

Magic man: how Allen Lew surprised an industry

Operators aren't supposed to be major multimedia players. And creating moments that touch consumers' lives is meant to be a task best left to innovative digital businesses. **Successfully challenging the ICT** status quo is never easy – especially for an operator almost as old as the telephone itself. But for SingTel's **Allen Lew**, it's just one of the astonishing tricks up his sleeve.

“The digital and telco mindsets are very different – the digital world is all about constant experimentation, and we can't afford to be as rigid or risk-averse as before”

► **THE DIGITAL AGE** gets mixed reviews from most telecoms operators. On one hand, their networks have never been more relevant, given that daily life without smartphones, applications or constant connectivity is now almost unthinkable for businesses and consumers in much of the developed world – and across increasingly large swathes of the developing world too. On the other hand, operators everywhere are seeing a new generation of digital actors use this same network infrastructure to take center stage in consumers' minds – and in their wallets. To push the metaphor further, it's as if operators have built the theater (a rather expensive one, no less) and then been forced back into the wings as others bask in the limelight and the applause.

It's a development that's been met by a mixture of incredulity, resistance and even resignation in the operator community. Different operators have formulated different responses – partnerships with digital competitors are currently one of the preferred approaches – although even in the most optimistic corners of the industry, there is a consensus that today's operators must accept a significantly smaller slice of the digital box-office takings.

TAKING THE STAGE

Enter the magician. In early 2012, Allen Lew was appointed Chief Executive Officer of SingTel's

newly-created Group Digital Life. The goal was as uncompromising as it was radical – to seize back the digital initiative in favor of an incumbent operator. And for Lew – who had previously spent six years as SingTel's Singapore Chief Executive Officer – there was no time to lose.

“If we limited ourselves to providing connectivity – no matter how well – then we would have ended up as a slightly smarter-than-average utility. Our conviction is that we have the assets to be so much more, and that there is a huge opportunity for us to become a provider of unique multimedia experiences and services that can be our next-generation growth engines for many years to come,” he says.

“I think that successfully making that mindset shift, and developing the vision that has taken us on such an incredible journey over the past few years, has been one of the major events in the history of our company.”

The assets that Lew believes give SingTel a first-class ticket into the digital arena include data from the 500 million mobile phones connected to its networks across the Asia Pacific region, and strong customer relationships built on the company's real-time charging and billing infrastructure. Armed with these resources, together with an initial USD 1.6 billion investment from the SingTel board, Group Digital Life set out to dominate three areas that Lew refers to as “the vital few”:



digital advertising and marketing, video, and data analytics.

THE VITAL FEW

Of these areas, digital advertising and marketing has so far accounted for the lion's share of SingTel's digital investments. The company acquired US-based mobile-advertising-solutions provider Amobee for USD 321 million in May 2012, and then Amobee wrapped up two further acquisitions in June 2014 for a combined USD 359 million. In video – which accounts for close to 50 percent of the data traffic in SingTel's networks – the company is looking to roll out a service that brings video content to consumers in developing markets.

When it comes to analytics, the focus has been on helping business customers optimize processes, target new markets and get the most from their marketing budget – one recent launch is a cloud-based video-analytics service that gives retailers insights into shoppers' in-store behavior by extracting information from video images.

SingTel also bundles its basic connectivity offerings in a variety of ways, with music and mobile-money services just two examples of how Lew wants to differentiate the company still further from the competition. Rather than investing in multiple areas in the hope that one or two projects hit the jackpot, Lew explains that the "vital few" philosophy is all about a systematic, focused approach.

"We always start with our customers and clearly identify the behavior or engagement patterns that are driving opportunities," he says. "Then we look very carefully at our assets and determine if they give us a right to play in the space."

"There's no point going into a digital business just for the sake of it. Instead, our approach has given us a defined set of opportunities that offer us the best chances of creating long-term growth and that align with our competences and assets. Of course, only time will tell if we are focusing on the right services. But if I had to make these decisions again, I don't think I'd do anything differently."

The project may still be in its early stages, but some of the results are encouraging. SingTel's most recent annual report shows Group Digital L!fe grew revenues by 52 percent for the financial year ended March 31, 2014 (SingTel's total revenues increased 4 percent), although start-up and investment costs resulted in an overall loss. Amobee's revenue more than doubled, and outperformed the growth rate of global mobile-advertising spend. The company's mio TV IPTV network currently has more than 400,000 subscribers, and despite only launching in June 2014, the Dash mobile-money service is already available at more than 20,000 acceptance points across Singapore, and the Dash app has seen more than 10,000 downloads.



ARM'S LENGTH

But is it ever realistic for a company the size of SingTel – with 40 global offices and 20,000 employees as of late 2014 – to out-innovate more agile digital businesses? Lew accepts that SingTel's innovation clock-speed will probably never be as fast as a startup in Silicon Valley. Instead, he points to the SingTel Innov8 investment fund as a key tool in keeping the company ahead of the game. The USD 196 million fund has so far taken stakes in around 30 early-stage companies around the world and prioritizes technologies that support the three main Digital L!fe areas.

So what makes SingTel's efforts different from most corporate venture capital funds? Lew suggests that the pressures of digital competition sometimes make operators guilty of impatience and micro-management when handling their new investments. SingTel's preferred strategy, he explains, is to keep companies at arm's length wherever possible. Founders are encouraged to maintain their independence and continue experimenting in the grand startup tradition, with the aim of creating even more radical innovation. One gets the distinct impression that if SingTel had been the first investor in Apple, Steve Jobs and

BACKGROUND CHECK

▶ **ALLEN LEW**
Position: Chief Executive Officer, Optus
Previous position: Chief Executive Officer, Group Digital L!fe, SingTel
Age: 59
Headquarters: Sydney, Australia

Steve Wozniak would have been sent straight back to their garage in Los Altos the day after signing the contract.

FLYING SPARKS

But investments and acquisitions are just part of the story. As Lew puts it, the greatest innovation in the world can often be right under your nose.

In late 2013, SingTel organized L!feSpark, an internal hackathon open to company employees who wanted to validate new business concepts and turn them into working prototypes within a 60-hour timeframe. The success of the inaugural event, which saw three winning teams given the chance to develop their ideas in an incubator in Australia, prompted a second hackathon in November 2014 with over 80 participants focused on smart-city solutions.

This time, one of the teams will be given the chance to pitch to Digital L!fe executive management after the incubation period, with the prospect of receiving funding to pursue their project on a full-time basis. The promotional LEGO palm trees and sculptures that multiplied around SingTel's headquarters in downtown Singapore in the run-up to the event are a striking testament to how L!feSpark has caught the imagination of staff across the organization – a development that Lew considers as important for the company as any multi-million dollar acquisition.

"Nobody has a monopoly on creativity – you don't need to be in Silicon Valley to change the world," he says.

"We want to nurture digital innovation internally as well as externally. Our people have a front-row seat when it comes to our industry and customers, and it's essential that we give them the opportunity to translate that day-to-day knowledge into concrete prototypes with the potential to become tangible business drivers."

DIGESTING GROWTH

An energetic, engaging presence, Lew talks with the easy confidence of a man who spends much of his time convincing others of SingTel's remarkable digital vision. But who was harder to win over – the market or his own organization?

Lew pauses for a moment. "So far, I've think we've handled the market in the right way," he says finally. "The biggest challenge is that people are trained to think about telcos in a particular way, and we have had to emphasize our assets, prove that we can actually execute in the digital space as well as just talk about it, and gradually build up our credibility through successful smaller steps."

He points to the Amobee acquisition in 2012 as a clear example of this incremental approach – the deal was a relatively minor item on SingTel's multi-billion-dollar balance sheet, but strong growth in the two years following the purchase put Amobee in a position to make further acqui-

sitions for an even larger sum. Lew says the market was able to accept each of these steps, whereas the purchase of all three businesses at once would have raised more than a few investors' eyebrows.

The obvious follow-up question is whether SingTel has the time to take things step-by-step, given the speed at which today's digital landscape is evolving. For Lew it's a risk the company has no choice but to take.

"We have to move at a speed with which the market is comfortable," he says. "The biggest digital companies can make huge plays overnight because that is considered part of their DNA, whereas our telco roots mean it would be seen as too big a jump for us. It's a question of balance, and for SingTel it makes most sense to take on bite-sized pieces and steer clear of any kind of indigestion."

THE SPICE OF LIFE

So what about SingTel's 20,000 employees, many of whom are steeped in the company's long telco heritage? (SingTel is almost as old as the telephone itself, which was patented by Alexander Graham Bell just three years before the company was originally founded in 1879). Lew's response reveals a man who sets enormous importance on a shared vision:

"Selling the vision internally has one of my top priorities from day one. We are in a new era as a company and as an industry, and people need confidence to do what needs to be done. The board and the executive management have always been 100 percent supportive. But I work very hard to create a culture in which everyone in the company knows where we are going and embraces their role in making it happen. I want people to feel trusted, and even more importantly, I want them to trust themselves.

"The digital and telco mindsets are very different. The digital world is all about constant experimentation, and we can't afford to be as rigid or risk-averse as before. We have to try new things and understand very quickly whether they're going to work, if we need to modify our course or if we should move onto something else completely. And if someone makes a mistake, which I think is inevitable in any new era, we should learn from it honestly and move on."

When asked to summarize the leadership philosophy that helps him navigate these demanding internal and external landscapes, Lew refers to an unexpected source of inspiration – Southeast Asian cooking. Successful management, he believes, is a question of spice.

"My leadership style is built around five pillars – strategy, people, innovation, customer and execution (SPICE). Wherever I go and whatever business I'm in, I focus on these areas. Spice makes any food more exciting, and hopefully as a

LEW ON...

▶ ...EXPECTATIONS

"As a leader, setting clear expectations is vital. From my people, I expect teamwork and constant communication – if there's an issue or challenge, bring it up early and we'll solve it together. And from me, everyone can expect a strong vision and 100 percent support."

▶ ...INSPIRATION

"I try to follow the example of Lee Kuan Yew, the founder of Singapore, who combined real charisma with the ability to make decisions that were not always popular, but that were right for the long-term. And when it comes to creating magic for customers, nobody did it better than Steve Jobs. The smartphone era has changed so many people's lives, and it would never have happened without him."



NICHOLAS SMITH

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leader I help our customers, partners and employees feel energetic and passionate about what we are doing.”

MAGIC MAN

For both Lew and SingTel, it’s time to take the next step. Less than half of Digital L!fe’s initial budget has so far been invested, and the company always has new opportunities in its sights. Lew, meanwhile, has handed over the reins to McKinsey veteran Jonathan Auerbach and taken up a new challenge as CEO of SingTel’s Australian subsidiary Optus. What does he think other operators can learn from his time at the helm of Digital L!fe?

“Firstly, focus on your assets and understand in which new sectors they give you the right to play,” he says. “Secondly, develop the vision and make the mindset shift from being a telco to a multimedia provider. What we’ve done at SingTel can work anywhere – whether you’re an operator in Asia Pacific, North America or Europe.

“And finally, never lose the customer focus. Our job as operators is really very straightforward – to create magic. We have the ability to use technology to bring ‘wow’ moments in people’s lives, and nobody wants to go through life without positive surprises. And harnessing digital innovation in the right way gives us even more opportunities to create that magic.”

So the big question – is it ever acceptable for an operator to settle for being a utility?

“I think there will always be opportunities for operators who want to be the best and most efficient provider in their market. In fact, that’s some-

thing everyone should be aiming for, whatever their wider strategy, since it’s what keeps you alive in the game.

“What we have done at SingTel is push the boundaries by building something new on top. If an operator sees worth in just being the smartest pipe, that’s fine – but it’s not us. We think our value proposition is much bigger than that.” ●

INTERVIEW BY NICHOLAS SMITH