

Digital business accelerated

SUMMARY

Before the arrival of COVID-19, Chubb collaborated with Accenture to survey executives from around the world, and uncover the key trends affecting small and mid-sized businesses. The research surveyed 1,350 executives from businesses across 14 sectors in nine markets (Australia, Brazil, Canada, Colombia, France, Japan, Mexico, the United Kingdom, and the United States). And the results provide comprehensive insight into which areas businesses have been focusing on over recent years, and why.

MALAYSIA SPECIFIC INSIGHTS

The information enclosed within this report has been analysed in the context of Malaysian businesses. All recommendations, and the insights which they are based on, have been tailored for relevance to the Malaysian market.

Having grown steadily since the start of the new millennium, Malaysia was initially on-track to now be at the zenith of its national digital transformation and globalisation plans. However, the country's ambitious plans have been set back by an unprecedented, once-in-a-generation pandemic. Today, most of Malaysia's workforce and businesses are faced with the unenviable reality, that to survive and indeed thrive in this new world, they must accelerate their digital transformation, adapt to new distribution channels and innovate with agility.

This report highlights that for businesses to fully emerge from the shadow of COVID-19, they must prioritise navigating **digital-first communications** with their stakeholders. They must **harness the power of data** to enhance their offering and gain efficiencies in production, operation and delivery.

This cannot be done in isolation, however, and businesses must also be prepared to work with a new and **transformed workforce**, where speed and agility are key.

Finally, businesses must look beyond local and **play in the global market**. In a somewhat ironic twist, the way forward in a pandemic that has extensively mandated social/physical distancing, is to stay more connected than ever with global peers, leveraging global growth opportunities.

Chubb Malaysia has studied extensively the risks and concerns associated with many of these drivers, and is well-positioned to be a partner to Malaysian businesses as they strive forward into the uncertain future.



FOUR KEY THEMES FROM THE GLOBAL SURVEY

01

Navigating digital-first communications

Building digital experiences to reach customers at the right time and place, and enabling seamless delivery of products and services, tailored to customers' wants and needs.

02

Harnessing the power of data

Adopting cloud and other advanced technology, such as AI, to refine customer products and services and optimise business operations.

03

Supporting a transformed workforce

Addressing the accelerated shift to an increasingly digital workplace with flexible work solutions, career and skill development opportunities, and innovative benefits.

04

Playing in the global market

Building opportunities across both literal and figurative borders by forming partnerships with other companies to build new products or services and commercial and social platforms to expand reach and capability.

Protecting against the risks

The COVID-19 pandemic has irrevocably transformed the way we live and work, and with it, the global business and consumer landscape. It has accelerated the digital transformation agenda across all sectors, and demonstrated the inherent need for businesses to be digitally agile and able to innovate at scale, as a response to widespread uncertainty and disruption. With many unforeseen challenges presented during the past year, businesses have had to think of new distribution channels and innovative methods to reach their customers. In this context, adaptiveness and improving the customer experience have been ranked very highly by Malaysian firms as key business priorities for the coming year¹.

KEY THEME 1

Navigating digital-first communications



- **27.43 million** internet users, with internet penetration standing at **84%** (as of January 2021)⁵.
- Online retail sales grew **26.3% year-on-year** in December 2020⁶.
- Value of e-money transactions grew **14%** to **RM20.8 billion** in September 2020⁷.

Malaysia has one of the highest internet penetration rates in the region at 84%². With the enactment of the Movement Control Order (MCO), sustained over much of the past year, there have been restrictions on various social and work gatherings. Internet usage has skyrocketed as more consumers are confined to their homes. Estimates show that users spend an average of 9h 17min a day on the internet in 2020, up 17% from a year before (when usage averaged 7h 57min a day³). Being housebound and afflicted with “cabin fever syndrome”, consumers are increasingly turning to online channels for their entertainment and online purchases, from groceries and gaming to even bigger and more substantial items such as furniture. In fact, Malaysia’s e-commerce market has tripled in size since 2015, exceeding the US\$3 (RM12.7) billion mark in only 2019 and projected to reach US\$11 (RM46.6) billion by 2025⁴.

With the increasing pervasiveness of technology in all aspects of our lives today, consumers have come to expect greater personalisation and customer engagement, with a focus on creating customised experiences. More than ever, businesses will need to evolve and implement new innovative strategies so that they can meet customer needs and demands in today’s digital era. In a bid to deliver better customer experiences and touchpoints, businesses will eventually need to start embracing a digital-first communications approach. This however also brings with it new risks particularly where a large amount of sensitive data is involved, or digital infrastructure resilience is untested. Awareness of cyber risks and tools for mitigation against cyber threats also need to grow in the face of an evolving digital marketplace.

Beyond awareness alone, businesses will need to devise various strategies and undertake the right tools and partners for effective risk mitigation. Knowing is only half the battle.

RISKS & SOLUTIONS

For companies, it is not a matter of “if”, but “when” a cyber-attack will happen. Chubb’s cyber solutions include risk engineering services and pre-loss and incident response solutions to mitigate against cyber incidents which can cripple a company.

Potential business risks	Chubb insurance products/ services to consider
Storage of customer, employee and partner data in the cloud may increase risk of cyber breaches and electronic theft.	Cyber Crime
Collection of customer data creates legal risks. Without a full understanding of data privacy regulations, companies may find themselves in violation of laws like Personal Data Protection Act (PDPA) and more.	Cyber
Cyber breaches can lead to reputational risk and the need for crisis management.	Cyber
Loss of income due to a cyber breach.	Cyber
Litigation arising from social media interactions, e.g. libel or slander.	Cyber Professional Liability/Errors & Omissions (Media Liability)

¹ <https://www.zdnet.com/article/the-state-of-digital-transformation-in-malaysia/>

² <https://datareportal.com/reports/digital-2021-malaysia>

³ <https://datareportal.com/reports/digital-2020-malaysia>

⁴ <https://www.nst.com.my/business/2021/02/667882/malaysia-remains-attractive-e-commerce>

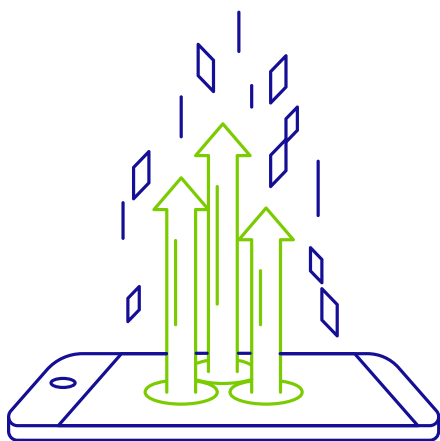
⁵ <https://datareportal.com/reports/digital-2021-malaysia>

⁶ <https://www.theedgemarkets.com/article/industry-40-sme-digitalisation-are-government-initiatives-really-effective>

⁷ <https://www.theedgemarkets.com/article/digital-payments-mco-turning-point-cashless-transactions-malaysia>

Harnessing the power of data

In today's world, digital transformation and making sense of big data are no longer optional strategies and nice-to-haves. In order to thrive in the new normal, businesses have to set themselves up for success by being able to use data to make forecasts accurately and empower their decision-making to be swift and decisive. To put things into perspective by looking at smaller-sized companies, the digitalisation of SMEs in Malaysia could add as much as US\$24 billion (RM102 billion) to the nation's GDP by 2024⁸. By leveraging cloud technology and new technologies such as artificial intelligence and machine learning to make sense of their data, SMEs will be able to optimise processes, increase productivity and mine actionable insights that will help to inform overall business strategy and improve their overall performance.



Increasing cloud adoption has been an integral part of the Malaysia Digital Economy blueprint⁹. Cloud technology carries several benefits for businesses to increase their agility and build resilience - it is scalable, cost-efficient and accessible, all highly desirable features when attempting to harness the power of data in today's business landscape. With the rise in remote working during the pandemic, the demand for cloud-based services has grown remarkably, underscoring the need for a nationwide strategy to prepare for this shift. As such, the Malaysian government has announced its plans to expand cloud capabilities across the country and incentivise businesses to make this shift to the cloud.

However, cloud adoption among Malaysian SMEs has been less than optimal thus far. While about half of SMEs are using cloud computing, most of them are not utilising the full power of cloud (i.e. cloud Software-as-a-Service), and instead merely use basic cloud storage solutions¹⁰. Further, only 46% of businesses are currently implementing digital strategies, with many citing budget issues as a significant roadblock in their digitalisation plans.

However, more business leaders are realising the critical importance of a digital and cloud-first strategy today, and by the end of 2021, it is projected that 80% of firms will be expanding their digitalisation efforts¹¹.

RISKS & SOLUTIONS

As companies reprioritise their digital transformation efforts in the next normal, the use of cloud platforms and storage technologies also present new risk exposures. Cyber incidents are on the rise and customer information is more at risk from cyber criminals and state-of-the-art malware. An organisation's directors and officers are also exposed to an increasingly wide range of potential third-party claims. Companies need to understand the additional liability challenges they face in order to ensure adequate protection is in place.

- The Malaysian government aims to move **80%** of its services to the cloud by 2022¹².
- **46%** of Malaysian firms are on a digital transformation journey, with **34%** planning to start because of COVID-19¹³.
- **More than half** say they increased their spending on digital transformation in 2020, despite the economic downturn¹⁴.

Potential business risks	Chubb insurance products/ services to consider
Collection of large data sets creates legal risks.	Cyber Professional Liability/Errors & Omissions
Liability from misuse or misinterpretation of client data for any consultation.	Professional Liability/Errors & Omissions
A cyber breach can lead to reputational risk and a need for incident response services, such as public relations, crisis communications and more.	Cyber
Liability exposures can arise from failure of a product to perform.	Professional Liability/Errors & Omissions
Incorporating the use of new digital technologies without proper due diligence may lead to an actual or alleged impact on services offered to customers, leading to costly lawsuits.	Professional Liability/Errors & Omissions
Machine errors arising from technology failures can result in property damage or bodily injury.	General Liability

⁸ <https://www.malaysiasme.com.my/digitalisation-of-smbs-could-see-malaysia-adding-as-much-as-us24-billion-rm99-billion-to-its-gdp-by-2024-accelerating-economy-recovery/>

⁹ <https://www.theedgemarkets.com/article/cloud-adoption-pivotal-malaysias-digital-leadership-goals>

¹⁰ <https://www.huawei.com/minisite/accelerating-malaysia-digital-smes/img/sme-corp-malaysia-huawei.pdf>

¹¹ <https://www.zdnet.com/article/the-state-of-digital-transformation-in-malaysia/>

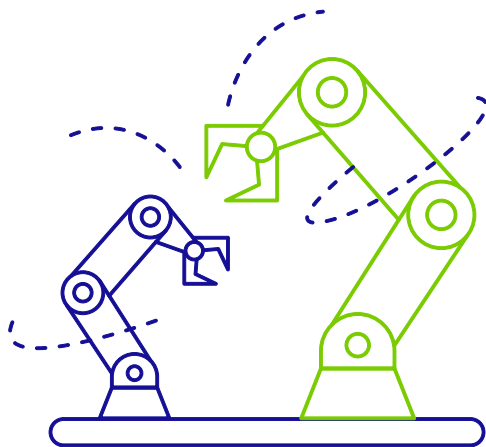
¹² <https://www.theedgemarkets.com/article/cloud-adoption-pivotal-malaysias-digital-leadership-goals>

¹³ <https://www.zdnet.com/article/the-state-of-digital-transformation-in-malaysia/>

¹⁴ <https://www.zdnet.com/article/the-state-of-digital-transformation-in-malaysia/>

Supporting a transformed workforce

The pandemic has transformed the modern workforce, through how we work, manage and find talent and even engage employees. The changes we see in today's hybrid workplaces are easily discernible from pre-pandemic days; more than ever, employees value trust, flexibility and empathic leadership styles as mainstays in their new work environment.



- **Two-thirds** of Malaysian employees now prefer flexible working arrangements¹⁹.
- **62%** of companies are considering redesigning the office space to accommodate hybrid work styles²⁰.
- **9 in 10** employees in Malaysia are willing to undergo retraining in order to secure their jobs²¹.

For one, it is clear that flexible remote working is here to stay. In Malaysia, more than two-thirds of employees now prefer flexible work arrangements, and 62% of businesses are considering redesigning the office space to accommodate hybrid work¹⁵. With the massive shift to remote working, businesses need to invest in the right technology to support and empower employees as they work from anywhere. After all, the work-from-home doctrine is just a short step away from work-from-anywhere. This includes providing employees with the appropriate tools and resources to maximise productivity and keep them engaged in their roles and connected with their peers.

With a socially distanced workforce and the tendency to be always-on as we work from anywhere, mental and emotional wellbeing have risen as a top concern globally. Three in five Malaysians are concerned about their mental health and happiness due to an increase in stress from the pandemic¹⁶. Business leaders need to prioritise employee wellbeing by encouraging a healthy work-life balance through initiatives that allow employees to feel heard and appreciated. With less oversight into remote work conditions, there is also the inherent risk of exacerbated physical health issues such as chronic wrist, back or eye strains, from poor home-workplace ergonomics.

The pivot to remote operations presents a myriad of new risks and challenges for the future workforce, from an increased cyberattack surface area to the widening skills gap and changes in talent management. During the 2020 MCO, cybercrimes rose by a staggering 82.5%¹⁷, as malicious attackers continue to take advantage of those ill-equipped to cope with the unforeseen changes. This underscores the importance of having in place robust security infrastructure and protocols in order to remain vigilant.

Furthermore, the acceleration of digital transformation has shifted the goalposts around job security and talent management of the future workforce. Nine in ten employees in Malaysia expressed willingness to undergo retraining and reskilling in order to secure their jobs¹⁸. As more employees start to undertake new training, acquire online skills and gain experience with digital interfaces, they will grow in digital-savviness and this will likely reduce their vulnerability to a variety of data/cyber risks.

As a war for talent intensifies, businesses will need to prioritise the attracting and retaining of top talent, by leveraging technology to give employees the autonomy they desire, and by providing them with growth and learning opportunities. Only then, will they be able to successfully cultivate an agile, high-powered workforce ready to capitalise on the growth opportunities of tomorrow.

RISKS & SOLUTIONS

While flexible work arrangements may be more convenient for employees and allow a company to hire or keep specialised talent, such arrangements also introduce new types of risks.

Potential business risks	Chubb insurance products/ services to consider
An employee's inappropriate conduct on an external video conference, intentionally shared or not, could lead to harassment or discrimination allegations for the company, resulting in costly litigation.	Employment Practices Liability
Remote employees untrained in utilising remote set-ups or using unsecured connections creates a higher level of cyber risks.	Cyber Crime
Employing freelancers or contractors may lead to a cyber breach due to malicious intent or poor security training, as well as exposure for failing to train or supervise such individuals.	Cyber Professional Liability/Errors & Omissions
Working from home may lead to blurred lines between personal and professional risks (in the workplace, offsite, and during business travel).	Accident & Health (including Business Travel)
Divulging Personally Identifiable Information (PII) on social media accounts or posting a malicious link that infects the systems of those who click on it with malware.	Cyber
Delayed or impaired work product for customers resulting in missed deadlines and services standards.	Professional Liability/Errors & Omissions
An employee's irresponsible use of the organisation's social media accounts could lead to harassment or discrimination allegations against the company.	Employment Practices Liability

¹⁵ <https://news.microsoft.com/en-my/2021/05/10/wtimalaysia2021/>

¹⁶ <https://www.uob.com.my/about/news/2021/press-release-feb17-2021.page>

¹⁷ <https://techwireasia.com/2020/04/cybersecurity-is-top-concern-as-online-threats-mount-in-malaysia-by-82-5/>

¹⁸ <https://www.hcamag.com/asia/news/general/half-of-malaysians-feel-unprepared-for-future-of-work/227737>

¹⁹ <https://news.microsoft.com/en-my/2021/05/10/wtimalaysia2021/>

²⁰ <https://news.microsoft.com/en-my/2021/05/10/wtimalaysia2021/>

²¹ <https://www.hcamag.com/asia/news/general/half-of-malaysians-feel-unprepared-for-future-of-work/227737>

Playing in the global market

For forward-looking businesses in Malaysia looking to thrive in today’s dynamic business environment, the obvious next step is to tap on the depth of global markets. Especially for SMEs who might primarily serve a small domestic market, scaling across borders could help them achieve greater diversification, enhance business agility, increase revenue streams and gain greater economies of scale.



- Malaysia is one of the **most open economies** in the world, ranking **12th** out of 190 countries²⁵.
- **54%** of businesses in manufacturing rated market expansion as the most popular business strategy in the next six months²⁶.

Today’s world has become a lot smaller and this is in part thanks to the interconnectivity of networks and global supply chains. Businesses can easily reach new customer segments previously untouched via new channels in mobile banking, e-commerce and even social platforms. This greatly levels the playing field, enabling new and emerging disruptors to compete with the larger and more entrenched enterprises in the global marketplace.

Public-private partnerships are the driving force behind efforts to capture a growing global consumer base. For instance, the Malaysian government launched the SMEs Go Global Programme in 2020 to provide aid to SMEs in high growth industries looking to expand into global markets²². The Malaysia Digital Economy Corporation (MDEC) has also partnered with logistics start-up Janio to drive Malaysia’s National eCommerce Strategic Roadmap (NESR) and help Malaysian SMEs expand across Southeast Asia with cross-border logistic solutions²³.

Beyond geographical expansion, businesses are also leveraging synergies formed through mutually beneficial partnerships in a conducive business ecosystem. Chubb recently partnered with Revolut to provide a wide range of insurance coverage to its digital banking customers across 22 countries, tapping on Chubb’s multinational capabilities and global footprint as one of the world’s largest insurers²⁴.

Businesses need to understand the different regulatory requirements, risks and challenges around their data, technology, products, and services when expanding internationally and establishing new partnerships. With this in mind, it is imperative to have in place the proper due diligence and protection to ensure sustainable business growth.

RISKS & SOLUTIONS

Doing business around the globe can be a key driver of growth for the future – if it is done with an eye toward the potential risks.

Potential business risks	Chubb insurance products/ services to consider
Exposure to new and unknown overseas risks and regulations.	Cyber Multinational Insurance Products and Services
Exposure to political-related risks overseas, excluding terrorism (e.g. transfer of money, goods lost or confiscated at ports).	Multinational Insurance Products and Services Kidnap/Ransom & Extortion
Selling products in new markets requires transportation of goods that may be put at risk while in transit.	Multinational Insurance Products and Services Marine/Cargo
Exposure to products exported to overseas/ new countries.	Product Liability

²² <https://www.smecorp.gov.my/index.php/en/programmes/2015-12-21-10-06-32/smes-go-global-programme>

²³ <https://pengovasia.com/mdec-working-to-drive-the-digital-transformation-of-malaysia-smes/>

²⁴ <https://www.insurancebusinessmag.com/asia/news/breaking-news/chubb-unveils-partnership-with-fintech-244049.aspx>

²⁵ <https://www.uobgroup.com/asean-insights/fact-sheets/malaysia.page>

²⁶ https://www.fmm.org.my/Press_Releases/@-FMM_PRESS_STATEMENT%3BPromoting_the_Growth_and_Development_of_vSMEs_Post_COVID-19_Pandemic_through_Comprehensive_and_Progressive_Agreement_for_Trans-Pacific_Partnership.aspx