

Innovation in Southeast Asia: Why It Thrives Globally as EVs and ESG Stall

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While the EV (electric vehicle) market and ESG (environmental, social, and corporate governance) initiatives have shown signs of stagnation globally, a different picture is unfolding in Southeast Asia. Described as the digital frontier, the region is undergoing transformations in various fields and is now experiencing a major shift in the nature of society through technological innovation. Why, then, should this unique phenomenon in ASEAN capture global attention?

Worldwide Stall in EVs and ESG

Although the EV penetration rate (EV share of new car sales) in the U.S. in 2023 grew year-on-year to approximately 7.6% due to incentives such as tax credits and regulations, it fell significantly short of expectations. Amid slowing demand growth, the EV market leader Tesla revealed a 55% y-o-y decline in final profits in its January-March 2024 financial results, due in part to increased competition and lower sales in key markets.

The Chinese EV industry, which grew rapidly owing to government subsidies, has witnessed a drop in the number of registered EV manufacturers from about 500 in 2019 to less than half that number today due to the economic slowdown and intensified competition. The number of manufacturers discontinuing EV production is expected to increase in the future, with a growing trend of “EV graveyards” in China as large numbers of EVs are left abandoned by those who have withdrawn from the market.

Market oversaturation and declining purchasing interest — stemming from concerns about driving distance limitations, unaffordable prices, and insufficient recharging infrastructure — have contributed to these situations.

Enthusiasm for ESG is also waning globally. Particularly in Europe, there is growing criticism surrounding the quality of ESG reporting by companies, marking a trend towards more formal initiatives. A 2021 survey raised concerns that many companies are overstating their ESG activities, making it difficult for investors to discern true commitment to sustainability. Additionally, the credibility of ESG investments may face growing scrutiny if there are no tangible improvements in environmental protection.

This evolving landscape presents ASEAN as a beacon of innovation and adaptability, distinguishing it from global trends and highlighting its unique position on the world stage.

Localized Problem-Solving Innovations in Southeast Asia

In Southeast Asia, however, there are no signs of such stagnation.

In Vietnam, several of Vinhomes' smart cities are promoting green projects to transition entirely to electric vehicles. From the expansion of electric bus routes by VinBus to the provision of EV cab services by Green and Smart Mobility (GSM), Vingroup has adopted a strategy of not only selling EVs to consumers, but also replacing low-quality public transportation and cabs with EVs to rapidly increase EV penetration. As a result of these efforts, Vingroup was awarded the AIBP 2023 ASEAN Tech for ESG Award, which recognizes sustainable initiatives with the use of digital tools and innovative technologies.

In Laos, where approximately 1,300 EVs were registered as of 2022, government support and international partnerships contributed to the sale of approximately 2,600 EVs in 2023 alone. In November of the same year, the aforementioned Vietnam GSM launched an EV cab service in the capital city of Vientiane as a first step in planned business-led strategic EV rollouts. The low prevalence of automobiles, severe gasoline shortages due to global oil price surges and low electricity costs through the utilization of abundant renewable energy resources have become major driving forces behind these initiatives.

EVs are also becoming more modular and require far fewer parts than gasoline-powered vehicles. In expanding EV sales, meeting local needs is more critical than pursuing global growth, and whether a country is suitable for EVs depends largely on its energy mix.

Innovation in Southeast Asia through “Creative Integration”

Innovation is often referred to as “creative destruction” and is considered to involve the destruction of what existed before and the creation of something new. In fact, in Japan's regional cities, privately owned stores are disappearing, being replaced by restaurant chains and convenience store chains, which has resulted in the loss of the local communities that once thrived.

Yet advances in digital technology have, for example, revitalized rather than destroyed traditional, privately owned mom-and-pop stores in Southeast Asia. Consumers can order products via a smartphone app and a rider will deliver these from stores to homes within 30 minutes. Similarly, stores can replenish stocks through B2B e-commerce when necessary at the touch of a screen. Without destructive disruption, smartphone application technology has organically connected retailers and consumers.

Innovation in these ASEAN countries is driven by attempts to create new frameworks rather than being constrained by existing ones. New technologies and strategies are actively employed to solve region-specific challenges without relying on existing approaches.

This digital revolution has significantly expanded the range of what can be accomplished by individuals. Anyone can distribute video content around the world, and startups can manufacture electric cars. In such an era, it is imperative to provide optimal services to the localized market based on localized needs and context rather than to the entire world.

Innovation, achieved through the utilization of existing technologies and services to expand the capabilities of people and organizations, represents "**creative integration**" rather than "creative destruction" and holds the key to achieving a sustainable society.

Key concepts are “agility,” “flexibility,” and “collaboration”

In an era where providing services tailored to the specific needs of each region proves more effective than offering generic global solutions, success or failure will hinge on how quickly a company adapts to changes in the environment and how flexibly it responds — while fundamental structural changes may be necessary at times, much can be accomplished even with simple tweaks in policies. A flexible response to the changing environment is enabled by management setting an abstract, conceptual direction, such as a Purpose, while frontline personnel consider the concrete specifics of "to whom," "what," and "how" before executing their actions. In doing so, agility will also be achieved by empowering the frontline with the requisite authority and resources to execute and deliver.

Furthermore, understanding regional circumstances and maintaining local networks, including partnerships with local conglomerates and startups, is crucial to swiftly detecting environmental changes, particularly in the ASEAN region. The development of digital technology has indeed greatly expanded the scope of what individuals can achieve. However, challenges that cannot be tackled alone or by a single company remain, and partnerships are a crucial driving force to overcome these barriers and propel innovation forward. Companies have to understand their strengths, utilize available resources to secure the capabilities necessary to maximize the value of said strengths and create new value through collaborations around the world.

Our Role as IGPI

IGPI assists global companies, local conglomerates, and governments in fostering innovation across Southeast Asia, creating business models that harness each region's unique potential, and developing new markets through management consulting and strategic investments. By continuing to support sustainable development and innovative initiatives in the regions, we provide valuable insights for companies and investors around the world.

To find out more about how IGPI can provide consulting support for businesses, browse through [our insight articles](#) or [get in contact with us](#).

About the Authors

Mr. Kohki Sakata is CEO of IGPI Singapore. After joining Cap Gemini and Coca-Cola, Kohki joined Revamp Corporation, where he managed projects on global expansion and turnaround in various sectors, including F&B, healthcare, retail, IT, etc. Since joining IGPI, Kohki has managed projects mainly on global expansion and cross-border M&A in various sectors such as logistics, IT, telecom, retail, etc. In addition to his broad experience in implementing solutions developed in Western countries, he has developed multiple methods to turn around Asian companies with a focus on setting a clear vision and employee empowerment. He has proven the practicality of these methods by turning around Asian companies not only as an advisor but also as senior management. He graduated from Waseda University Department of Political Science and Economics and IE Business School.

About IGPI

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