



YS UP GOVERNANCE AND BOARDS PODCAST

Episode 18 – Online Car and Property Sales in South East Asia and so much more with Georg Chmiel

Transcript

Intro:

Welcome to YS Up Governance and Boards podcast brought to you by 3YS Owls Governance Consultants. Covering hot topics in governance, risk, latest regulatory changes and issues keeping directors and executives awake at night. Here are your hosts Ainslie Cunningham and Deb Anderson.

Ainslie Cunningham:

Welcome to another episode of YS Up. Today we're joined by Georg Chmiel. Georg is the executive chairman of Juwai IQI, one of the largest end to end property marketplaces in Asia, with more than 12,000 sales agents. He is also chairman of iCarAsia, ASX:ICQ, the number one online automotive marketplace for South East Asia, and non-executive director of Centrepoint Alliance, ASX:CAF, a leading wealth management network across Australia, as well as Prop Tech Group to be listed soon. Georg was previously managing director, CEO of the iProperty Group, ASX:IPP, before it was sold to REA Group for over Australian 750 million dollars. Non-executive director of Mitula Group, ASX:MUA, and earlier, managing director, CEO of LJ Hooker group with 700 offices across 10 countries. Impressive, Georg. Georg also held the position of CFO at REA Group, ASX:REA.

Ainslie Cunningham:

Georg has over 25 years of experience in growth business, especially in the real estate and online industry. Georg is the recipient of the Asia Pacific Entrepreneurship Award in 2016, and the Top Outstanding Leaders Asia Award in 2015. Georg is a CPA, USA, member of the American Institute of Certified Public Accountants, fellow of the Australian Institute of Company Directors, and holds an MBA in seed, and a computer science degree, TU, Munich.

Welcome, Georg.

Georg Chmiel:

Thank you. Thank you so much-

Ainslie Cunningham:

So, tell us a little bit-

Georg Chmiel:

...

Ainslie, for having me, and Deb.

Ainslie Cunningham:

Yes. No, thank you for joining us today from the other side of the world. So, tell us a little bit about Georg?

Georg Chmiel:

Thank you. You have given a very, very comprehensive summary of my past. You've made me sound really, really special in whatever. The reality is this, that I've always had a great passion for computers and for online. So, I studied computer science at TU Munich and I really, really enjoyed using computers to make things better or easier. And on the other side, I always had a straight affinity to property, and that's how my whole career shaped up.

Georg Chmiel:

At some point in time in my career, I had to make the choice between do I work with large companies, large corporations, not saying that some of them I've worked for aren't large, or more companies with a start-up type of culture, like small, fast growing companies and the likes. And pretty much for the last at least 15 years, I was able to work in this field. This is a field where I really, really enjoy working.

Ainslie Cunningham:

So, what are the biggest challenges that you see in that space, Georg?

Georg Chmiel:

So, the biggest challenges in the start-up phases, that companies are always very, very focused on growth. And there are different types of companies and there are approaches which vary. So, you have those companies who are very good in selling a growth story, but probably when you look behind the curtain, the whole business model doesn't make sense.

And then you have those companies who have developed a really, really good business model. But for them, it takes a bit of time for the market to fully understand their business model, because often these companies are actually really changing the way business is done, and the market, the industry, takes some time to really fully comprehend a new way, a new approach.

Deb Anderson:

Tell us a little bit about iCar and what iCar do, Georg.

Georg Chmiel:

Yes. So, iCarAsia is a marketplace. It's kind of a car sales for South East Asia. Now, South East Asia, or the ASEAN countries, are actually one of the largest automotive markets in the world. So, they're soon a number four, on a global scale, behind China, US, Europe. And when you look at that there's 600 million people there and the core markets which make up 80% of this large, large market is Malaysia, Indonesia, and Thailand. And these are the markets where we are focused on and where we are also leading.

Georg Chmiel:

So, we run a used car portal, but we also work in the new car space. Used and new are slightly different markets, maybe not so much from a consumer perspective, but one is dealing more with business to business type of customers, and then the other one, you're dealing with individuals who are selling their cars, that's the used car space.

It's very interesting, because we have implemented a lot of platform and structure and so on, into these markets, so different to let's say an Australian market. The whole culture and business culture is very much based on a mobile phone. So what we have created is we've created a platform for all car dealers and car professionals to really manage their stock, to upload their listing, to take photos, to research on data, etc, all on the mobile phone, and to the same sophistication level as you would find it in a different market, such as Australia or in Europe.

Georg Chmiel:

So, it's kind of interesting because markets like the ASEAN markets, have a great potential to adopt the next wave of technology, and thereby leapfrog other markets, and that's what we are really seeing in this market. So that's definitely a growth company. Most of the income is from online advertising, and we're seeing now what we are seeing also in other industries, that online advertising by itself is not sufficient. So, the generation of leads from inquiries is not sufficient and now it's about really how to convert those leads into delivering results.

If you upload your car on, let's say, on Carsales or an iCarAsia, you don't want a lead because a lead doesn't really help, you want your car sold. And people are more and more asking for those outcomes. Now, COVID obviously, made that even more an online industry and opened up a couple of new opportunities, but also gave a couple of challenges to our business.

Ainslie Cunningham:

So, in this sort of international markets that are experiencing potentially quite fast growth, Georg, what are the sort of challenges that you see for them?

Georg Chmiel:

Obviously, if you grow fast, it's very important that the whole, I should say, governance systems grow with a company. I mean, that's true for any country, not just for the South East Asian country. Wherever there is fast growth, the rest of the organization has to keep up, because initially, it's easy, you can double or triple or quadruple, but eventually, you come to a point where you need to have also a step change in your infrastructure, in your platform. And what is really, really important is that you always invest sufficient amount of time, energy, and also funds into building a strong platform for the growth business.

So, I would say if you think about what is this growth platform really in growth companies, it's a combination of the right people and incentive structure. It is clarity on the direction of the company. It's also the culture, the entrepreneurial culture, values system, but also technology, the backbone of technology. And with those, you can manage growth, because obviously, there is no return without any risk, and therefore, if you grow fast, if you have faster return, the risk also increases.

Ainslie Cunningham:

So, tell us a little bit about international expansion and how companies in Australia might look to maximize on Asian markets.

Georg Chmiel:

Yes. I think the first number one step is really, as a company, to be absolutely clear what you're trying to achieve. I know it sounds very, very basic, but you have to have an absolutely clear vision for your business. And that's not like, "I want to grow my revenue by number two," or, "Double every year, my revenue." It's really about what is it you're aiming to achieve, how are you making a difference? Once you have worked that out, then and only then, are you able when you go into other markets to work out does this really apply to these markets.

And I think one of the first flaws or learnings, which many companies including Australian companies make when they come to a new country, in especially also Asian markets is that a copy-paste approach of I take the model which I have in Australia and I adopt it to the Asian markets, doesn't simply work as well. And one example probably is the business I'm ... Well, actually a few businesses I'm involved in, they started off being copies of REA.

Georg Chmiel:

I came in after the copy-paste was done, and initially the business was growing, but the markets are different. The property markets are different, the money flows are different, the budgets are different, there's no way to pay for advertising. There's a ... I'll give you a few examples ... stronger focus in Asia, for example, on new properties, whereas in Australia, secondary gets most of the advertising spend. And if you just copy-paste, you don't get there. So, work out your vision, be absolutely clear on your vision, and then go into the country, and also not just tell but also listen.

The assumption that education levels in Western world versus Asian worlds are in favour of the Western world are no longer true. So, there's a lot of talent in our markets, and the advantage of the talent in the Asian markets is that they master a broad range of languages, they are very culturally ingrained. I'm not saying there's no room for foreigners like myself, or expats, but the whole old expat structure is coming a bit to an end. I mean, I'm a local employed person, I'm not-

Deb Anderson:

How's the property market fairing in Malaysia at the moment, Georg?

Georg Chmiel

Property market is holding up okay in Malaysia, I would say. It's growing. I would say the same principles apply to any property market. When you hear about property markets say, look, how is the Australian property market? Is it up or down, and so on, and you get the averages, like 5% down or 1% down and so on, it's not really that meaningful, because if you draw an average across the whole country of Malaysia or Australia, you don't get the real message, because the real message is very much based on the old concept of property, location, location, location.

So, there's certain areas in Australia, in Malaysia, in every global real estate market, which progress really, really well, and then there are other areas which don't progress so well. And it's often linked, not just to the economy, but it's also linked to other things, the quality of the developer, supply-demand imbalance in certain areas.

Georg Chmiel:

In general, what we are seeing in South East Asia and across all of South East Asia, that one of the outcomes of also the trade war, was a stronger focus of Chinese investments and also Asian investments on the South East Asia market, because of the large population, and also because of the low labour costs, and property prices are also relatively lower.

And as a result of that, certain Asian markets have really, really benefited in South East Asian markets, among those, Thailand, and now even more Vietnam and Malaysia. But you also have

growth at the moment in places like Singapore, which benefits from the Hong Kong situation, or Cambodia, which is more due to the investment into Laos and Cambodia. The Philippines are growing.

So I would say the number one determining factor is obviously the GDP growth, and while at the moment, due to COVID, most countries have a negative growth rate, the recovery will be very, very strong across our markets, and as a result of that, the property markets will also bounce back.

Ainslie Cunningham

And with managing multi-country organisations, you've got jurisdictional issues, you've got language barriers, cultural issues, how do you manage through some of those things, Georg?

Georg Chmiel:

Yes, I think you've nailed it. This is really quite a difficult one. It's less on the cultural side, but it's really on knowing the local laws of property, knowing the local laws of employment laws, etc. And there's no easy answer. There's ways to simplify things, like for example, if you deal with payroll across a number of different countries, there are actually providers who take this off your books and process it for you and make sure all the boxes are ticked. In our case, the number of countries is fairly limited, it's only 15 countries, and so we are managing ourselves.

When it comes to the property area, we've got in every country, obviously strong local teams, who know the business and so on. And then on the other side, it puts a bit of focus also on the board and the management team to really be across such things. So lifelong learning is not just a buzzword, so you have to always improve your learnings. I mean, there are some areas which are really difficult, for example, signing contracts when they're in a different language and also a different writing, like Chinese or Thai.

Georg Chmiel:

But again, technology helps because what you can do is you can upload it and get it auto-translated. It's not perfect, but it at least gives you comfort. Obviously, also, intelligent staff and supportive staff can help you, but if you want to be absolutely sure, and for certain important contracts I would really suggest it, use those tools because there's no other way, or use external advisors to help you there.

When it comes to managing the company and so on, it comes back to first and foremost, you need to be absolutely clear what you're trying to achieve, and across the markets of Asia, the whole area of the vision and what you're really trying to achieve is very, very important. Even more important than in the Australian market. So, whenever we do an investor presentation to Asian investors, the vision statement is at the start. That's not a revenue or an EBITDA type of statement, it's really about how are we going to change and make a difference, what's our long-term view.

Georg Chmiel:

Empowering people across ASEAN to have full information when they make a purchasing decision for a car or a property. It's these things, and that's really, really important. The second bit is then, there's a lot of technology available and we're using one of them, which we have been using in these two Asian businesses of iCarAsia as well as Juwai IQI for a long time now, which is Zoom.

So, for most of the time, we interact on Zoom. Initially it was a change for me, because I was used ... I only believed in when you're there, can you really be there. But what we have done is we've changed a bit the meeting structure, the whole process, and we ensured also, regular visits of key execs or other important people and thereby, maintained the culture, the cohesion of the culture, and that's really, really important as well.

Deb Anderson:

How have your Zoom board meetings been going?

Georg Chmiel:

They're going extremely well. I mean, honestly, in hindsight, I personally think we would all make a massive difference even for domestic companies to move at least half of our board meetings to Zoom board meetings, because: (a) you can really share a screen and everybody can see it, especially when you get older like myself. It's easier, nobody prints anymore, documents. It's really, really good.

I honestly think, in particular, things like AGMs are far more accessible to people. If you think of the shareholder base, which are not just of many companies, not just in Australia, you have also New Zealand, you have other shareholders on your register, if you move it to Zoom, you get far more participation.

So, we had our first iCarAsia AGM, obviously due to COVID, online, but I honestly think we want to do more of those, because it's much, much, much better. I mean, AGMs in the past, especially for companies like ourselves was usually like ... I mean, if you're lucky, you get 30 people in a room and it's a fairly uneventful piece to be honest. And you can actually create far more vibe and be closer to the shareholders, when you're in the Zoom environment.

Ainslie Cunningham:

I think too one of the challenges for a lot of companies at the moment is making sure their constitutions allow for virtual or hybrid AGMs.

Georg Chmiel:

Yes. In our case it does, it does, but it's a very important point. But I think it's a change which is definitely worthwhile making.

Ainslie Cunningham:

Yeah, definitely. And I think too when you were talking just before, Georg, you're bringing back nightmares for me in terms of ... I've worked for a long time in a global company, and they were in 20 countries, and we had challenges of ... It was an ASX listed environment and we had to make sure that we were getting certain policies translated into local languages. It wasn't until some of those policies needed to be relied on that when we got the local translations back into their language ... So we got them translated from English, so example: Global Code of Conduct, Global Whistleblower Policy, we got them translated into local languages, and then when they needed to be relied on in that local jurisdiction, it came back that it was translated as "Blows Whistles" as opposed to Whistleblower.

Georg Chmiel:

Yes. I'm not surprised. I'm not surprised. There's a couple of interesting companies who use AI, who have all the law of different countries stored and they're able to help, and this also how AI should be used. We're not at a stage yet, and maybe never, where we can 100% rely on it. It helps the legal professional and it can compare contracts. I mean, contract comparison of versions and so on is not a very, very, how should I say, elegant, and it's a very draining task. And if you use technology, it's so much better, it's so much easier, and also, so much safer.

Ainslie Cunningham:

So, dealing with technology, it's your space, Georg, and disruption in the technology space at present, are you finding that there's been an acceleration of digital transformation as a result of COVID? Or what are you seeing in your space?

Georg Chmiel:

Yes. I definitely do believe that. And when you read up, in terms of the history of the pandemics of the word, it's not a very uplifting type of topic, but every pandemic changed something in the society and in the culture, as well as in the technology. This one clearly put forward online education, online health, and all the other ... And the whole E-commerce like home delivery of food and other services, as well as the board meetings which we have mentioned, and the AGMs, and so on, so forth.

I mean, it was possible to do it before but now it happens. And that's probably the first key thing when thinking of technologies. We could have done AGMs before, like a year ago. The Zoom was existing, but we didn't do it. So if you start a company, if you want to disrupt something, it's also a question of timing, and it's really about is it making a big difference and how does it get adopted faster. And COVID, it doesn't sound right, but helped in this way, in the online adaption. And also COVID made also people more aware of the services which are available online when it comes to iHealth, the whole area of health, mental health, physical health and so on, and how computers can help in this field.

Georg Chmiel:

So, for me, disruption maybe is, maybe let's define disruption, is not a way to make a lot of money, but disruption is there to solve problems in the real world. That's the real disruption. And if you define disruption as let's throw some new technology on things and see what's happening, it might work, it might not work, but you have to really think about what are you going to try to achieve.

If you take REA's realestate.com.au, the number one reason why it was such a success is because there were newspapers. Newspapers are highly inefficient to search. I mean, you can't compare. It's only a subset of the total market in the newspaper, otherwise they will be that thick. And online allowed, for the first time, to really give full transparency and generate more and better leads, and balance the power in the industry. That is real disruption. That is real disruption.

What is not disruption are companies like Wework or others which try to apply a bit of the accounting standards and couple of other things and convert large long-term leases into smaller short-term leases. I mean, the only outcome of all of that was changes to the lease standards, and a lot of people who probably lost a bit of the belief in the technology and the disruptive community. But honestly, it really makes a difference.

Georg Chmiel:

It's also differentiating between countries. So, if you take a Western, let's say, European or Australian approach, technology is not unconditionally embraced. The first thing which comes to mind, particularly in countries like, let's say, Germany where I'm originally from, is fear. So, technology is there's something stored about myself, what will happen with the data, etc.

When you take an Asian approach, it's about opportunity, it's about how can this help me in doing things I wasn't able to do before. How do I, and this is not just online technology, how do I get access to medication? How am I able to follow a job when I'm quite remotely based? I mean, if you think of those countries, you've got 7,000 islands in Philippines, you've got 17,000 in Indonesia. I mean, logistically, a nightmare. So, the only way you can do it is by disrupting how you interact in these markets.

Deb Anderson:

We're both going to ask a question. Georg, so you sit on quite a few boards, obviously in Asia and in Australia. In terms of diversity, what sort of differences do you see across the different cultures?

Georg Chmiel:

Yes. There's varying levels of diversity. One is obviously the gender point. If you take a company like Juwai IQI, we've got, as you mentioned earlier, around 12,000 total people, 77% are female. And across our markets, what we are doing is we are really, especially in property, property is a fairly equal opportunity type of industry, because if you sell, you sell, and it doesn't matter what gender you have. So, from that perspective, there's no difference in pay or any other things, it allows to really equalize or empower across a large number of countries.

On our board in Juwai IQI, we have two female and four male directors. When it comes to other areas of diversity, from cultures, or countries, or capabilities and other things, it's a fair mix. I think we represent three or four different continents on that board. So, to me, it's very important. What is so important about diversity? It's about learning from different cultures, different approaches and so on, and bringing the combined power together, which is ultimately the power of teams and so on, that you follow a common purpose, but you bring all your different capabilities together.

Deb Anderson:

And having young people like yourself on boards, too?

Georg Chmiel:

Sorry? Young people? I'm probably one of the oldest ones in Juwai IQI and iCarAsia, but this is actually a very important point, because I often here, I'm too old for technology and so on. Technology which really disrupts, really solves problems in the real world is actually making life easier for all sorts of people, even people who are older than 50.

Ainslie Cunningham:

I think too, it's just around having diversity of thinking and having those sort of respectful challenges within the boardroom that actually strengthen proposals and strengthen new ideas, and just really challenge thinking and get back to the ultimate why for the organisation.

Georg Chmiel:

Yes. The ultimate why is the essence, you're absolutely right. The ultimate why. And it sounds so easy, but I would encourage everyone, in any company, to take a step back and say, "Why? What is our ultimate purpose? What are we trying to achieve?"

Ainslie Cunningham:

I think it's really easy for entrepreneurs and start-ups because they are so wedded to the vision initially, and I think it gets lost in the journey, when companies change hands, companies might embark on IPOs, or any of those other sorts of changes. And I think the ultimate why does get lost along that journey.

Georg Chmiel:

That's absolutely true, and to a certain extent obviously, companies which are well run and well thought through, sometimes also suffer from peers which do the opposite. I mean, there's at the

moment obviously a strong focus on profitability on the ASX. So you need to be really profitable to be taken fully serious. I think the number one thing companies need to focus on, the incremental profitability. So how much does the incremental dollar drop to the bottom line? That should be the ultimate thing.

And there's a lot of companies who actually have a negative one, or the extra dollar costs at least another dollar or more. And these are the companies where you really need to think why is that. Why is that? And these could be companies which are quite famous, like some famous companies when you think who are big disruptors of transportation, or who are a big disruptor also of video streaming. And it's kind of interesting, often you don't see it, the number one thing I would encourage everyone to do is go to the cashflow statement because cashflow doesn't lie, and cashflow gives you the true picture of a company performance.

Ainslie Cunningham:

And I think too at the moment cash flows are our hot topic of conversation. Their business models are constrained. The spotlight's being put on cash flows as a result of maybe restrictions on Op Ex and Cap Ex and all of the like, and just a reprioritisation of strategic objectives. And I think that dollar is going to take companies a lot further because they have to be wiser with it.

Georg Chmiel:

That's right. That's absolutely right. I mean, if you put yourself in an investor shoes, if you look at all these half yearly and annual reports, which are being published and all the requirements which have to be published, there's a general issue I have with most of the financial reports, that they're all historic. Meaning, if you look at a balance sheet, it's pretty much a present or early past type of statement, it's not anything future orientated. Yes, there's receivables and payables, but that's pretty much all there is when you look into the future, but they are only associated with things, in most cases, which have already happened. So, it's just that the money hasn't arrived yet or hasn't been paid.

But what I would really like is I would really like forward looking information. That's really missing. If you think of the average board pack, it's all historic information, and it comes usually after a month on average, or two weeks. And by that time, when you start to respond, you're already two months too late, and that's missing.

Ainslie Cunningham

Yeah, and businesses only might look at their strategy, budget and ops plan once a year.

Georg Chmiel:

Yes, that's the other thing. The other thing ... I mean, this is now me having worked as a CFO and whatever, these annual budgets, I'm absolutely no fan of annual budgets. I think an annual budget is good to have, but you should also have an idea where you might be in two, three, four, five years. I'm not saying this needs to be firm, but why is it exactly 12 months? Now, we all know because we are living in a world which has defined a year as a year, and therefore, everything else needs to centre around that.

But the way I would do it is I would actually constantly update it and push it. I'm a big believer in a rolling budget, because if you do annual, if you compare this, the next year with the last year, you make all sorts of incorrect decisions, because there are certain things which happened in the past, which no longer exist, or you've just hired people at the last month and they're not fully reflected in there, but they hit you fully in the next month.

Georg Chmiel:

So, what I'm saying is if you're actually looking at the present rather than the last 12 months, and work out how is this present going to change over the next one to two to three months, and you do this on a regular basis and in parallel to that, you have almost like a cash flow budget for the next 12 months out into the future, you can get a lot of information. You need to update that much more regularly, and that's a bit missing, because a profit in a company might not say anything about the way a company's really performing.

Deb Anderson:

I think too in the financial service's sector, Georg, as you know, we went through a Royal Commission, you go through COVID, they have a huge impact.

Georg Chmiel:

There's a huge impact then. What's also missing is if you look into the future, some companies have nice subscription agreements. Nice, because they're kind of guaranteed into the future. So, subscriptions, other things, need to be really, really understood better. And also, the nature of a business, what you're doing in a business and so on, sometimes don't get fully reflected in the way it's being described in the director's report, which sometimes is a bit stale and not really targeted at the investors. It's just filling in the gaps. And I think there's so much more we could be doing in terms of explaining. I mean, how many companies explain in the director's report what they're actually going to try and achieve? I mean, most companies say-

Ainslie Cunningham:

There's sort of the operational review and it's a bit wishy-washy and unless they've got earnings guidance or thing like that, it's difficult. And even those have been pulled at the moment.

Georg Chmiel:

Yes, but even earnings guidance is not a vision. It's not a vision. I'm talking really about okay, we're here to replace newspapers. Or, we're here to do this, or we're here to deliver you video, whenever you like it, any video. Or, we're here to allow you to compare property investments on a global scale, across multiple countries, and you don't have to deal with these individual agencies anymore, and you have full transparency, you can compare. Or, you find additional information, which you really need to invest in this ... Can you really invest in these countries, and so on.

I mean, if you think back of even Juwai in the past, the first strategy was secondary market or established property focused, as I said, copy-paste a REA. But the problem is nobody from overseas can actually, or hardly anyone can purchase existing properties in a country like Australia. They can invest in new properties, but not in existing ones. So, I mean, why even put them up from that angle?

Georg Chmiel:

It's these things, it's really coming back to the question of what are you trying to achieve? And once you know that, you need to inform your investors, you need to inform your staff also. I mean, so many companies, if you think of the value statements, which some companies do, you go in and all the walls are full of value statements, "We are the best. We are the most entrepreneurial, and we reward this and that." And we all know that realty's then often completely different. In the end, in the end, value statements don't belong on the walls, value statements need to be lived and experienced by staff. That is fundamentally important.

Once staff believe and see, only then can you really talk as a culture, because most of these value pieces is you pick a few staff and you say, "What are we good for?", and whatever, and then you

push it down in many, many sessions. And they have these big, round tables and speak up, and some people never speak up, because why would you speak up and you only get punished later if you speak up. No, I mean, this is the reality, and this is the essence of also probably behind a lot of these challenges, which we are finding in breakdowns of controls, is the value system and the culture being out of sync and people just doing their thing, as they've always done. Nobody's switching their brains on.

Ainslie Cunningham:

Yeah. As the CEO of LJ Hooker for quite some time and the CEO of iProperty Group, you would be well versed in values and culture, how would you overcome some of those challenges and how would you create a really rewarding culture?

Georg Chmiel:

I mean, I really did what I said in iProperty. So I came up in iProperty to Kuala Lumpur. iProperty was operating across four or five Asian countries, up to Hong Kong, and so on and so forth. And I looked at it everywhere where these values on the wall, and I removed them, and I said, "Look, our values are people and we are great in people. We are great in innovation. We are doing this, this, this." And then, I put them on a paper and I really made sure people started to believe it.

So, we did specific activities to show the innovation. So we were the first ones with chat bots, with drones, with this, with this, with this, and we didn't rub into the employees said, "Look how great we are," they started to believe it. They started to see it and they started to innovate. Then I said, "Okay, from now on, we really earn the right to say we are innovators," and the other ones as well.

Georg Chmiel:

People, it's not just about financial remuneration, and it's not just about nice off sites and other things, it's really about the daily job. You don't work at a company to have funny off sites or take away a lot of money only. You work at a company because you really ... I mean, it's the place where you spend most of your time, to have fun, to feel fulfilled. You spend more time in companies than you spend at home. And think about the selection process some people go through when they pick their family environment or build their family and the decisions, but in a job? Sometimes we sit there and just consume it and so on.

Look at yourself, you're entrepreneurs, you've created something really, really amazing and you're having fun at doing it. I, for the last probably 15 years of my career, the years where I no longer felt like I have to work for people I don't really respect so much and so on, the last 15 years, I never looked at my watch. In fact, I don't have any watch on my hands because the day goes very, very fast. And when the day goes fast, then you're having really fun, you're making a difference.

Ainslie Cunningham:

Yeah, every day we get to the end of the day and go, "Oh, how's it 5:00 already?"

Georg Chmiel:

Yes, I know. I know. I'm sure you had a situation where you said, "Oh God, why does it have to be 4:30 already? Could it be a bit ..."

Deb Anderson:

You seem to forget to eat.

Georg Chmiel:

Yeah.

Ainslie Cunningham:

Yeah, we do forget to eat.

Georg Chmiel:

Well, I wish I had that problem.

Ainslie Cunningham:

No, that's really good Georg, and I think too, some of the biggest challenges for organisations with poor culture is how do you make those employees feel really valued. And sometimes it's as simple as thanking somebody for their hard efforts, or giving somebody the recognition that they deserve for doing a great job. And instead of constantly expecting more of the people who constantly deliver, and not actually calling out poor behaviours of people who don't necessarily deliver, and the people who are over-delivering are carrying the weight for the whole team.

Deb Anderson:

And letting them have a voice, too.

Georg Chmiel:

Yes, you have to give people a voice, that's right. So for example, in Juwai IQI, what we have is we're using WeChat because we're interacting a lot also with China, where half of our people are. And so we've got one big group chat, which is called Family Group chat. That's for all people in corporate, that's roughly 200 people.

And literally, every day starts with somebody thinks it's empowering to have a good quote at the start of the day. So it's a self-developing thing. We also have strategy updates, so we reiterate what is the strategy in small sound bites. We have fun facts every Friday, we aim to really have fun, and it's getting funnier and funnier, because there's a lot of creative energy there. And thereby, you create a new type of culture. What these systems and processes do, or these technology systems do, they actually put everyone on the same level.

Georg Chmiel:

So when I joined iProperty, I noticed obviously that especially across Asian countries, there's a lot of hierarchy, and people who don't report to you directly, don't really want to talk to you, because they're afraid of going around their boss. So the first thing we did is, or one of the helping tools was we implemented selfies. So we implemented the selfie culture, so at every point in time we did selfies, with clients, with everything, and whatever. And one of the things on the selfies, everybody is equal on a selfie.

Same with the Zoom calls, everybody has a little box, like the Brady Bunch. Nobody gets a bigger box. Everybody's in one box, and it really, really ... There's research also for schools that some children perform better, because they feel a bit more empowered because they're now in an equal box to the bullies, that the bullies can't really ...

Georg Chmiel:

I'm not saying this is the future that we only interact online, I think physical interaction is very important, but what I'm saying is that technology also helps overcome a few of these things. And honestly, this selfie culture took the whole real estate industry of South East Asia by ... Obviously, I mean these are markets which are very much selfie countries, but in property, that's new. So it's become a standard, come up and have a look, do a selfie.

Ainslie Cunningham:

So how are you finding the challenge with China at the moment, because obviously they went through COVID a lot earlier than the rest of the world? They're probably now emerging out the other side, earlier than the rest of the world. How are you kind of managing the staggered phases?

Georg Chmiel:

Yes, you are absolutely right. We started having a lockdown of our office, like a complete lockdown for four weeks, in February, in China. What it also did is it prepared ourselves a bit for what was to come, because then South East Asia\ was next, and then the other parts of the world. Hong Kong was kind of shielded a bit, that they weren't that impacted the first time, but it seems to happen now a bit more.

Well, it is, it's definitely a challenge. It helped us in our company to really get online fast. So when it hit, we didn't get much warning, we had a few days of warning that serious restrictions were being put in place, in particular Australia and Malaysia, where most of our head offices is now located, and we had to very quickly move the whole finance, everything, into an environment where home office work was possible, and we mastered it. At the same time, all our agents using an app, so we added to it, retro tool capabilities, etc. And we're continually advancing it with online signatures, payment platforms, etc.

Georg Chmiel:

So, it was a challenge, but we were able to process during COVID and our business has actually grown in the first half by 25%, so we're very happy. And second half will be mind-blowingly fast growing. And I mean, it's only the month of April, where we had to do all this transformation, which we've really slowed down. What we found is the thing which slows you down sometimes is actually not what you would expect. So, in our case it was the banks.

The banks slowed us down because the banks did not process mortgage applications. That's the thing. So we had everything done, we had the sales. So now, all these mortgage applications get processed and now it's picking up again. But what that shows is there is a potential for disruption of, how I should say, slightly old-fashioned financial services industry in our markets.

Ainslie Cunningham:

Yeah, it's such a heavily regulated environment and I think-

Georg Chmiel:

Manual also, a lot of manual tasks.

Ainslie Cunningham:

Yeah, and expectation of wet signatures and things like that, it just causes constraints.

Georg Chmiel:

To give you an example, to open a ... I don't whether you ever opened a bank account in Thailand, but I had to sign a corporate bank account, 150 times for one bank account.

Ainslie Cunningham:

Yeah, that's next level.

Georg Chmiel:

It took me one and a half hours.

Ainslie Cunningham:

Yeah.

Georg Chmiel:

That's the next level, but it's changing, and that's why it's changing. That's why Alipay, WeChat Pay, all these other payment platforms, which are coming into place are really, really changing it, because what they're literally doing is building on a credit card infrastructure, or on their own type of network, in allowing for payment flows.

Ainslie Cunningham:

Yeah, and I think too-

Georg Chmiel:

That brings new challenges, but it's faster. I mean, I remember six months ago, I forgot a payment to my daughter. Like eight months ago, she was still studying at that time, and she reminded me on a Sunday, and I was so embarrassed, I immediately processed it on a Sunday and it was sent from an Australian bank account to another Australian bank account, different bank, within five minutes on a Sunday.

Ainslie Cunningham:

Yeah, the new Osko payments, they're really great, aren't they?

Georg Chmiel:

Yes.

Ainslie Cunningham:

Real time almost.

Georg Chmiel:

Yes. So, it's possible. It's like this, Zoom was there before COVID, it's all possible and why shouldn't it be possible? Because in the end, if I owe you money, you want the money now. I want to give it to you now. I don't owe you money by the way.

Ainslie Cunningham:

Yeah. No, I know it. No, you don't. But I think too-

Georg Chmiel:

I don't think so.

Ainslie Cunningham:

... ASX did a lot of work on investing into their transformation strategy for blockchain, and they've spent a lot of money investing into that piece of technology, that there really will I think be a disruption in this real time transacting, processing type environment, because even to purchase shares, you've still got the T+2 type settlement periods and things like that. So once that is actually fully functional, there'll be real time processing of share transactions, and they're looking at rolling out that blockchain technology for other environments. I think there's a real opportunity there.

Georg Chmiel:

Absolutely, real opportunity there for property transactions, the whole title transfer, like everything, the application process. There is a lot of opportunity there and it comes back to the ultimate aim of disruption, which is really making things better and simpler, faster, in the real world.

Deb Anderson:

Just conscious of getting you back to work on time, Georg. Just one question from me. Your Asian employees working from home, how have they coped, because obviously with extended families and the Asian culture, it's a bit more challenging, isn't it?

Georg Chmiel:

They've all coped actually quite well. I mean, obviously one thing definitely has come up that people are now, when they're looking for new property, or looking for a new office and so on, they're factoring those factors of working from home, in. So in one of the companies, we're currently thinking, "Do we really need such a big office? Well, maybe we need half the size of the office, and for the other half, people can work from home."

And the same thing is when you look for a new property, then you think, "Okay, where in this property would I work from home? Where do I put my desk?" Because what we have noticed is a lot of people had to work from the living room. The sofa is, while it's comfortable for watching TV, it's really bad for your back and everything. Then they lie on the sofa in the call. It's not the same. You can't write down ... No, no, it's a real challenge. Then you have your kids running around and everything. It's difficult. It's really, really difficult.

So, it has changed the whole property industry, so there's a new demand thing, a new thing which is working from home spaces. And I'm sure it will become more and more ... How many home offices, real home offices are there? I mean, a real home office, you need to be able to close the door.

Ainslie Cunningham:

Yeah, dogs, cats, children. The level of professionalism is just out the window, isn't it?

Georg Chmiel:

Yeah, but the dogs are hilarious. In two companies, we have a few dogs who regularly join the Zoom calls, and I've sometimes also invited them to be really lifted up, and they take great interest and make valuable contributions.

Ainslie Cunningham:

No, that's good. I think the furry friends have been the real winners out of COVID, and I think they're going to suffer dearly when their owners have to go back to an office environment, and maybe there's an opportunity for more pet friendly workplaces too I think.

Georg Chmiel:

Yes. Oh why not? I mean, I would be all for it, because in the end, anything like pet friendly, and this sounds now wrong, but also finding ways where child care facilities at work, or other things, it makes people ... I mean, nothing worse than when you're at work and you look at the clock and you think, "Oh God, I have to do a school pick up." There's so much stress and if there's a way how you can simplify or facilitate it, everybody will be so much happier and more productive.

Ainslie Cunningham:

Yes, definitely. So, before we wrap up today, Georg, is there sort of top three tips that you'd like to leave our listeners with to draw on your experience?

Georg Chmiel:

Yeah. So the first one is really when you want to build a new business and so on, start with the problem, don't start with the technology. Don't build the worlds best technology and then run around and try to find someone who uses it to solve a problem, because that's one of the most common area where tech companies really, really fail. Because they're tech companies, they're not really disruptive companies. So start with the problem.

Number two is, technology is not a question really of age. So, don't feel discouraged by just operating a normal iPad or iPhone or whatever tool, you're already doing far more than many other people. So, play with it, get on Zoom, start to use messenger platforms, WhatsApp, like WeChat, and so on. Just play with it a bit and you start to learn, and you start to think. Also, try to understand why they were really set up, coming back to what was the original problem and so on. Read up, there's a lot of good literature out there for people to understand and to read up in this whole area.

Georg Chmiel:

I mean, this is just yet another change. It's like some people call it the Fourth Industrial Revolution. And in every industrial revolution, there were people who were saying, "Ah, this is horrible. We want to maintain the status quo. Life won't be the same." I mean, some people said if you go with a train you will die or get dizzy or sick, because trains moved so fast when they came out. They moved 30 or 40 kilometres an hour and people thought that's far too fast, that nobody can live with that, and now we are completely used to it.

At the same time, always maintain a respect for the humans in the whole process. So when you make decisions as a board and whatever, I think it's really, really important that technology is being applied in an ethical way. So it's really fundamental and proper value systems and so on don't go away.

Georg Chmiel:

And the last bit is really never underestimate other factors which make a difference to people when they work somewhere than money. It's not just the money, it is about making a difference. It's about additional benefits and so on. So think about beyond that. If you have to pay someone extra to stay in a not so pleasing job, it's not really the right thing.

Ainslie Cunningham:

Some great tips there, Georg. Thank you so much for joining us today and thank you to our listeners for joining in as well.

Deb Anderson:

Thanks Georg.

Georg Chmiel:

Yeah, thanks Deb, thanks Ainslie, this was really good. I really enjoyed it.

Deb Anderson:

We look forward to catching up when you come back to Australia.

Georg Chmiel:

If you guys let me in.

Ainslie Cunningham:

Yes, absolutely. Fingers crossed for you.

Georg Chmiel:

Yes, exactly. Okay, thank you so much. Have a wonderful week ahead.

Ainslie Cunningham:

You too.

Georg Chmiel:

That wasn't too bad for a Monday morning, was it?

Ainslie Cunningham:

It was great. Thanks, Georg.

Outro:

That's all for today. Until next time, happy podcasting. And remember if you're enjoying the show, check out our other episodes and all things governance at www.3ysowls.com.au.