

Technology- What Role Must Asia Play?

by

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Distinguished guests, fellow speakers, ladies and gentlemen, good morning. Firstly, I would like to set an expectation for my speech. I am not a technologist. My speech today revolves around the internet (I guess nearly everything does nowadays) and I will focus on the following primary issues:

- _ The commercial prospects of technology
- _ Key success factors in Asia
- _ The challenges ahead including that of the young leaders

The Internet – A Working Definition

The internet is an enabling technology. It is a tool available for all to use, much like the clock, railway and telephone. Enabling technologies become part of the way in which we live and conduct business. It also allows us to perform functions in new and more efficient ways. The fundamental function of a clock is to tell the time. It however enables us to plan events etc. The internet is unique in that it provides for more in the form of enabling many to many, point to point and peer to peer communication. Communication is often real time. The greatest value lies in the ability to push and pull content. Push is where you send data and pull is data derived via request.

Internet adoption like the VCR has had the privilege of leveraging on existing network and infrastructure., The VCR owes it success to the television and the internet on (PC's, telecommunication networks etc).

Convergence is imminent, it is happening now. I would like to focus on the challenges of peer to peer (one to one) exchanges which arguably have been identified as the driver of the internet economy. With peer to peer technologies like Napster, I can share my music files with others on the internet. Essentially, I allow other internet users access to music files on my computer. The first challenge is trust. There needs to be adequate assurance, protection to ensure an individual's computer system is not compromised.

There are also economic and legal considerations. Napster is now being sued by the Recording Industry Association of America for copyright infringement. Recording artistes have every reason to be afraid of the possible implications towards their royalty fees.

Historically, new technologies have often posed a threat to existing social, political and economic norms. The internet given its enabling and two-way communication features present similar if not larger threats.

The final challenge is technology based. The benefits of internet technology is largely dependent on fast internet or broadband access. Current access speeds limit the potential but given the global push towards broadband, this should be overcome in time.

Success – The Likely Winners

A book entitled Blown by Bits says that traditional companies face a massive competitive disadvantage arising precisely because they are incumbents. They talk of channel conflicts, legacy assets and cannibalisation threats. All of which contribute towards an environment which facilitates towards the success of pure internet plays with new business and revenue models reaping the first mover advantages. I disagree with this. By and large, incumbents will win. Historically, incumbents have been able to extend their dominance from once communications medium or technology to another.

There are 2 types of pure internet companies which I feel are capable of success. The first lies in those which have built extensive online communities in the form of chat rooms, email, message boards which have become the means of communication, information and entertainment for millions. Incumbents are unlikely to be able to displace the AOL and Yahoo's. These internet properties have the ability to mould internet usage and have proven their commercial viability.

Secondly, those companies which have been able to create networks and platforms which facilitate transactions via technological or first mover means will continue to succeed. Auction sites and business to business exchanges which present adequate value propositions will continue to be in favour.

What I am referring to here are long-term winners. We must not discount the value of the smaller niche market companies and their likelihood of success. Their success will largely be in the form of being merged or acquired to form a larger picture, many of which will be controlled by incumbents.

Asia – Its Traditional Role In Technology and the Way Forward

Traditionally, Asia has facilitated the success of Western initiatives. We make the components which form a larger product (IT hardware as an example) and distribute the assembled product on their behalf. We are seen as cost effective manufacturing facility. There is absolutely nothing wrong with this. I daresay that Asian economies which have positioned themselves for this role have reaped considerable benefit.

In more advanced Asian economies, we have succeeded in emulating technology to produce comparable products. Acer computers are an example. The Japanese car and electronic industries come to mind as well.

Current trends of certain Asian companies indicate newer and potentially more powerful means of securing a viable position to reap financial rewards via technology. I am referring to the Softbank and PCCW's. In a short timeframe, these organisations have secured substantial technology related shareholdings from a global perspective. Softbank, a Japanese company is the largest shareholder of Yahoo! And has an investee portfolio of more than 400 diversified IT companies in America. PCCW has acquired one of Asia's largest telcos in Cable & Wireless-HKT. Pure-play Asian internet companies like China.com have successfully listed themselves on American capital markets. In the case of China.com, it raised in excess of half a billion USD.

Therefore, the way forward for Asia is to do three things. Firstly, we must consolidate and protect our existing interests and sources of technology derived revenue. We will continue to manufacture and distribute. Secondly, we have to emulate western initiatives which facilitate the growth of technology (the KOSDAQ, GEM and MESDAQ stock exchanges as an avenue to raise capital to fund technology companies, much like NASDAQ) and incubate to nurture good ideas into reality. Finally, we have to innovate. We must become the first movers and become market makers. If we do not have the requisite environment or resources to innovate locally, then we should venture outwards to gain experience and play some role in the new technology.

This is what Softbank has done in funding more than 400 companies, many of which are based in the Silicon Valley.

Rising to the Challenge

Given the outlook and prospects, it is now time to look at the challenges for the current and future generation. I would like to site Japan as an example. Economists have been writing about the probability of Japan building a New Golden Age. The old models of keiretsu systems and gyo-seishugi (lifetime employment) are no longer in fashion. New rules are being introduced to catch-up to the information management revolution, via the advent of mergers and acquisitions and venture capital funding for new entrepreneurs. Japan is now building the future as opposed to rebuilding the past. Looking forward, the initiatives are towards the democratisation of finance and technology and not governmental policies and directives.

By definition, technology and innovation comes from ideas. As such Japan and the rest of Asia need to create a suitable environment. Assuming an adequate environment is made available, it is then up to those tasked with generating and implementing the ideas to bring it together.

The young leaders will need to do the following:

Innovate – you can emulate existing strategies but you have to be able to adapt and innovate to suit the local environment in order to succeed

Be resilient – your ideas will be shot and requests turned down. Keep going.

Communicate – articulate yourself properly. Be firm and respectful.

Be aggressive - you have to stake your claim and pursue it.

Whilst we all wish to make it but given the challenges that lie ahead, that will not be possible for all. The least we can do is try.

Blurbs:

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