



**OPSolutions:
International Expansion in the Face
of a Pandemic**

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Venturing abroad is imperative for many companies, given Singapore's small domestic market.

OPSolutions is a fast-growing SME that provides information and communications technology (ICT) software solutions and digital services to corporate customers in Singapore, Malaysia, the Philippines, Indonesia, Vietnam, Thailand and China.

OPSolutions was founded by Mervin Toh in 2008. It started as a local information technology (IT) hardware reseller, selling hardware equipment such as hard-disks, RAMs, etc to the multinational companies (MNC). Business began to evolve as they started offering IT resources and support in the field of technology development. When OPSolutions started to take on software development projects in 2013, it became a turning point for the business. With little background and market knowledge on software development and solutions, they took a leap of faith and began operations in the Philippines in 2015. OPSolutions has grown from a team of two to over 90 employees in just over five years, with their Philippines office now being the company's largest overseas office.

Beginning early 2020, in the midst of the COVID-19 pandemic, OPSolutions worked closely with GlobalConnect@SBF to support its market entry and set-up, starting with Vietnam, Indonesia and Thailand.

Feature No. 8 of the SBF Company Case Study Series looks at how OPSolutions has crossed the borders, evolving from a local hardware reseller to an international end-to-end digital solutions provider through its value proposition, and how it has continued to expand despite the pandemic.

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Many thanks to Mervin Toh (Founder and Director) & Ileanne Arango (COO and President) for making this publication possible.

For more information, kindly contact research@sbf.org.sg

Expanding Overseas ... a Calculated Decision

It was not by chance that OPSolutions considered expanding internationally. Everything began in 2013 when OPSolutions took over an Unilever project and outsourced its software development to a third party in Vietnam. This was when Mervin realised, rather than outsourcing as is usually the case, retaining knowledge and capabilities in the field of software development was critical to the future growth of his company.

Having discussed with his partner, Ileanne Arango, who suggested that the Philippines was a prime candidate for OPSolutions' first international presence, they took a calculated risk and opened an office space despite having little experience or knowledge of the market.

This also led Mervin to join one of the mission trips to the Philippines organised by SBF. Armed with the assistance and advice rendered by SBF, Mervin was able to transit smoothly and filled in the missing gaps especially in the area of business processes that were not optimised when it first commenced operations.

Being mindful of cultures when doing business internationally

“The most important factor is being able to understand the people that you will be working with. If you don't know the culture of the country and who you are going to work with, there is no work interaction, and you won't be able to provide great applications or systems development to the company.”

--- Ileanne Arango, COO and President

OPSolutions recognises culture as a critical component in its international expansion plans. By being mindful of the culture in the Philippines, OPSolutions was able to foster effective communication and the promotion of deeper understanding with its clients and employees. OPSolutions also firmly believes that business performance will see improvement as a result of its ability to provide and deliver hardware and software solutions to its clients through its team of highly motivated, client-oriented employees.

Working closely with a good local partner who understands the cultural aspect of business helps to bridge the gap, and people relationships are always a critical success factor for any business.

While OPSolutions clearly understood the importance of culture in international business, doing business in the Philippines for the first time has never been easy, and you sometimes learn it the hard way. Notwithstanding the numerous challenges faced by OPSolutions, these were never viewed as obstacles, but rather, opportunities.

Creating a 'Skill Shift' by Upskilling and Reskilling

The impact of the pandemic is felt globally and, more specifically, within the labour market. According to Statista¹, the unemployment rate in the Philippines reached 3.4% in 2020, up from 2.2% the previous year.

Companies are also changing their business models to rely more on technology as a result of the pandemic, reshaping their workforce and the corresponding required skill sets. While job losses have occurred in most sectors, those that have recovered quickly and are showing positive job growth are those that absorb a smaller share of labour, such as in the ICT sector, as well as several other highly skilled and advanced service sectors. This is due to digital transformation and remote working, which transform jobs, facilities, processes, and skill requirements, including capabilities required for higher value-added services.

Despite the abundance of hiring opportunities for OPSolutions, Mervin faces a challenge in retaining talent and developing capabilities and knowledge within the team, especially given that developing expertise can take six months to a year. Although they have no trouble hiring staff with a competitive package to build up their team in the Philippines, the challenge is upskilling and reskilling them, thereby improving the team's capabilities, as talents cannot easily be transferred between sectors due to differences in required skillsets and experiences.

While some of these jobs will return as the economy recovers, the disparity in employment composition will exacerbate skill mismatches in the labour market.

¹ <https://www.statista.com/statistics/578722/unemployment-rate-in-philippines/>

Understanding What Going Digital Means and How It Can Work for You

According to a market report² by ResearchAndMarkets.com, the global digital transformation market is projected to grow from \$469.8 billion in 2020 to \$1,009.8 billion by 2025, at a rapid compound annual growth rate (CAGR) of 16.5% during this period.

As a digital transformation enabler, OPSolutions helps businesses redesign their business models and processes, develop solutions to help companies fit into the digital space as well as provide flexible work solutions during times of disruption such as office lock-downs due to the pandemic.

Many business operations, both large and small, have been disrupted globally since COVID-19. Digitalisation, with its many benefits such as the ability for businesses to continue generating sales remotely, along with the deployment of digital marketing together with the use of big data, can enable the prospects of cost reduction via automation, and are now seen as necessary by companies to sustain or even to scale up their operations.

The use of digital technology and digital transformation have become critical in the Philippines' response to the current crisis. The adoption of various digital tools and platforms that facilitate digital and e-commerce transactions, telemedicine, and online education, is on the rise in the Philippines.

One of the many significant challenges that OPSolutions faces is the fact that there are a lot of manual processes to deal with when it comes to complying with regulatory requirements and the application for business permits.

In light of the current pandemic that necessitates working from home, companies are looking at re-modelling ways of working to help manage efficiency and productivity in the workplace. Aside from the importance of organisational culture and values in promoting productivity in the workplace, it is especially important for workers with flexible schedules and those working from home to stay connected to one another and yet be aligned with the organisation's values.

² https://www.researchandmarkets.com/reports/5136097/digital-transformation-market-by-technology?utm_source=GNOM&utm_medium=PressRelease&utm_code=j2bzdn&utm_campaign=1426023+-+The+World%27s+Digital+Transformation+Industry+2020-2025%3a+Trends%2c+Opportunities+and+Competitive+Landscape&utm_exec=joca220prd

Understanding these allowed OPSolutions to leverage on opportunities to improve its internal infrastructure, product offerings and the implementation of digital solutions and services to help enhance its customers' various business functions and services.

The future of brick-and-mortar in a digitally transformed landscape

OPSolutions recognised that the business environment is rapidly changing. This is happening across the region, and OPSolutions believe that the ongoing accelerated wave of digital transformation across industries is driven by Covid-19.

Most of its clients are now looking for a 'one-stop-shop' solution, not just a single product or development.

Going digital gives customers more options for determining what works best for them at the outset. Businesses, on the other hand, may sometimes need to maintain a physical presence. As competition heats up, the purpose of a physical presence has evolved. Physical presence creates a competitive advantage in the market by allowing customers to 'experience' the product in a seamless and engaging manner. Companies that understand and prioritise individual customer experiences may see an increase in customer 'lifetime value'.

Keeping an Eye on Upside Potential of Going International amid a Pandemic

It may seem counter-intuitive to talk about expanding overseas when local businesses are grappling with the pandemic, but for OPSolutions, it seems there is no better time.

Staying bullish in the face of a pandemic

According to a HSBC survey of over 200 businesses released in December 2020, one in every two Singapore firms is investing in international expansion despite the pandemic³. Even though the pandemic imposed some restrictions, particularly on cross-border travel, it may have given rise to new ways of doing business.

³ <https://www.about.hsbc.com.sg/news-and-media/sg-firms-expand-trade-and-connectivity-in-face-of-slower-recovery>

For OPSolutions, it recognised the upside potential in penetrating overseas markets during this time to gain a toehold and it make its presence felt, especially in Vietnam. OPSolutions did so with the assistance of SBF.

Despite grappling with COVID-19, Vietnam's GDP growth in 2020 defied the odds, rising by 2.9%⁴.

The company hopes to replicate Vietnam as another 'Philippine base' for the development of its software. *"I'd like to bring those capabilities into Vietnam and help build up our development team,"* says Ileanne. The firm has been in the Philippines, Malaysia and Thailand for some time.

Moving in tandem with customers' evolving needs

As the US-China trade war rages on, many foreign companies are reconsidering their manufacturing, service, and production locations, while a few Chinese firms are also leaving China. Research firm Gartner revealed that, last year, one-third of supply chain leaders planned to relocate at least some of their sourcing and manufacturing activities out of China by 2023⁵. Sales slumps and supply chain disruptions caused by COVID-19, as well as rising production costs, have all hastened the exodus.

Asia has reaped the greatest benefits from the trade divergence. According to a report by Nomura, by far the greatest beneficiary is Vietnam, which gained 7.9% of its GDP from trade diversion.⁶

Given that OPSolutions has already completed a few projects in Vietnam and Malaysia, to assist their customers in setting up their warehousing, OPSolutions was able to further leverage the US-China trade war situation and optimise opportunities by offering its services and solutions to these customers looking to relocate their operations to Asia.

⁴ <https://www.vietnam-briefing.com/news/qa-all-eyes-on-vietnam-why-and-how-to-enter-the-market.html/>

⁵ <https://www.gartner.com/en/newsroom/press-releases/2020-06-24-gartner-survey-reveals-33-percent-of-supply-chain-leaders-moved-business-out-of-china-or-plan-to-by-2023>

⁶ <https://www.nomuraconnects.com/focused-thinking-posts/us-china-trade-diversion-who-benefits/>

Leading and managing business is in the manner of an ‘orchestra conductor’

OPSolutions believes that having a ‘Singapore brand’ identity with an international presence distinguishes it from its competitors. Similarly, having an international presence allows OPSolutions to bring and engage its customers from various countries to Singapore or other parts of the Southeast Asian region where the required products and services can be sourced from. Having such presence allows OPSolutions to offer flexibility in servicing its customers at the regional level.

Many Chinese companies are coming to the Philippines to establish themselves. Conversely, there are also many Filipino companies interested in learning how to establish themselves in China. OPSolutions was able to capitalise on such a situation and seize the opportunity to bring value to the table, bridging and sealing partnerships between customers. Furthermore, OPSolutions places equal emphasis on front-facing and “back-of-the-house” operations which are success factors in its ‘business-as-symphony orchestra’. It is this unique ‘symphonic’ approach of bringing together and balancing the diversity of talents between individuals that enable the company to harmonise cross-border operations and ‘business-match’ effectively across countries and regions.

In Sum, Internationalising OPSolutions’ Unique Value Proposition

Finding and developing a unique value proposition or set of capabilities is a constant challenge for OPSolutions as it expands its operations throughout the region. Mervin deems it important to be able to constantly look back and ‘refine’ on lessons learnt to see how OPSolutions can better leverage on its unique proposition that will enhance its market position. This sets it apart from the competition.

Developing a clear value proposition and a strategy will add value to the customer experience and engender greater brand appeal. This in turn induces greater trust. Being a digital solutions provider, it is also about letting its clients understand the ‘essence’ of digitalising their business operations. Doing so allows OPSolutions to quantify the value, provide a solution, and deliver positive outcomes to their customers' business needs.

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