partner at Malaysian angel investor club Nexea Angels and one of the few women involved in this space.

Dr Sivapalan Vivekarajah



Jumping on the bandwagon only works some of the time; when it comes to angel investing, it is essential that the startup and investor match. Seasoned entrepreneur and rookie angel investor Wei Chuan Beng says that a common understanding of the values and the culture of the startup by the investors is very important, as well as the nature of its intended growth, whether slow or quick. "This is a core ingredient for successful investment," he opines.

"Some synergy is needed between the investors and the startup team. Besides criteria such as timing, market traction, product viability etc, this is one of the most significant factors that allows the angel to really benefit the startup," agrees Fessler.

According to Alan Lim, Nexea's principal advisor, the ideal angel investor is one who has successfully completed the first half of his or her life where the focus is on winning and is now in the second half of life where the goal is no longer money but rather doing something significant such as contributing back to the community in the form of knowledge and expertise.

MBAN president Dr Sivapalan Vivekarajah adds that many investors choose to become angels not only because they want to diversify their investment portfolio, but also because they find entrepreneurs who work in areas that interest them.

"They could invest for financial reasons or, as it often happens, for philanthropic reasons. Some angles invest because they want to support specific areas such as education, and they do it via investing in entrepreneurs," he elaborates.

It is an accepted fact that startups need angels not just for their financial investment but also for the mentorship. By definition angel investors are generally seasoned business people who are able to give advice and share experience. "Good startups have no problem finding money but they do have problems finding good mentors," says Ben Lim, a Nexea venture partner.

Lim reveals that most startups that Nexea takes on approach the club more for the support in technology expertise that it offers – Nexea has a dedicated technology development team – and the access to expertise in other areas such as finance, human resources, sales and even people management.

To ensure that they can provide these needs to startups, angel clubs such as Nexea try to recruit angel investors who not only have the requisite skills but also the time and inclination to contribute to



Ben Lim

building a new startup and aiding entrepreneurs in their growth.

BOOSTING INTEREST

In Malaysia, early stage investment from the private sector into the technology space is encouraged by a government-approved tax incentive administered by the Angel Tax Incentive Office, a unit under [Cradle Fund Sdn Bhd](#). The investment made must be approved and endorsed by the Ministry of Finance.

“At this moment, we think the incentive is great,” says Sivapalan, adding that angel investing can be a good tax planning tool for high income individuals; it is another reason people become angels.

However, Lim says that though the tax incentive is attractive, it is often not the deciding factor in becoming an angel investor.

Alan concurs that by itself, the tax incentive is not enough to attract more private investment into the tech startup space. In Malaysia, most support is given to startups in the form of matching or co-investment grants outside of the first funding stage, so more can and should be done to encourage investors to come in at this angel stage.

“One of the most effective methods in the world is co-investment by government arms. This benefits investors, startups and the ecosystem,” adds Lim, citing Japan, where certain government-backed co-investments do not require equity share in the startup, as an example Malaysia can follow.

Alan Lim



Noomi Fessler

Alan explains that this method involves the government co-investment arm giving the grant to the investor instead of to the startup directly, leading to the investor having a vested interest in seeing the best use of the investment.

Alan and Lim themselves have invested into Japanese startups with co-investment from government arms, and reveal that the co-investment and the fact the funds are given to the investor were major factors in the decision to invest. "It really reduces the risk to the investor, and risk is always the one thing we are worried about," says Lim.

Alan says that though Malaysia's government-backed co-investment and matching grants are effective investment tools, they do not reduce the risk to the investor because of the equity stake the government takes.

Alan, Lim and Fessler all agree that the method Japan uses not only does a lot to encourage private sector investments but also really boosts the ecosystem's growth. The grants in Malaysia offer a lot of support to startups but sometimes leave investors in the cold. "In our market, we have spurred the growth of startups very well but this is not matched by growth of investor numbers," says Lim.

"Entrepreneurs are more incentivised to start startups than investors are to invest," adds Fessler. "If a grant makes a startup independent of an investor, there is disconnect later when the grant money is finished or the startup has completed the accelerator programme and needs to find an investor. They are not pushed early on to connect with investors."

MORE INITIATIVES, MORE AWARENESS

What then can be done to balance out the growth on both sides of the startup-investor relationship?

Sivapalan says that MBAN is planning to lobby for more government initiatives that will benefit investors. MBAN is looking into diversifying the type of companies that qualify for the current tax incentive – it is currently limited to [nine investment focus areas](#). It is also working on allowing investments to be made via private companies owned by accredited angles; currently, investments must be made personally by the angel.

According to Alan, the Malaysian government seems to be wary about providing grants to private investors whose main reason for investing is financial gain – those who are in it to win – suggesting that grant money given to angels who invest for more benign

purposes, such as contribution to society, will be more efficiently and effectively used.

One way to ensure that this happens is to carefully curate the investors that are given the grants. Currently, startups that apply for co-investment grants are curated; Fessler says that this process could be extended to investors as well.

"It can be done. It's being done in Japan and South Korea is starting to do it," says Alan.

Besides a lack of incentives, another problem that the angel investor scene in Malaysia is facing is the lack of awareness of what angel investors are and what they do.

Spreading awareness is something MBAN is actively working on; it already has the tax incentive under its belt and hosts monthly pitching sessions. Partnerships such as the one with Hong Leong Bank also help move things along. And MBAN further promotes angel investing through public and private presentations to groups of high network individuals.

"Awareness is still not at the level we would like it to be but angel investing is still very new to Malaysia," says Sivapalan. Nexea, for example, only came into being a few months ago.

"Hopefully these efforts plus those of the angel groups will take us to where Singapore is and eventually Silicon Valley. We are hopeful because we see things moving forward, even if it is at a slow pace," says Alan.

Startups are moving quicker than investors, he continues, because of the lack of awareness and education of what investors are, and lack of interest in becoming investors. "Investors need to catch up. Startups and investors must come together to allow the whole ecosystem to move faster."

Sivapalan remains positive about awareness levels increasing, his hope stemming from international examples. For instance the UK angel investor network London Business Angels took more than 10 years to create optimum awareness – and mind you, this in a sophisticated market.

With the steady pace of growth in the Malaysian startup ecosystem, only a balance between the two main players – startups and investors – can ensure sustainability. It remains to be seen when this balance will occur though the quicker the better for Malaysia's digital economy. ■



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Mampu: Goodbye eGovt, it's all about Digital Government

■ By Karamjit Singh

Undoubtedly, citizens have become more demanding in how government should serve them. "They are asking, 'why should I go into a government department to be served.' And they certainly don't have the patience to go from one authority to another. That type of service is from a bygone era," acknowledges Dr Suhazimah Dzazali, deputy director general (ICT) of the Malaysian Administrative Modernisation and Management Planning Unit (Mampu).

And while over the past 15 years it has been about putting information online with documents available for downloading following this and with some services delivered online versus having to come in, the mantra moving forward is about making services available digitally instead of physically.

"Which is why we have also consciously shifted from describing the efforts as eGovernment to Digital Government because digital is more comprehensive and digital means integrated and it has to be easy," explains Suhazimah.

Another benefit is that it makes the process transparent which then eliminates the need for middle men, especially for business related applications.

This shift to Digital Government is a huge task and there is a lot going on in the background to allow the government to start delivering such integrated services and Mampu stands at the heart of these efforts. As the agency tasked with overseeing the public sector ICT execution, it is not surprising that Mampu is also overseeing the rollout of Digital Government just as it was for its earlier iteration, eGovernment.

**Dr Suhazimah
Dzazali**



Its work on eGovernment saw Malaysia being regularly ranked as among the top 25 countries in the world in an eGovernment readiness index that was published by Accenture in the mid 2000s.

That's already become irrelevant today. With citizens experiencing better services delivered digitally from the private sector and startups, their expectations are that government should follow suit as technology is not the barrier.

CORE SERVICES TO GO ONLINE FIRST

Mampu is well aware of that and recognizes that the entire government machinery has to be aligned, for it to deliver the integrated services demanded. To deliver such end to end services means all 24 ministries, 722 agencies, 1,700 licensing bodies, which collectively deliver the 13,500 services that government offers, have to realise the role they play collectively in meeting citizens and business expectations.

"But we will start with the core services first, and each ministry, agency must identify what are their core offerings and then they must be integrated," says Suhazimah, offering Immigration as an example. In issuing the various permits and visas, its system has to be integrated with Fomema, with the National Registration Department, Customs, Internal Revenue Board and others.

"Syndication is going on now to get everyone aligned and to ensure their back ends are ready when we build the front end. So their readiness from both a service oriented mindset and technology point is important," Suhazimah points out.

It's not just all talk and aspiration by Mampu. Recognising the importance of showing the impact of offering integrated digital services, it has identified 5 licenses involving two ministries and three agencies with pilots rolled out this month where those licenses can be applied for and delivered digitally.

"You can say it's a proof of concept to demonstrate how the licenses can be delivered digitally. Also, the strategy here is that we won't be doing any big bang releases (for example it won't wait for an entire ministry to be ready) but move forward in stages, offer the core services first, solicit user feedback, be they public or businesses and keep improving our offerings."

While this is going on, Mampu is also identifying which government ministries and agencies are ready, from a technology standpoint, and willing, from a mindset point, to be the early ones to roll out digital services.



ENTERPRISE ARCHITECTURE

EXECUTING ICT STRATEGIC PLAN

Where there can be a tendency to assume that bureaucrats pay lip service to the various masterplans that proliferate within the hallways of the Malaysian government, Mampu is dead serious about following its ICT Strategic Plan 2016-2020 with its "Citizen Centric Digital Services" tagline.

The plan spells out five strategic thrusts that act as a guide to all government agencies wanting to adopt digital technologies.

- Integrated digital services
- Data driven government
- Optimise shared services and strengthen cyber security
- Collaborative and dynamic ICT governance
- Professional and capable work force

But how does Mampu ensure alignment? Because all government ICT spend has to come through Mampu to approve the objectives of the project. Mampu does not dictate nor control the budget but having all proposals to come through it allows Mampu to ensure the projects make sense and deliver the stated benefits, especially with the new digital emphasis.

To tighten project execution and delivery, Suhazimah shares that Mampu recently introduced a ICT Project Methodology with a circular informing agencies that they must adhere to this when planning their projects. "Agencies wanting to embark on any project must use the templates which help them ensure project objectives are achieved with on time delivery and within the budget. It is something we practice at Mampu and now are replicating to all the agencies."

Before the introduction of the ICT Project Methodology, Mampu usually engages in a cycle of hand-on pre-counselling with agencies that submit their ICT plans, mainly to guide them in their project submissions. Needless to say this is time consuming for both parties.

"Through the introduction of the ICT Project Methodology, we are teaching them to think about having a solid business case first and thinking right away about integration with the related third party systems."

Suhazimah acknowledges that this was not a popular move initially but was necessary. "ICT project runovers in the past have been mainly down to poor project management and we cannot afford that moving forward."

The earlier mentioned five strategic thrusts of the ICT Strategic Plan sit within an enabling ecosystem with seven objectives designed to collectively provide the ecosystem required to support and enable the successful implementation of the five thrusts.

One of these is Enterprise Architecture for the public sector, the introduction of which Mampu is excited about and is pushing in a big way, says Suhazimah. "It will be a blueprint to guide us in our architecture development especially for large projects."

Over the next two years Mampu will be guiding all 24 ministries to build their own architecture. With each ministry having multiple agencies under them, it's important to have one Enterprise Architecture under each ministry that defines it and its agencies, says Suhazimah. "The end game is a complete repository of all the business process in the public sector," she says.

The use of architecture and blueprint borrowed from the world of architecture is no coincidence. Just as a city planner sets building codes and plans common services such as roads and water, establishing an Enterprise Architecture means setting up the guidelines to be adhered to when developing software and hardware solutions and services.

And coming back again to the core purpose of the integrated digital services, to meet the needs of users, that training that will be conducted on Enterprise Architecture is not just for IT staff but all levels within the ministries and agencies. "This will help them see and appreciate the new culture we are trying to build, one that is guided by clear business processes that benefit end users."

It's a journey that Mampu is taking together with the ministries and agencies under them to deliver their services, the impact of which will be judged by users, who will determine whether their government has moved with the times to meet their expectations of a public service machinery that is keeping with the digital era we are in. ■

In rush towards world class digital infrastructure

■ By Karamjit Singh

THE internet has become into one of the most influential catalysts for social and economic development of our time. As key enablers for the spread and access to the internet, mobile networks have become a key anchor for the rapid digitisation being experienced by businesses and consumers. As such, there is always an interest among policy makers to gauge how well their country stacks up against others because that gives them a competitive edge.

According to Mohd Ali Hanafiah, chief officer, communication, digital services and standards sector, Malaysian Communications and Multimedia Commission (MCMC) while the commission does look at some international benchmarks and reports to gauge how the country's digital infrastructure stacks up, what's important is that, when taken as whole, Malaysia is recognized as an emerging and developing country where the next stage would be the category of advanced country.



Mohd Ali Hanafiah

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We have continuously put efforts and taken the necessary strategy to uplift Malaysia into the advanced category.

“We have continuously put efforts and taken the necessary strategy to uplift Malaysia into the advanced category. For instance, the deployment of high speed broadband infrastructure through fiber optic networks for fixed broadband and LTE technology for mobile broadband are among the strategies adopted to achieve world class broadband infrastructure,” he says.

The latest report issued that helps policy makers, the industry itself and citizens measure how they stack up was released last June by the GSMA, which represents nearly 800 mobile operators globally.

Consistent with Mohd Ali's contention about how Malaysia is seen in such benchmarks, the GSMA's Mobile Connectivity Index, using data from 2014, ranks Malaysia in a group of 20 countries that are seen as “Fast Transitioners”, though Malaysia ranks low in some of the categories measured. For instance, it scored 53.11 (over 100) for its overall infrastructure while its network performance score was 39.69 as compared to 36 for Thailand and 83 for Singapore.

At the same time, Malaysia also touts its coverage for cellular hitting 94% of population coverage with 3G reaching 90% population coverage and LTE service at 64% population coverage.

On the fixed side, there are currently 1.5 million high speed broadband ports deployed through the High Speed Broadband (HSBB). The infrastructure is currently being expanded through the implementation of Phase 2 which covers capital cities and major towns. In addition, the fixed broadband infrastructure at identified sub urban areas will be upgraded to be able to provide speeds up to 20Mbps under the Sub Urban Broadband (SUBB) initiative.

In addition, Mohd Ali points out that MCMC is working together with a service provider to build a new domestic submarine cable system called Sistem Kabel Rakyat 1Malaysia (SKR1M) which will connect Sabah and Sarawak with Peninsular Malaysia. The initial capacity will be 4Tbps and this will be able to improve the broadband connectivity between Sabah and Sarawak with Peninsular Malaysia.

EYE ON INCLUSIVITY TO ENSURE NO SEGMENT LEFT TOO FAR BEHIND

At the same time, while conversations around broadband tend to revolve around speeds and cost Mohd Ali says Malaysia has always had its eye on inclusivity to ensure no segments of the population are left too far behind. For in this digital age, the digital divide is not just a social/political issue but

re, digital gap must be addressed



Making A Difference: Digi together with Petrosains are introducing a robotic programme to provide secondary school students basic designing, coding and sensor training in robotic development. The programme will be opened to students from schools surrounding the Pusat Internet 1Malaysia (PI1M) which are managed by Digi, across the nation. Picture shows the pilot workshop held in end 2016 at the PI1M in Semambu, Kuantan involving 18 form four students from three surrounding schools.

The Fast Transitioners cluster

FAST TRANSITIONERS	OVERALL INDEX SCORE	INFRASTRUCTURE	AFFORDABILITY	CONSUMER READINESS	CONTENT
Average	64	54	70	75	62
High	73	65	84	88	81
Low	53	42	51	55	46

Total countries: 20 (Americas - 5; Asia - 4; Europe - 4; MENA - 7; SSA - 0)

Malta, Poland, Greece, Uruguay, Romania, Chile, Bahrain, Malaysia, United Arab Emirates, Qatar, Saudi Arabia, Thailand, Argentina, Brunei Darussalam, Kuwait, Brazil, China, Costa Rica, Oman, Tunisia

an economic one that hits the potential earning power of citizens.

To ensure that the access gap and usage gap is closed, MCMC, as other regulators around the world uses monies contributed from the profits of operators at a 6% rate, to invest in infrastructure, devices, access and provide training to Malaysians who sit outside of the economically viable areas, with operators not willing to serve them.

Called the Universal Service Provision Fund, the accompanied table shows how much has been invested from the fund towards these various efforts to close the digital gap.

The accompanied infographic provides a snap shot view of the efforts taken so far with more to come, Mohd Ali promises. But closing this gap cannot just be seen as a government responsibility, with the GSMA in its Mobile Connectivity Report also stressing the role the private sector needs to play together with the public sector to address network performance, affordability, awareness, digital skills and locally relevant content and services. The GSMA also calls for innovative solutions to bring coverage to areas where it is economically unviable.

One recent example of private sector contribution is where Digi Telecommunications together with



Raj Ridvan Singh

Petrosains are introducing a robotic programme to provide secondary school students basic designing, coding and sensor training in robotic development. This programme will be opened to students from schools surrounding the Pusat Internet 1Malaysia (PI1M) which are managed by Digi, across the nation.

NO ONE DOING ANYTHING TO EDUCATE POOR ON BENEFITS FROM DIGITAL ECONOMY

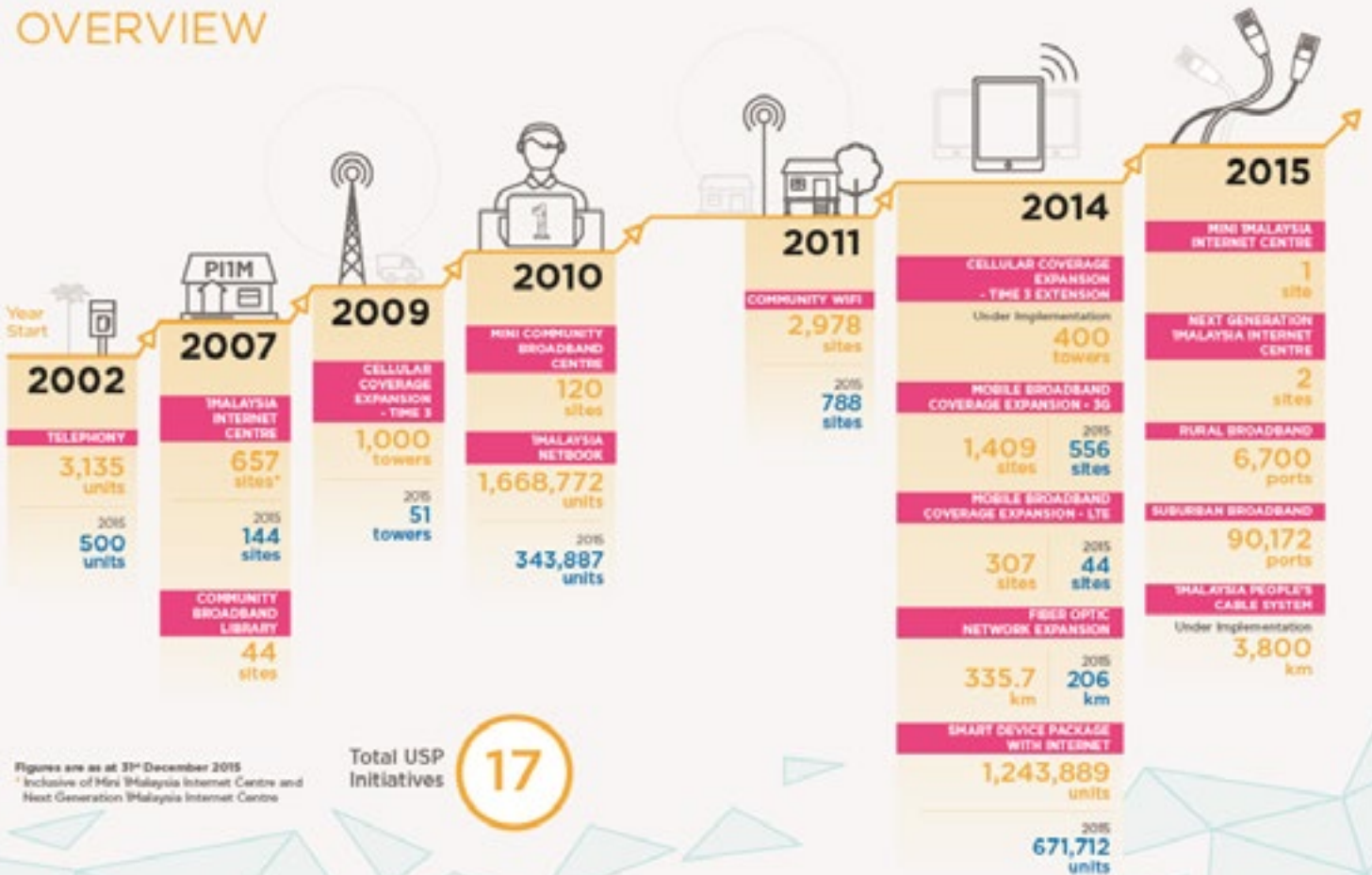
Raj Ridvan Singh, founder and CEO of social enterprise 24/7 Sdn Bhd is someone who is painfully aware of this digital gap. Having experienced the double frustration of trying to get fixed line access to areas deemed as "commercially

Yearly contribution to the USP Fund since 2003 and the disbursements made during the year.

Year	Contribution (RM'000)	Disbursement (RM'000)
2003	811,945	10,639
2004	512,114	23,592
2005	697,290	44,304
2006	800,845	22,788
2007	896,769	59,318
2008	1,011,645	153,843
2009	992,633	47,684
2010	1,210,377	263,882
2011	1,429,000	896,550
2012	1,445,017	1,421,298
2013	1,454,664	1,497,032
2014	1,486,357	729,905
2015	1,786,599	1,394,479

OVERVIEW

UNIVERSAL SERVICE PROVISION



unviable” and seeing Malaysians from the lower income groups ignorant of the economic upliftment possible because no one has reached out to educate them, he certainly wants more done.

He is scathing in his remarks. “The reality is that bringing actual access to the poor is non-existent. Sure you have the USP Fund and its projects like the Pusat Internet Desa [these have been renamed in 2014 to Pusat Internet 1Malaysia] but some of them are becoming white elephants,” he contends.

Running four community centres in Sabah, one of which is also a boarding centre, Raj has had a telco refuse to provide a village with broadband even though it is only 20 mins away from the capital of Sabah, Kota Kinabalu. Use dongles was the helpful suggestion from the telco.

“No one is doing anything to educate the poor on how they can benefit from the Digital Economy,” he says, using the marker of households earning a total income of less than RM2,000 a month. “You are deluding yourself if you think the poor will educate themselves once they discover the internet. If they don’t read to begin with, it’s a dream to think they will empower themselves when they go online,” says Raj who has been at the forefront of using technology to empower the marginalised through a PC refurbishment

programme that has seen Sols 24/7 provide refurbished desktops. Over the past 2 ½ years it has provided 2,300 desktops to various homes and NGOs.

That is if they can get online.

Raj’s experiences provide a stark and cold contrast to the calls for higher speeds, lower prices from those already in the stream of the Digital Economy and who hunger for more versus those who are not in in yet and may never be, because they don’t have a voice.

While there is no doubt that the Digital Economy infrastructure will get better and may even hit the desired world-class levels aspired by the MCMC, for the impact of the Digital Economy to be felt by most Malaysians, more needs to be done on inclusivity.

And Mohd Ali does highlight a slew of projects that have been identified with the objective of providing broadband connectivity to the users in sub urban and rural areas such as Rural Broadband (RBB), Pusat Internet 1Malaysia (PI1M), Fiberization Project, 3G Expansion and development of new telecommunication towers with broadband services. To afford more Malaysians an opportunity to participate in the Digital Economy, there is clearly an urgency in executing these projects. ■

Malaysia's digital economy on a slow and steady incline

■ By Anushia Kandasivam

Though Malaysia is a relatively young player in the digital technology world, it is not a baby. In fact, the country can be said to be emerging from toddlerhood slowly but steadily.

It was only in 2011 that Digital Malaysia, the national programme to advance the country towards a developed digital economy by 2020 was introduced. Part of the bigger National Transformation Programme, Digital Malaysia has seen policies put in place to enable the creation of an ecosystem that promotes the pervasive use of digital technology.

Five years on, Malaysia is in a position where things are already moving along. Government policies and initiatives, aided and promoted by bodies such as the Malaysia Digital Economy Corporation ([MDeC](#)) and more recently the Malaysia Global Innovation & Creativity Centre ([MaGIC](#)) were and have been put in place to ease the transition into digital technology and enable future growth in this area.

Already, the nation's economy seems ready to leave



Ashran Ghazi

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In a way, we have to manage expectations. In the Malaysian context, a mid-sized exit is perfectly fine.

behind some of its neighbours who have been slower to get on the digital highway. But how far ahead is Malaysia really?

ORGANIC GROWTH IS KEY

A successful startup ecosystem is one that is in a cycle of growth, development and evolution, and that needs little or no push from the government to continue this movement.

One of the most important pillars of such an ecosystem is collaboration – startups that are able to solve the problems of the communities they are in and obtain community support at the same time. According to CEO of MaGIC Ashran Ghazi, this is a vital measure of success: looking beyond how the ecosystem as a whole is doing and examining how startups and communities interact and behave with each other.

“Looking at Malaysia, I think this is how we will be able to create sustainable growth moving forward,” he says.

Ashran says that relying on the government to continuously inject policies, funds and other initiatives to drive growth is an unsustainable concept. Instead, when growth is driven by the community it is steered by market forces and experiences much more natural advancement.

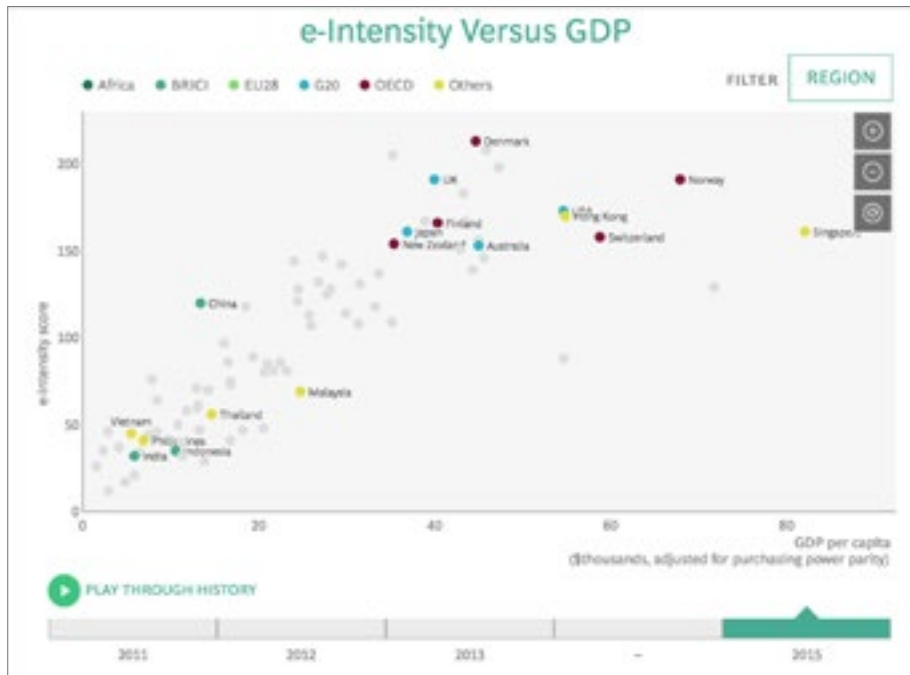
However, to achieve this, the Malaysian government, through MaGIC, is still in the stage of rolling out initiatives that connect the players – entrepreneurs, investors and communities – enabling collaboration and creating opportunities for growth through various accelerator programmes leading up to the time when the ecosystem's movement has enough forward momentum to ride on market forces alone.

Taking a closer look again, Ashran says that for these initiatives to work and goals to be reached, Malaysian entrepreneurs must be able to identify opportunities in the market; diagnosing a problem in the community and then solving it correctly and systematically is an essential skill.

“We cannot afford to be random about this. If we are able to harness the entrepreneurs with the talent to take whatever opportunities they see out there and run with it, our goals can be reached,” he says.

THE RIGHT KIND OF ENTREPRENEUR

Entrepreneurs are certainly a core ingredient of a dynamic startup ecosystem, but they must have the right skills to benefit the economy. The ability to ideate and create a product is not enough; instead, the way entrepreneurs harness and put together available resources to solve a problem and meet a real need is far more essential.



The Boston Consulting Group e-Intensity Index measures Internet prowess across economies taking into account various aspects of fixed and mobile infrastructure deployment, how actively businesses, governments and consumers are embracing the Internet, and the proportion of money spent on online retail and advertising. While the index shows that the wealthy nations, especially those in northern Europe, get richer, the not-as-rich countries are catching up as economies continue to develop. Malaysia's Internet maturity has been slowly improving over the last five years and it is pulling ahead of its Southeast Asian counterparts, except for Singapore. But it still has a long way to go to reach its ultimate goals.

"These are the people we need and must build," says Ashran, adding that this is what the recipe currently lacks.

The government has, however, been attempting to create opportunities and an environment that encourages this kind of entrepreneur. Unfortunately, at the moment it seems to be stuck on focusing on results instead of true market impact and innovation. Ashran explains that entrepreneurs who make even an incremental amount of money are considered successful entrepreneurs, and making money is a measurement of success.

"Profit is important but why then are we not breeding more successful entrepreneurs? We aren't because all we are doing is pushing them to make that profit instead of turning their focus to solving the problem and making sure their solution – their business – is sustainable. This is the foundation that will enable them to have a long-term impact on communities and the economy," he says.

Performance expectation is a classic Malaysian trope, as can be seen in the fixation on the belief that commercialisation of innovation is the only proper path and measure of success, and the lamentation of the lack thereof.

While it is true that the rate of commercialisation in the country is sluggish, Ashran points out that if Malaysians are able to shift their mindsets to the process instead of the results, the rest will fall into place. This means that entrepreneurs must be provided the tools to enable sustainable businesses and the skills to harness these tools.

"We love creating things but we're not necessarily looking at solving problems and then making sure we can monetise the solutions. I think the more we do that, the more solid Malaysia will be in its economic growth."

ACHIEVING CHANGE

Such a paradigm shift will not be easy to accomplish. To get the ball rolling, MaGIC is utilising the [Blue Ocean Strategy approach](#). According to Ashran, MaGIC is aiming to "deliver it in a manner that entrepreneurs can understand" and that arming them with this tool will make a stark difference to how their businesses are conceptualised and run.

He does, however, clarify that MaGIC is looking into using a blend of Blue Ocean Strategy, design thinking and business design canvas tools to strengthen the proposition. The aim here is to provide entrepreneurs with tools that will enable them to be creative and innovative. While Malaysian entrepreneurs have the drive and aspiration requisite for success, creativity and innovation are lacking and without these, the recipe is incomplete.

MaGIC has acquired global rights to the Blue Ocean Strategy online training programme in English and Bahasa Malaysia and is currently looking into the most cost-efficient way to deliver the programme. Once the programmes are running, MaGIC will see participation and completion of the online training as commitment and use that to funnel promising entrepreneurs into further accelerator programmes.

In a market such as Malaysia's, it is essential that these programmes be inclusive, which is why it will

be delivered in two languages, and that delivery is sliced at different layers of the market so that each segment gets exactly what they need.

Ashran explains that MaGIC is attempting to change the narrative and shift the fierce focus on technology for its own sake to efficient and successful adoption of technology that is appropriate for each different community. "I think this method of message delivery is important to make sure that this shift happens. Otherwise, while aspirations are great, people still can't relate to what really needs to be done to solve communities' problems."

MaGIC is starting from the basics by getting entrepreneurs to innovate differently – changing their business model or figuring out a successful strategy in a saturated market, for example – even before they think about new technologies or disruption. Once the seed of innovative thinking is planted, growing new ideas with the help of the tools that MaGIC provides will be easier.

MaGIC has already put out feelers for its online training programme and has received very good response in terms of registrations, though Ashran admits that the real proof will be in how many people actually do participate and complete the programme.

"I think if we are able to implement this on a large scale, we are on to a good start. The government should provide these basic tools for entrepreneurs. At the same time, the people must take advantage of the opportunities these platforms and initiatives provide. In this way, when the government is putting in a ringgit, the entrepreneur is multiplying it, and then the economic growth of the country is more meaningful," he says.

YARDSTICKS AND THE F-WORD

A good sign of a forward-moving ecosystem is that new and more creative ideas are constantly coming into being. This happens as there is better knowledge sharing between community and entrepreneur.

Malaysia has not reached this phase yet, as is obvious from pitching events where some of the same ideas are being thrown around as entrepreneurs still attempt to copy, adopt and adapt.

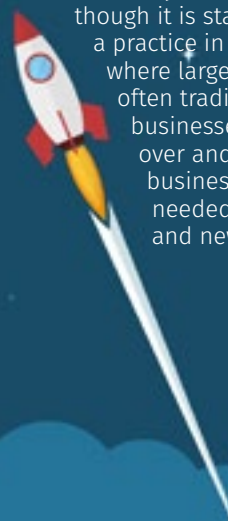
Another sure yardstick is acceptance of failure; the community's reaction to the [GrabGas failure](#) shows just where Malaysia is in this context. Part of the drama was how the stigma of failure followed the founders around while the story was still fresh, while at the same time certain segments of the ecosystem called for better understanding and acceptance of such failures.

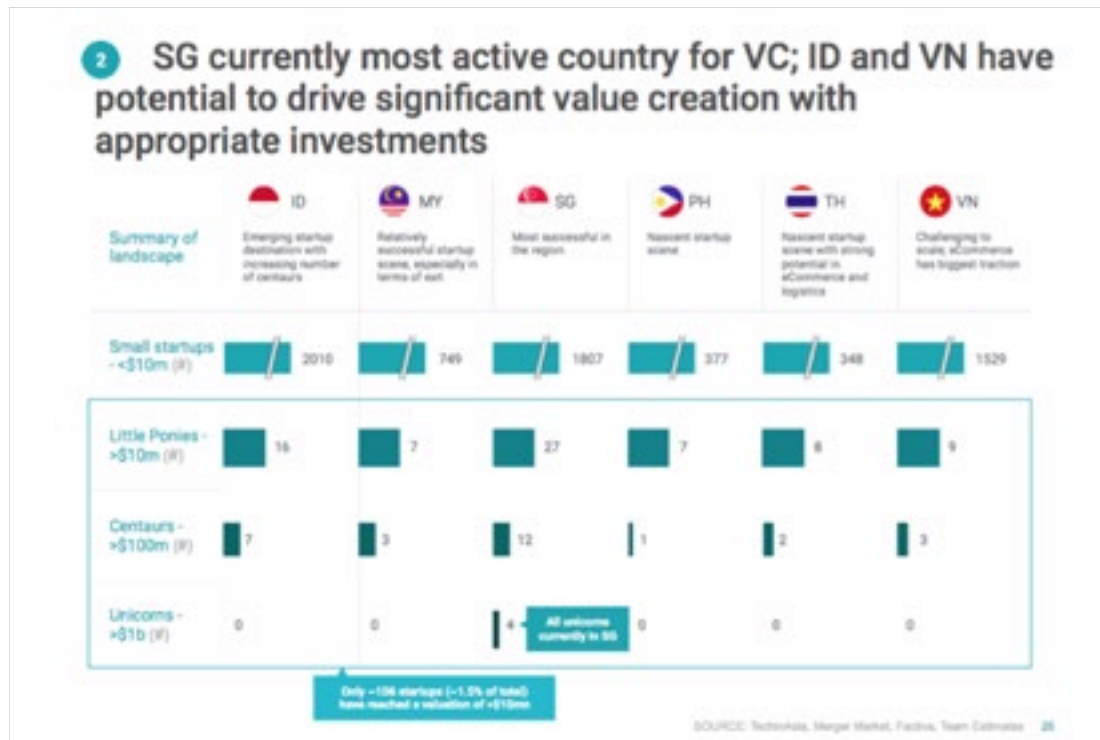
Ashran opines that though 'failure' is still often seen as a bad word, Malaysia is moving towards acceptance. Ashran himself is an entrepreneur and categorises his former businesses Joot Ventures Sdn Bhd as 'not a pure success', saying that he made many errors as he moved down his entrepreneurial path. "In that sense, you could say that MaGIC picked up somebody who didn't do too well to help other players win," he says.

"I feel that this is the view people should take when it comes to failure. Mine certainly gave me insights that are priceless."

What is needed is an entrepreneur who bounces back after a failure and an ecosystem that supports that revival – a mutually supportive environment. Moving on from this, is the concept of *acqui-hire*, where a business buys out another to acquire the skills and expertise of its staff rather than for its product or market.

This is not yet common in Malaysia though it is starting to become a practice in the private sector where large, established and often traditional family-owned businesses are starting to take over and blend in up-and-coming businesses to provide a much-needed injection of innovation and new blood.





A quick look at the startup landscape in Southeast Asia and India. Malaysia's startup scene is not as big as Singapore's or India's, but it is relatively successful. Though the country cannot boast unicorns, there have been successful exits within the context of the local ecosystem.

SUCCESS IN THE MALAYSIAN CONTEXT

Every startup ecosystem requires constant and consistent injections of ideas, support and funding not just from budding entrepreneurs, the government and investors but also from entrepreneurs who have been successful.

Malaysia cannot boast abundant unicorns and similar supersized exits but within the context of the local ecosystem there have been very successful exits. Ashran believes that the ecosystem should be striving more towards mid-sized exits as the more of these that take place, the more entrepreneurs will be inspired and willing to go down the same route and the more investors will be willing to take the investment risk. Hence, the replication process will get going.

In Malaysia, however, the layover time of successful entrepreneurs seems to be relatively short, meaning that the time they give to giving back to the ecosystem is limited. This does not, of course, apply to every entrepreneur; those who are successful on the scale of Patrick Grove, for example, move on to other projects while still contributing to the ecosystem.

To ensure that the replication process keeps going, that the ecosystem keeps growing and

evolving, the government, through MaGIC, will be implementing initiatives to set up collaborations between players and get more large corporations into the mix. This will create an environment where more mid-sized exits will occur, says Ashran, thus continuing the cycle.

"In a way, we have to manage expectations. In the Malaysian context, a mid-sized exit is perfectly fine," he points out.

Rating the ecosystem within the correct context is important. Malaysia's certainly is not as developed as Silicon Valley, but when asked to rate the Malaysian ecosystem against its Asean competitors, Ashran puts Malaysia at a seven or eight. His justification for the high rating is two-fold: Malaysia is constantly catalysing new movements within the regional ecosystem, and its neighbours are asking it for help and support in improving their ecosystems.

All this points to a startup ecosystem – and a digital economy – that is on an upward trajectory, albeit a relatively gradual one when compared to more developed economies. It is still young, however, so continued will, focus, observation and examination is needed to ensure continued forward movement. ■

Nascent corporate funding scene set to pick up pace

■ By Goh Thean Eu

For many years, startups have been heavily dependent on public sector and venture capitalists (VCs) for grants and funding needs.

Even though the funding funnel provided by the VCs, both locally and internationally-based, has been growing annually, the overall tech startup ecosystem was not complete - as there has been a lack of corporate participation.

That is starting to change over the recent past with a growing number of corporate companies - including Government-linked companies - playing a bigger role in the local and global startup ecosystem.

In 2014, Axiata Group Bhd, a regional telecommunications group, [partnered](#) with Malaysian Venture Capital Management Bhd (Mavcap) to set up the RM100 million Axiata Development Innovation Fund (ADIF).

Its rival Digi.com Bhd, controlled by Norwegian telco group Telenor ASA, has also set up a digital arm dubbed Digi X and has started an accelerator programme to spot and groom potential startups and entrepreneurs .

Tune Group, via Tune Labs, also ventured into the startup ecosystem with its accelerator programmes. Then, there's also Khazanah Nasional Bhd and KWAP, a state pension fund, which invested substantial but undisclosed amounts into global startups like Skyscanners in the UK and Uber Technologies from the US.

MyEG Services Bhd, a listed entity led by an internet entrepreneur, TS Wong, is another corporate investor into startups and just made its latest [investment](#) into a fitness startup in Jan 2017.

Conversations with various industry players reveals that there is a consensus that more corporate companies will join the bandwagon over the next few years.

In fact, Mavcap chief executive officer Jamaludin Bujang says that the company is currently in close



Axiata Across Asia

With a regional footprint covering ten countries, almost 300 million customers and 25,000 employees, Axiata, through its operating companies, offers mobile network, communications infrastructure and digital services.

talks with several companies on corporate funding initiatives.

"We are currently working with some corporates, but we can't reveal their names yet. Nevertheless, there are already some corporates like Genting, Digi and other family-owned companies getting into this space, either by participating through VC funds managed by fund management companies or through their own initiatives," says Jamaludin when contacted by Digital News Asia recently.

While the number corporate participation has been growing, the majority of the corporate enterprises and organisations are not taking part in such activities in Malaysia.



"Investing in tech is something new to corporate Malaysia. This is a risky investment and most corporate do not have the required background in tech investments, and therefore, they are very cautious in making a move," explains Jamaludin.

"The lack of successful tech companies coming from Malaysia does not also help boost their confidence in taking the risks," he adds.

Having a stronger participation from the corporate sector will have a big impact to the country's tech startup ecosystem.

"As recent as 2015, supposedly the total funding in the tech startup ecosystem was RM7.15 billion. But, my research via Bloomberg estimated

the cash holding of all companies listed on Bursa Malaysia amounted to more than RM500 billion.

Imagine if only 1% of that goes to startups, that's already RM5 billion at very least. In my opinion, the pie will be significantly bigger if corporate funding enters the market," said Kamarul Nizam Kassim, a partner at Intres Capital Partners.

WHY ARE CORPORATES JUMPING ON THE BANDWAGON?

For many years, corporate companies, (well, at least most of them), have been able to grow their revenue steadily. So, why would these companies - which seem to have already figured out their growth formulas - want to venture into tech startup investments?

Following the crowd, just because many companies in the West are doing so does not necessarily mean that companies in the country, or in the region, should be doing so.

"Companies in the West are doing it to build their market reach and to keep up with the changing technology," ventures Jamaludin.

Kuala Lumpur-based regional accelerator and early stage investor 1337 Ventures founding partner Bikesh Lakhmichand concurs.

"I think we can expect to see more corporations jumping onboard although not entirely the same way as some of the others with a ready fund. It is becoming a great way for corporations to have more affordable research and development, by looking into external solutions for internal pain points," says Bikesh.

"I think most corporations will be taking the contest and hackathon route, but give it time and hopefully these corporations let down some barriers and learn to work with other corporations for the common good," he adds.

ARE STARTUPS KEEN ON CORPORATE FUNDING?

As corporations tend to be more conservative when it comes to tech startup investments, it is less likely that funding will be done at high valuations.

Nevertheless, industry players believe that there are many benefits corporations can bring to the startups, besides funding.

"One of the reasons most startups die is due to the lack of customers, if these corporations hold access to distribution, it could be a win-win situation and not necessary a zero sum game," says Bikesh.

Lee Jee Shen, founder of Softinn Solutions - a startup focused on the hospitality industry, adds that investors with corporate background could also provide regional and international market access. One of Softinn's investor is Axiata Group Bhd via the ADIF fund.

"They have opened many doors for us, and introduced many key contacts. This is especially useful as we are currently looking at expanding our presence outside Malaysia," says Lee.

But this space is still very nascent and when asked to rate corporate participation in the tech ecosystem, Jamaludin is decisive in giving it a score of 2 out of 10. ■



Lee Jee Shen



Jamaludin Bujang



Bikesh Lakhmichand



Kamarul Nizam Kassim

Cloud computing: No more cloudy skies?



■ By Edwin Yapp

No one would doubt that the past four years have seen significant changes in the enterprise IT landscape. The drivers of these changes are not new to those who have been following them.

Some of these include the increasing globalised nature of business, the upending of traditional business models by innovative startups, the growth of mobility through the power of smart devices, the rise of both fixed and mobile broadband connections, the pervasive use of data analytics and the up-and-coming ubiquitous use of radio frequency sensors to connect millions of devices together, known as the Internet of Things.

Underpinning these trends is the rise of cloud computing. The cloud proposition is undeniably valuable. The notion of having the ability to rent hardware and software on-demand and in a scalable way; the reduction of many companies' dependence on IT servers, storage, networking and expertise to manage all of it; and the move away from a capital-intensive (capex) way of meeting IT needs to one that is based on operational expenses (opex).

Once misunderstood and feared to be an untrustworthy way of consuming IT services because it was thought to be unreliable, unsecured and too complex to manage, the cloud is today the basis of agile services that are being rolled out by enterprises that are forward thinking.

Werner Vogels, chief technology officer of cloud giant Amazon Web Services Inc, said it best.

"Before the cloud, I was buying everything from database software to server, networking and storage hardware and I always felt that I was never in control because I always had to buy what the vendor sold to me. I had to hedge and make long term contracts in order that I do not run out of capacity down the line.

"And after buying from them [vendors], after they've gotten their sale, some of them became disinterested in servicing me. Today with the cloud, this is no longer true as you only pay for what you use," he said in an interview at the recently concluded [AWS re:invent 2016](#) cloud conference.

WHY CLOUD IS GROWING

When the cloud was first propositioned by vendors,



the main case they made was cost savings, as much of IT buying cost can be shifted from a capex to an opex model. Over time cost savings, while still significant to a degree, isn't why more enterprises are shifting to the cloud.

The oft-most cited reason for using the cloud today is agility – the ability to spin up new services, be they in test and development or in production, in a matter of days instead of months. This helps enterprises launch new competitive services in the quickest way possible in order that they may stay ahead of the competition.

And as counterintuitive as it may sound, building applications and workloads on the cloud also means that they can be shut down as fast as possible should they not succeed. This helps enterprises control costs and help enterprises not be hemmed in by their failures so that they can continue producing services that do work.

Another crucial impetus is security. In the early days of the cloud, there was a lot of scepticism as to how really secure cloud providers were.

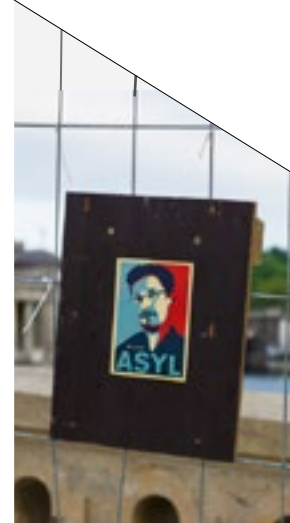
However with news that even the largest companies can be hacked – names such as [Sony Pictures](#), [Target Corp](#) and even the [government of the United States](#) – enterprises are now considering why wouldn't they just let specialist cloud providers grapple with the issue of security rather than mitigate them on their own?

While these cloud security issues remain critical, the accepted thinking today is that reliable and certified [cloud providers are secure](#) as can be compared to enterprises running their own data centres.

And then there is the issue of privacy, with the [revelations of Edward Snowden](#). While this is a complex issue, the scare around data privacy in cloud providers is somewhat thawing as enterprises are coming to terms with using encryption and vendors are expanding more of their data centres to localised regions and countries in a bid to keep data closer to where businesses are located.

Chief information officers (CIOs) and chief technology officers (CTOs) have also gotten [much better at speaking](#) about the value proposition of the cloud than before as much of what is being presented at board level are business issues rather than technical ones.

Werner Vogels



Edward Snowden

Recent surveys back up this point. For instance, a [recent study by Cisco Systems](#) Inc noted that the cloud will dominate growth and outpace traditional data centre growth by 2020, where 92% of workloads will be processed by cloud data centres and only 8% will be processed by traditional data centres.

Similarly, [IDG's enterprise cloud survey](#) noted that cloud technology is becoming a staple to many organisations' infrastructure as 70% have at least one application in the cloud, while 16% have plans to do so within the next 12 months. It also noted that 56% of organisations are still identifying IT operations that are candidates for cloud hosting.

WHAT ABOUT SEA?

Because these are global trends, one might be forgiven to think that they don't apply to enterprises in South-East Asia (SEA). But actually, the trend is more similar than you think.

In IDC's Worldwide Cloud View Survey 2016, where some 709 companies were polled, 91% of the organisations in Asean stated that they were either embracing or deploying public cloud and/ or private cloud in their respective organisations.

Consultant firm, The Broad Group, noted that there



Even large companies such as Sony Pictures with their resources were hacked, leading businesses to now consider using specialist cloud providers.

is approximately 800,000 sqm of data centre space served by about 131 Providers in 237 facilities in Asean alone as of 2016.

Other regional players will be SingTel, Equinix, Digital Realty and Global Switch, while global players with ASEAN intentions include AWS, Microsoft Azure, and Google Cloud.

Based on a survey carried out by [Tech Research Asia](#) (TRA) of 300 key decision IT makers in Singapore, Indonesia and Malaysia (n= 100 each country) and a poll conducted at a regional data centre conference attended by about 130 key executives last July, the following trends can be surmised:

- Fifty-eight per cent of enterprises surveyed in Malaysia indicated they are either consolidating all or some of their workloads and moving them either to a cloud provider or a co-location provider. Similarly figures of between 50% and 60% were reported for Indonesia and Singapore respectively;
- Some 35% of those 130 executives surveyed noted that they are consolidating data centres. Also, 41% indicated that they would be either leasing or building a new data centre in the next 24 months. This includes 11 end-user enterprises;

- They also indicated that it was very important for their physical data centre location be close to their workloads. Between 40% and 50% of them indicated that they must be in the same cities and on the edge of the network, suggesting that data centre growth penetration, and by extension cloud services, will increase in the coming years and that customer experience is top priority.
- The most common priority for IT leaders identified are: Disaster recovery-as-a-service (DRaaS), network security and converged infrastructure; and
- The average expectation was for compute to grow by 24% (median of 20%), while for storage the average was 35% (median 20%) in the coming year.

SO WHAT?

Of course the data does not conclusively suggest that every workload from every enterprise will reside in the cloud. But it does at the very least suggest that enterprises today are seriously looking to consolidate their workloads and are moving them to either co-location facilities and/or cloud providers.

This means the hybrid model is gaining traction more than before. This model means some enterprises will keep certain workloads within



their own data centres while other workloads will be reside in established cloud and/ or co-location providers, where many of the good ones are cloud-enabled themselves.

The bottom line is that the adoption of some form of the cloud is on the uptrend and is more widely accepted than before, and the days of not opting for the cloud for the advantages it brings no longer holds true.

So what must CxOs take note of in the light of these revelations? Here are some salient points – and they are by no means exhaustive in nature – divided into three convenient categories for them to consider.

STRATEGIC VISION AND DIRECTION

- Begin by asking what does your business want to achieve. Ascertain what your company's DNA is and priorities are before deciding on whether you should have a cloud-first policy.
- While there is a lot of talk on a cloud-first policy, not all workloads necessarily belong in the cloud. Decide on where to host your apps based on your priorities and how important they are to your company.
- Once you determine which part of the business goes onto the cloud, the next thing is to evaluate how your cloud-first policy will take into consideration the kind of innovation you want to achieve and business impact you can derive from that innovation.
- As you plan for your cloud deployment, evaluate if your original motives, benefits and expected outcomes will remain the same or not. Constantly evaluate if they are still applicable to today's environment.

CHOICE OF PROVIDERS

- Customer experience is everything in today's world. Are you assessing your choice of providers by putting your customer experience as the first criterion? If so, list the kind of characteristics you would like to see from cloud providers that will fit your innovation goals and evaluate if they can fit them.
- Big global cloud players are likely to expand in

Asean. Also, consolidation may still happen, things are still fluid and planning for the future becomes tricky. What kind of contingencies and future plans do you have if the supplier landscape changes? What kind of niche areas can you exploit from your choice of cloud providers and the expertise they bring?

- Assess what kind of data you're putting onto the cloud and understand what kind of legal impact and other ramifications you are obliged to be aware of.
- If you already have relationships with the big cloud/ co-lo providers, think about establishing different relationships outside of your home country in order to achieve diversity.

ASSESSING READINESS

- Have you established a multi-stakeholder team comprising not just technology executives but a line of business leaders in order to prioritise and plan your cloud strategy, and assess what kind of business outcomes the plan will bring to your company?
- Have you evaluated whether you have the right people in place to drive your cloud initiatives? Consider how this plan may need to include recruitment of skilled personnel and how this is going to impact your headcount and responsibilities.
- Partnership is important as you can't go it alone. Would you be able to fast track the outcomes of your cloud deployments by leveraging the technology and experience of your external partners?

At the end of the day, getting to the cloud is all about doing your due diligence and risk assessment as you would any other IT project. Begin with the end in mind and undertake your transformation with rigour, and you will reap the full benefits of the cloud.

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