

Unleash All Your Business Potential in the Digital Economy

IDC INFOBRIEF | JULY 2020

Introduction / Executive Summary

THE TICKING CLOCK



IDC predicts that by 2022,



of APeJ GDP will be digitalised, with growth in every industry driven by digitally-enhanced offerings, operations and relationship.

IDC FutureScape: Worldwide IT Industry 2020 Predictions – APeJ Implications



The application of technologies such as cloud, artificial intelligence (AI)/analytics, mobile, and augmented reality/virtual reality (AR/VR) are fundamentally changing the way problems are solved and tasks are completed within the organisation, as well as fostering business resilience.

Businesses slow to digitalise their offerings and operations over the next three years will find themselves at risk, and competing for only a minority of their market segments' opportunities.

SMEs — companies with less than 500 employees — represent more than **90%** of the total number of organisations in Asia/Pacific, contribute half of the region's GDP, and comprise over **60%** of the total workforce.



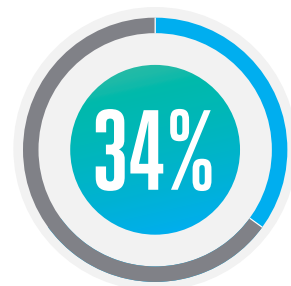
To become more competitive in the digital economy, every company, regardless of size and industry, must rethink business processes, operating models and customer engagement. SMEs willing to grow and expand their operations should leverage technologies like cloud solutions (e.g., business applications like ERP or CRM as a service) for **agility, adaptability and faster time to market.**

In this IDC InfoBrief, we take a look at Asia/Pacific SMEs – their priorities and challenges – and drill into the 5 disciplines of IDC's Future SME MaturityScape that will help them grow and expand their businesses.

Asia/Pacific SMEs at an inflection point

Digitalisation has mainly been an enterprise-centric trend for the past few years, and many large organisations in the region have made remarkable progress. While enterprises understand the urgency to transform, most SMEs have failed to understand the need to rethink their processes and operations, despite belonging to a fast-growing digital economy.

In fact, according to the IDC 2019 SME Maturity Index,



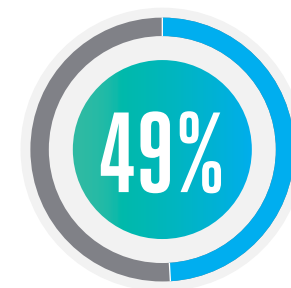
of SMEs are in Stage 1 of digital maturity

These companies do not see a need or have a strategy to change. Also, their processes are manual, and technologies like cloud are not a priority. These organisations have not invested in new technologies, and remain reactive and challenged by the lack of skills, budget, and impetus.

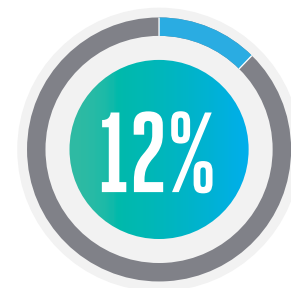
In 2019, the market has reached an inflection point that has forced SMEs across geographies and industries to act – particularly now with the current crisis.

The ecosystems that they belong to and the potential of leveraging technologies that are available in easier-to-consume delivery models provide immense opportunities for these companies to evolve, become agile, and grow their businesses.

In fact, in 2019, the pace has accelerated, with 49% of SMEs in Asia/Pacific reaching Stage 2 and 12% in Stage 3 of their digital journeys.

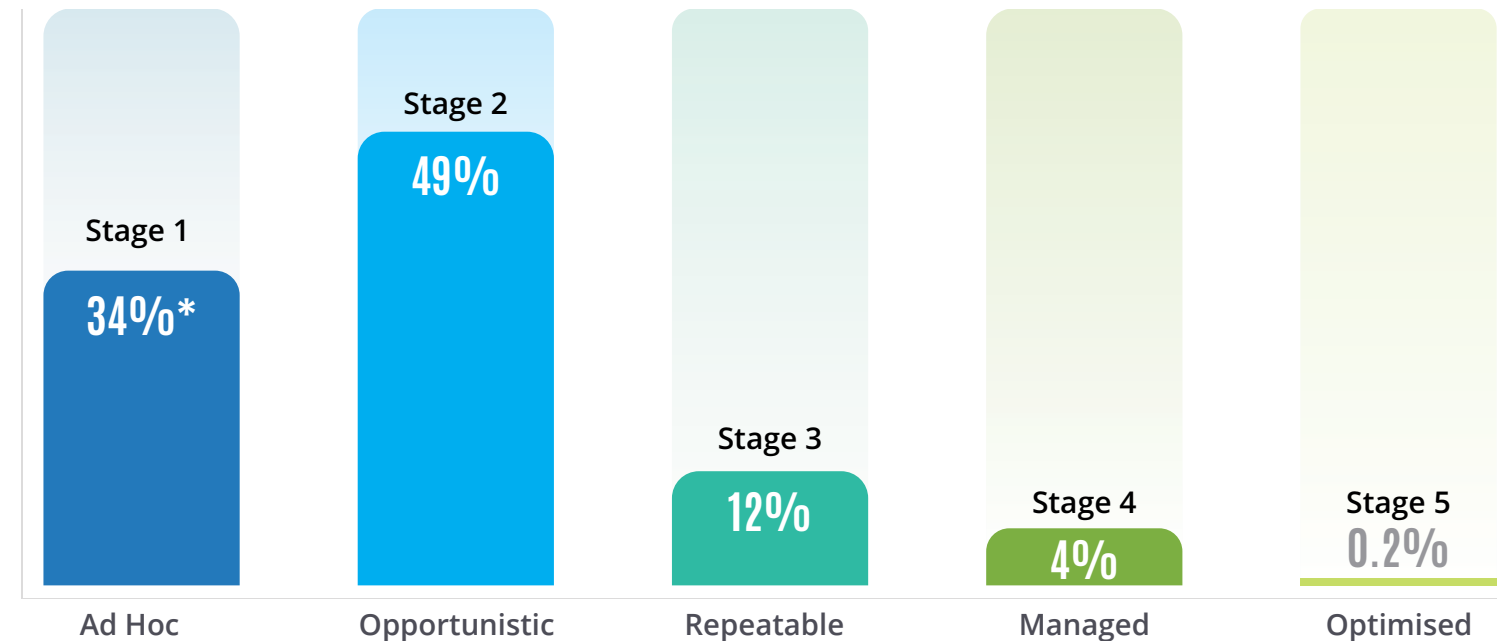


Stage 2



Stage 3

Overall DX maturity of Asia/Pacific (excluding Japan) SMEs



Source: IDC Asia/Pacific Future Small and Medium-sized Businesses Survey, 2019. N = 1,175

*Percentages might not add to 100% due to rounding.

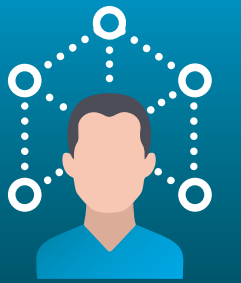
Ecosystem

Because of their size and resource constraints, SMEs need to tap into market ecosystems (from supply chain and logistics, to financing). For SMEs to connect to these, technology changes are required - from broader process automation to integration.



Amplification

To compete, SMEs need to be able to scale their operations, and augment their size/presence and capabilities. Technologies are an equaliser, as they can allow SMEs to transform, innovate, and compete with enterprises to win.

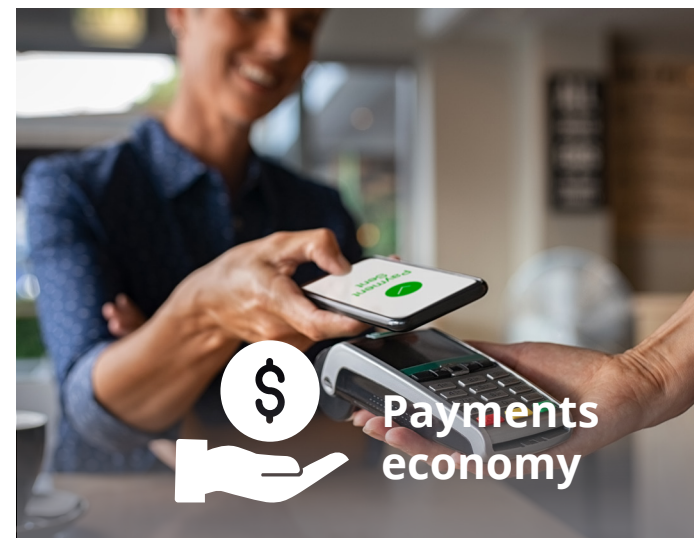


Intensifying risks, competition and evolving customer needs are forcing change

The year 2020 started with a crisis which has impacted all facets of society and business. Crises often accelerate new technology adoption and effectively change market dynamics. This crisis has made digitalisation a much more important decision. Digital technologies are enabling new ways for people to connect, communicate, collaborate, and transact with one another — making SMEs more resilient in adjusting to the new norm, as well as creating new growth opportunities.

The digital economy has created “**born in the cloud**” digital natives — start-up entrepreneurs and SMEs launched on new business models. Right out of the gate, some of these organisations are disrupting established industries and organisations. They are defining modern customer experiences and expectations, while capturing investment and funding opportunities. These companies and their ecosystems are driving the creation of new economies that present significant opportunities for SMEs.

The time is now: New digital economies



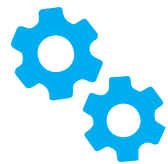
Top challenges impacting SMEs across Asia/Pacific

Cashflow can be a big challenge for companies trying to grow and scale their businesses. This, combined with the lack of talent/skills and insights into operations, can impact SMEs' ability to operate efficiently. While these are common business issues for SMEs, our research shows that SMEs also tend to experience the following challenges in their digitalisation journeys.



Traditional mindset - company culture

The company's culture is central to making digitalisation work. Many SMEs struggle to drive meaningful changes in their businesses because leaders in their companies do not provide adequate support to these initiatives, or there is broader resistance to change. In fact, IDC research shows that cultural resistance or the lack of a digital mindset is among the top five factors hindering SMEs' progress in this journey.



Lack of automation and business insights

Process automation is fundamental to ensure greater focus on value-added tasks, and also to increase agility to adapt to changing market conditions (like COVID-19). SMEs aiming to become more competitive need to assess which processes can be automated (through the use of business applications like ERP, for example), and which may need to be redesigned, or transformed through the use of intelligent automation or AI technologies. For example, to increase agility, finance leaders need timely insight into financial closing and reconciliation, as well as to ensure adequate controls and processes are in place. Also, to improve cashflow, SMEs should consider automating various processes, like accounts payables, and procurement; as well as gain better visibility into overall company spending.



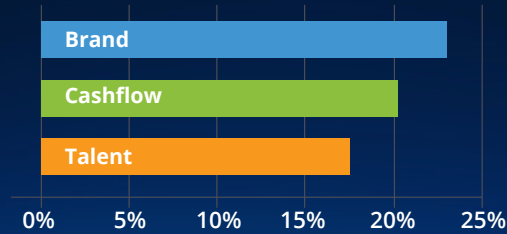
Legacy/siloed technologies and roadmap

The lack of a long-term plan and technology roadmap normally results in the deployment of various tools (i.e., point solutions) that cater to very specific tactical needs, but it fails to address the broader business goals.

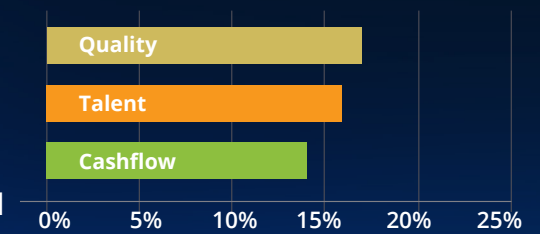
Top 3 challenges faced by SMEs across Asia/Pacific



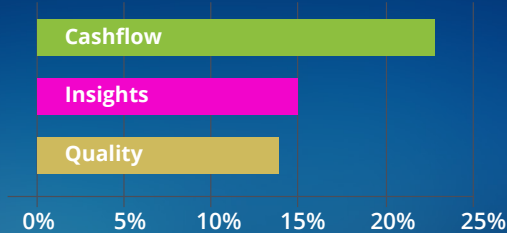
Australia



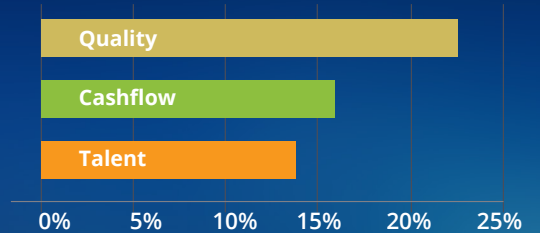
New Zealand



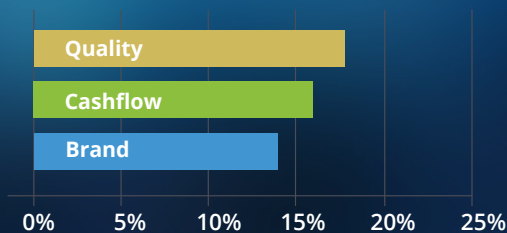
Singapore



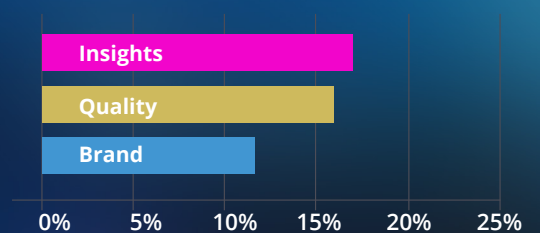
Philippines



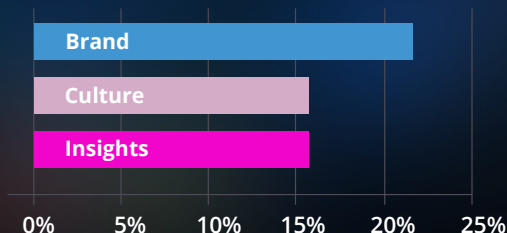
India



China



Hong Kong



- Balancing product/service quality and growth
- Hiring and/or retaining talent is difficult
- Cashflow
- Lack of insight into operational and customer data
- Improving brand awareness
- Lack of digital mindset and cultural challenge

Future SME – the new benchmark

A new breed of SMEs or, “Future SME”, is emerging and setting the benchmark for what is possible to achieve.

A Future SME is an ecosystem- and technology-first organisation that can amplify its presence and capabilities to drive sustainable business growth, productivity, and competitiveness. It is data-driven, customer-centric, and highly automated, and takes an experiment-learn-iterate approach to deliver breakthrough solutions and create new markets.

IDC SME 2019 Maturity Index shows that **66%** of SMEs are already on the journey. To succeed and become a Future SME, businesses should work on the following masteries – or risk falling behind their competitors:



Agile culture

SMEs’ goal in this dimension is to develop a change-driven mindset that can allow the company to be more resilient and adaptable to evolving market changes.



Agile partnerships

To master this dimension, SMEs should augment their capabilities by creating a dynamic and scalable ecosystem that can help them thrive in the marketplace.



Agile capital

Mastering this dimension requires creating sustained profitability and cash flow, ensuring the right financial data is readily available when needed, as well as leveraging multiple data sources, and tools and technologies that can allow for better visibility into finance and resources.



Agile experiences

SMEs should master the delivery of agile experiences, creating an experience-centric business model. Mastering this dimension requires taking an ecosystem-first approach when delivering products and services, ensuring their innovative offerings can adapt to evolving customer needs, and drive higher customer advocacy rates.

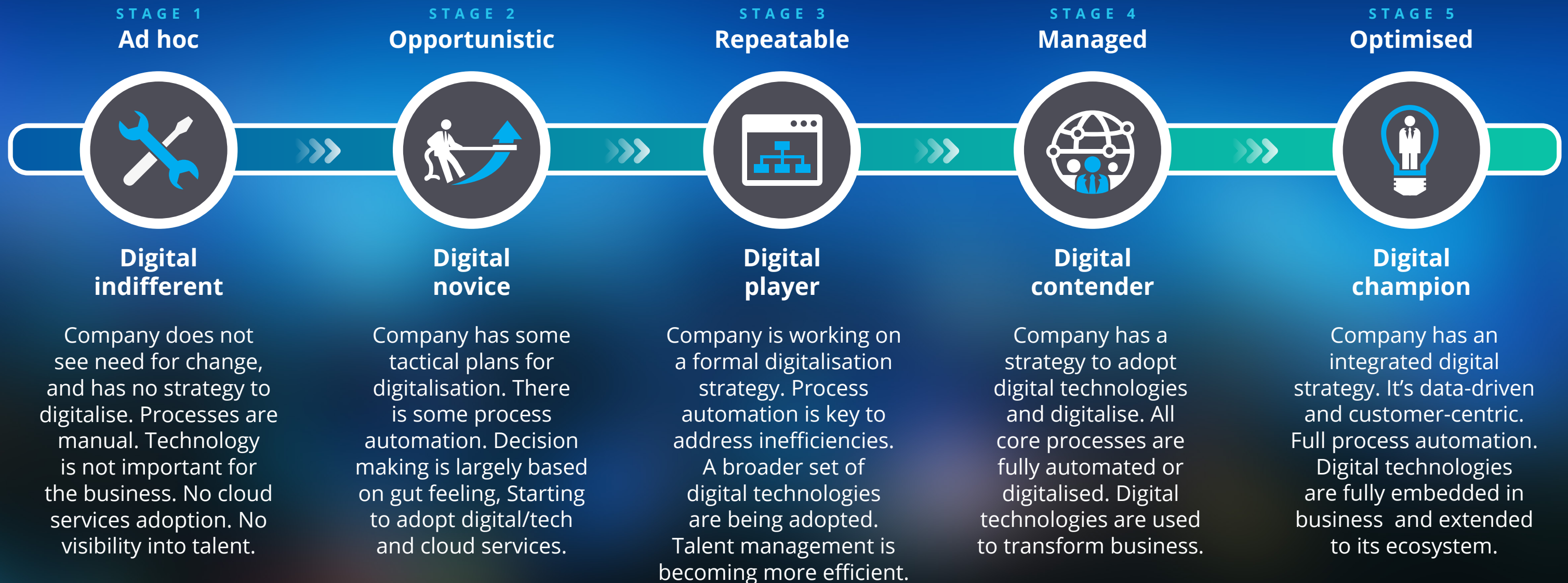


Agile processes

SMEs’ goal in this dimension is continuous automation, higher productivity rates and adaptability. They should focus on reducing human interventions through process automation and embedding analytics that provide real time insights.

Future SME – the journey

Future SMB maturity journey: 5 stages



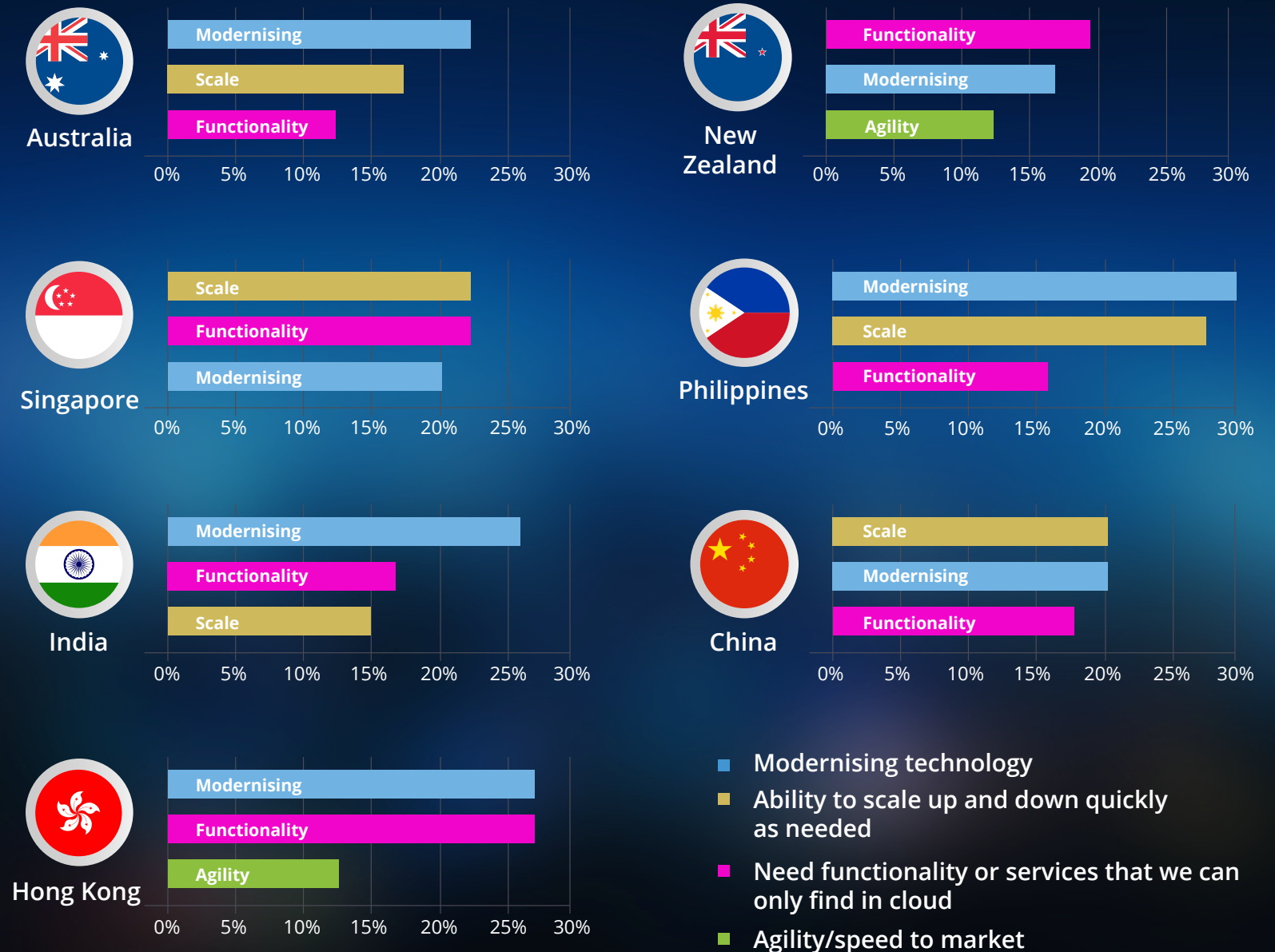
Cloud is at the core – automating processes through cloud technologies

SMEs racing towards the Future SME state should work on the dimensions of **strategy, talent, processes, data** and **technology**. Technologies are a key enabler in helping SMEs achieve their business goals, and those eager to grow and gain agility in market expansion should consider cloud solutions as part of their efforts.

Many companies have invested in backend legacy technologies that are customised, making upgrades a costly and painful process, not to mention the additional costs in hardware and maintenance. Also, particularly for SMEs, too much spreadsheet jockeying, and little business visibility have brought on a bigger workload, with little to show for their efforts. Today, leading businesses of all sizes are leveraging SaaS (SMEs in stages 3 and 4 of their journey) and cloud-enabled enterprise resource planning (ERP) software because they need an agile ERP system that is configurable, continuously updated, quick to implement, available anywhere and anytime, and scalable.

SaaS and cloud-intelligent ERP solutions can allow SMEs to quickly establish more impactful data-driven business processes and decisions, reducing the time to value, and significantly enhancing the ability to generate more revenue, cash flow, and profitable growth.

Top 3 SME priorities when considering cloud services



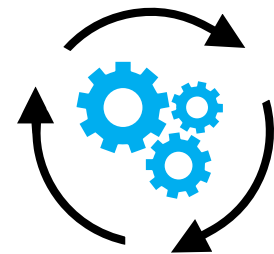
Essential guidance

SMEs ready to grow and expand their business should consider the following guidance:



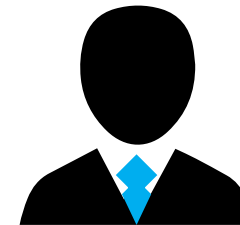
Assess readiness

Assess your current state of Future SME readiness, and the gaps in skills and technologies that you currently face when looking at achieving your business goals. To reach the Future SME state, you should continuously evaluate the capabilities of your workforce and business, and address possible gaps in the market with new solutions.



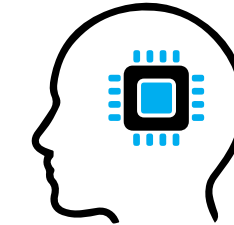
Automate processes

SMEs must identify the processes which can be automated to bring efficiency and productivity into the business, and to jumpstart digitalisation. Start by focusing on core business processes like finance, payroll, human resource and/or sales/marketing. Identify which can be improved and automated, and which should be completely redesigned and digitalised for an enhanced competitive edge.



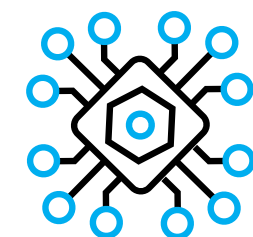
Invest in talent

Aside from investing in technologies like cloud, security, or analytics, it is also important for SMEs to source the right talent and train existing employees in those technologies.



Embrace change

Focus on developing a culture that embraces agile change, and risk-taking. This is fundamental to succeed in creating innovative products and services and improving customer experiences. A Future SME mindset should be developed across the organisation, stressing the importance of customer and data centricity.



Create a tech roadmap

Develop a technology roadmap that is aligned with your business goals, which includes key metrics and milestones for the business. As part of this roadmap, consider technologies including analytics/AI, along with cloud and security solutions to support digitalisation in the short and long term.

Message from the sponsor

Unified solution unlocks growth



Guzman y Gomez, has reinvented the notion of fast food, appealing to a new breed of consumers who demand clean ingredients and convenience. It has continued to grow rapidly, and today boasts over 3000 employees and 135 stores in Australia, Singapore, Japan and the USA, as the business heads toward an IPO.

"NetSuite is absolutely critical to our business. We've scaled quickly and NetSuite has been central to that. We couldn't operate GYG the way we do without it."



With growth comes challenges. Existing accounting software was not able to support data collection and reporting requirements, contributing to inefficient use of time as well as errors, and more importantly, limiting strategic planning. Lack of visibility across IT environments also slowed the company's business processes.



Multi-entity reporting in OneWorld enabled Guzman y Gomez to manage franchises and restaurants as separate accounts with cross-entity visibility.



NetSuite's modular architecture and customisation capabilities have enabled Guzman y Gomez to continuously evolve the solution to meet business needs.



NetSuite OneWorld solution helps the company address these challenges. This unified solution enables Guzman y Gomez to avoid standalone data silos and the hassle of integrating best-of-breed applications.

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