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MIT Sloan Management

InnovateCo Consulting: A Case Study

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Business Case Study Series: August 2024

ASEAN Research Center (ARC)

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EXECUTIVE SUMMARY

This case study focuses on InnovateCo Consulting, a financial solutions provider which offers a comprehensive and cost-effective suite of core services catering to price-sensitive segments of the small and medium enterprise market. However, it faces three core difficulties: (1) its contentious relationship with Mainland Chinese clients; (2) a competitive landscape with low barriers to entry and consequently intense competition and undercutting prices; as well as (3) recent changes to government regulations which have raised the thresholds for mandatory audit requirements, thus reducing its business opportunities. InnovateCo recognises three key strategies as part of its strategic roadmap: (1) distinguishing itself from competitors by developing a strategic pricing model; (2) employing a client-centric approach by offering personalised consulting and developing tailored service packages; as well as (3) deploying a digital transformation roadmap to ensure long-term competitiveness.

ASB-ARC | BCS004 / 5 August 2024

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Attribution – Please cite the work as follows:

TC, Clint, Guan, Bryan & Aiman Zainal (2024). *InnovateCo Consulting: A Case Study*. ARC BCS ID: BCS004. <https://asb.edu.my/faculty/research-publication-database/> Kuala Lumpur: Asia School of Business.

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Introduction

Established in 2020, InnovateCo Consulting (henceforth “InnovateCo”), supported by a dedicated team of 8–9 employees, has swiftly distinguished itself as a financial solutions provider. It offers a comprehensive suite of core services including corporate secretarial support, financial management, accounting, auditing as well as tax planning and consulting. This case study delves into the dynamic landscape within which InnovateCo operates, by highlighting its strategic overview, financial standing and business challenges. As a versatile player in Malaysia's small and medium enterprise (SME) support ecosystem, InnovateCo's current business model takes advantage of its competitive pricing by emphasising cost-effective corporate services for SMEs. Despite its success, InnovateCo still faces critical challenges, ranging from client-related integrity concerns to heightened competition and regulatory changes. To navigate these complexities, InnovateCo proactively embraces several strategic initiatives—namely, distinguishing itself from competitors, employing a client-centric approach and embarking upon a comprehensive digital transformation. This case study dives into the details of their implementation as well as the potential impact on InnovateCo's trajectory within the financial consulting landscape.

Industry context

Malaysia's SME sector is a dynamic and significant contributor to the national economic fabric, having displayed robust growth and resilience. Micro, small and medium enterprises (MSMEs) contributed to 11.6% of Malaysia's gross domestic product (GDP) growth in 2022, thus positioning them as a critical engine for economic growth. 84.6% of MSMEs were in the services and manufacturing sectors, highlighting their centrality to strategic service providers. The projected 5% growth of the services sector—where subsectors such as real estate and business services are expected to expand by 6.6%—suggests a high demand for professional business services, particularly in the legal, accounting and engineering fields, fuelled by business expansion and the need for regulatory compliance.

Since the Covid-19 pandemic, InnovateCo has swiftly risen as a distinguished professional financial solutions provider. Having become synonymous with excellence in Malaysia's business consulting landscape, it has become a versatile player in the SME support ecosystem. Its unique value proposition is offering cost-effective corporate services catering to price-sensitive segments of the SME market. Notably, it operates without a digital platform, instead relying on traditional customer relationship management and streamlined processes to maintain low operational costs. Although this approach has been effective so far, InnovateCo acknowledges the impending need for digital transformation.

In terms of its financial standing, InnovateCo boasts a robust annual revenue of RM 1.3 million and has successfully cultivated relationships with over 220 clients, testifying to its growing presence and impact in the financial solutions domain. Its revenue streams are diverse—accounting, auditing and taxation services collectively contribute to 65% of total revenue, corporate secretarial services account for 20%, while licensing, visa applications and regulatory services comprise the remaining 15%. This balanced portfolio underscores InnovateCo's strategic approach of catering for a wide range of client needs, thus ensuring stability and growth in a dynamic business landscape.

Challenges and Solutions

Challenges

The first challenge facing InnovateCo stems from its clientele, which is primarily comprised of individuals and companies from Mainland China seeking to incorporate their businesses (particularly in bilateral trade) in Malaysia. This concentration has resulted in a love–hate relationship between InnovateCo and its Mainland Chinese clients, after a portion of these businesses were found to be engaging in money-laundering activities. This fact posed a significant threat to the company's integrity, thus creating internal conflicts among shareholders. One partner, who holds a substantial 25% ownership stake, vehemently

opposes onboarding more clients of Mainland Chinese origin. This conflict underscores the need to balance between business expansion as well as maintaining the firm's integrity and accountability. It is especially concerning for its sole license holder (the company secretary).

The second challenge involves the competitive landscape, where formidable rivals include Tricor and YYC. The industry's low barrier to entry, attributed to the ease of obtaining a license for similar services, has intensified competition and necessitated undercutting prices to secure business. InnovateCo faces the daunting task of maintaining competitiveness while contending with the pressure to lower its rates, which would affect its profit margins. Strong competition within the industry heightens the urgency for strategic initiatives to distinguish between InnovateCo and its competitors, so that it can carve out a distinctive position in the market.

The third challenge relates to recent government regulations, which have raised the thresholds for mandatory audit requirements (now a minimum of RM3 million in annual revenue). This shift in regulations can affect the demand for InnovateCo's professional offerings. InnovateCo must proactively adapt its service offerings and market positioning to align with the changing regulatory landscape. Strategic decisions regarding service diversification or targeted marketing efforts will be crucial for mitigating the potential impact of these regulatory changes on revenue streams.

InnovateCo's Strategic Roadmap

Considering the current business landscape, InnovateCo recognises three key strategies as part of its strategic roadmap: (1) distinguishing itself from competitors; (2) employing a client-centric approach; and (3) embarking upon a comprehensive digital transformation.

Emphasising InnovateCo's Distinction from Competitors

The company's immediate distinction from its competition is its pricing strategy, thus positioning itself as the go-to provider for economically viable corporate services. To further solidify this position, InnovateCo aims to maintain and potentially lower service costs by presenting a compelling strategy to expand its customer base. By fine-tuning its pricing strategy, InnovateCo addresses price-sensitive segments of the SME market and fosters increased brand loyalty.

This strategy's implementation involves a multifaceted approach centred upon pricing to establish a strong and sustainable market position. An initial step of conducting an in-depth market analysis will identify price-sensitive segments within the SME market. Following this, a detailed customer segmentation exercise enables InnovateCo to tailor service packages for the unique needs and financial constraints of each identified segment. A thorough costing of InnovateCo's operations will identify areas to improve operational efficiency and reduce costs without compromising its service quality. These steps set the stage for the development of a strategic pricing model which incorporates tiered structures, bundled services and potential introductory pricing to incentivise engagement.

It is important to clearly communicate the revised pricing strategy to existing and potential clients, by emphasising InnovateCo's commitment to being the go-to provider of economically viable corporate services. Ongoing monitoring and adjustment mechanisms will be implemented to track the strategy's effectiveness, gather client feedback and respond to dynamic market conditions. Additionally, implementation involves exploring opportunities for value-added services to enhance InnovateCo's overall offerings. Marketing and branding efforts will be geared towards effectively communicating its unique value proposition. Staff training must ensure their alignment with this new strategy, thus empowering the entire team to collectively articulate its enhanced value proposition and precisely address client needs. InnovateCo can systematically position itself not only as a cost-effective solution, but also as a provider of comprehensive and valuable services.

Emphasising a Client-focused Approach

Secondly, InnovateCo places a significant emphasis on being client-centric and capable of



understanding their diverse needs, especially within the SME market. This involves continuing to focus on personalised consulting and developing tailored service packages at competitive prices. By recognising industry-specific needs and offering specialised services (such as assistance with visa applications and employee passes), InnovateCo positions itself as a responsive partner in its clients' growth journeys. By engaging with clients to understand their financial constraints and service needs, InnovateCo's nuanced understanding informs the development of more precise pricing strategies and service offerings, ultimately enhancing its appeal within the SME sector.

Consider this scenario: the company is engaged by a manufacturing SME client facing visa application difficulties for its international workforce. Through its client-engagement initiatives, InnovateCo identifies this pain point during discussions with the management. By recognising this specific need and the complexities involved in the visa application process, InnovateCo proactively tailors its service package to include comprehensive assistance with visa applications and employee passes. The team then collaborates with immigration experts and stays abreast of regulatory changes to provide accurate and timely guidance to the client.

This approach goes beyond the conventional provision of corporate services and has a twofold impact. First, the client experiences a streamlined and efficient visa application process, saving them time and reducing their administrative burdens. Second, InnovateCo not only solidifies its position as a responsive and client-focused service provider, but also enhances its appeal within the SME sector. This client-centric approach, coupled with industry-specific solutions, adds tangible value to their operations and fosters long-term partnerships.

Deploying a Digital Transformation Roadmap

Lastly, a pivotal component of InnovateCo's strategic roadmap is embracing digital transformation. Although it currently operates without a digital platform, planning for gradual digital adoption is crucial for long-term competitiveness. Strategic planning begins with small, cost-effective steps, such as automating certain services or introducing a basic online client interface. This incremental approach allows InnovateCo to build a digital presence without significant upfront investment, ensuring a smooth transition into the digital era. By gradually incorporating such digital elements, InnovateCo can enhance efficiency, improve customer experiences and stay ahead in an evolving business landscape.

To successfully navigate the digital frontier, InnovateCo must conduct a thorough assessment of its internal capabilities and market demand to transition towards digital services. Surveys and market research can determine the appetite among its clientele for digital offerings, while a cost-benefit analysis reveals the investments required and potential returns. A phased approach to digital adoption is advisable, starting with simple processes (e.g., creating a basic online presence such as a website with service information, pricing and contact details). Subsequent phases could introduce online client portals for document submissions and status-tracking, thus saving time for both clients and staff.

Investments in staff training are essential to ensure a smooth transition, while partnerships with tech firms or digital service experts could bridge any gaps in knowledge and capability. InnovateCo's long-term goal should be the creation of a digital ecosystem integrating various services into a single platform, thus enabling additional services such as digital signatures, online consultations and real-time compliance updates. InnovateCo also needs to educate its clients on the benefits and usage of these offerings, while holding marketing campaigns and workshops to showcase the platform's convenience and efficiency.

These digital services can open new revenue streams for InnovateCo, potentially enabling a gradual increase in service prices as the value delivered to clients increases. Business projections should account for the potential uptick in client numbers because of the attractiveness of digital services. A key aspect of maintaining sustainability during this transition is strict cost management. InnovateCo should seek digital solutions, including cloud services, that require less capital expenditure and which can be scaled up alongside the business. It is crucial to implement a robust system to monitor the performance of digital services and evaluate their impacts on business. Key performance indicators (KPIs) should



be identified to measure successes (e.g., client adoption rates, service efficiency, client satisfaction).

Conclusion

InnovateCo stands at a critical juncture in its journey, facing both opportunities and challenges. Its proactive commitment to a threefold strategic roadmap involves distinguishing itself from competitors through strategic pricing, taking a client-centric approach and embarking upon digital transformations. As the company navigates the intricate SME landscape, it is poised to solidify its position as a go-to provider for economically viable corporate services. Overall, it aims to not only weather current challenges but to also emerge as a leader in Malaysia's evolving financial solutions market. Since the SME sector continues to constitute a driving economic force nationally, InnovateCo's strategic initiatives are aligned with the growing demands for professional services. Its roadmap thus emphasises a trajectory of sustained growth, resilience and continued excellence in a dynamic business landscape.

Appendix

Company Name	InnovateCo Consulting Sdn Bhd
Industry	Professional services
Products and Services	Company secretarial, accounting, auditing and taxation services
Founding Year	2020
No. of Founders	3
Headquarters	Kuala Lumpur, Malaysia
Market Presence	North America (United States of America) Middle East (Dubai, Qatar) South Africa Asia (Japan, China, Taiwan, Malaysia, Indonesia, Australia)
Annual Revenue	RM 1.3 million

