

7 October 2021

Digital adoption needs to be a structural investment, not a tactical fix for Malaysian companies: HSBC

Malaysia's middle market sized companies risk falling behind regional peers unless there is a continued commitment to structural shifts in digitisation and technology innovation across businesses and their industry groups, a senior HSBC spokesperson said today.

Andrew Sill, Country Head of Commercial Banking, HSBC Malaysia, said: "Over the past 18 months, COVID-induced lockdowns have driven many Malaysian businesses to accelerate their digital connections with customers, suppliers and employees. This has been an incredible commercial enabler. However, HSBC is observing that some businesses – particularly in the mid-market space – are slowing down their investment, and so the risk is that business are seeing digital adoption as a short-term switch rather than a strategic shift."

Having made the shift to digital, companies need to forge on and not let momentum stall. It's particularly important for Malaysian companies for three reasons:

1. Safeguarding key sectors: including electronics, textiles, automotive, and pharmaceuticals - requires a shift in thinking and a clear commitment to digitisation and technology innovation across business and industry.
2. To capture shifting supply chains: The EY Capital Confidence Barometer survey reveals that 67% of Asia-Pacific executives are taking steps to change supply chains, compared to 52% globally. As Southeast Asia becomes more central to global supply chains, firms will use technology, and particularly data, to establish relevance, value and stickiness.
3. To match consumer needs: ASEAN has more consumers coming online than any other region in the world, according to Bain, with 40million new users come online for the first time in 2020 alone.¹ To reach these consumers, businesses need to make a permanent pivot to digital.

Sill continued: "The soft macroeconomic and revenue conditions means businesses are clearly looking at their costs. However, digital adoption and continued innovation cannot be seen as "nice to have" but instead must be seen as a business imperative. This requires some shifts in business approach, including changing management mindset and mobilising industries as a whole."

HSBC has outlined some ways these shifts can be made:

Driving a technology and digital-first mindset is required

More and more businesses are starting to use new trends and technologies such as Artificial Intelligence, Big Data Analytics, Machine Learning, and Robotics, to pivot and transform their

¹ <https://www.bain.com/insights/e-economy-sea-2020/>

companies – this needs a continued investment. In addition to this, what is needed to transform a business is for companies to prioritise having a technology and digital-first mindset.

“Embedding a technology innovation mindset, and putting money into innovation is a hard sell amid falling revenues, but the reality is that continuous investment will open up value-creation possibilities and create sustainable competitive advantage,” added Andrew.

Organising and mobilising industries to be digital first

Innovation and digital reform must also go beyond individual businesses to also include an all-of-industry response, particularly within the supply chains that matter so much to Malaysia. Tangible steps will help to attract investment from abroad.

First, there is an opportunity for industries to create stronger ecosystems by moving and mobilising its sector in the same direction. A second avenue is in elevating an industry’s digital standards and practices. A good example is the development of trade digitisation, including removing legal requirements of physical documentation. Lockdowns meant that essential “in-person” reviews of billions of documents, that cross the trading system on any given day, have been jeopardised.

Sill concluded: “Rising incomes, consumption and manufacturing have made Malaysia an attractive investment destination. Moving forward, Malaysia’s success will increasingly be shaped by further productivity increases, ease of doing business, and strong regulatory frameworks. Underpinning all of this will be the full embrace by businesses and industry groups to digital technology and innovation. But this is not something that can wait.”

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About HSBC Bank Malaysia Berhad

HSBC’s presence in Malaysia dates back to 1884 when the Hongkong and Shanghai Banking Corporation Limited established its first office in the country on the island of Penang, with the permission to issue currency notes. HSBC Bank Malaysia Berhad was locally incorporated in 1984 and is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, founding member of the HSBC Group. In 2007, HSBC Bank Malaysia was the first foreign bank to be awarded an Islamic banking subsidiary licence in Malaysia, namely HSBC Amanah Malaysia Berhad. HSBC Bank Malaysia offers a comprehensive range of banking and financial services including Islamic financial solutions. HSBC Bank Malaysia has also led innovation in Malaysia by introducing Malaysia’s first ATM and Electronic Touch Banking in the early 1980s. Today, HSBC Bank Malaysia has launched innovative solutions such as HSBCnet for secure banking for businesses, Trade Transaction Tracker and Facial Recognition on supported mobile phones.

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