Reflections on Entrepreneurship in Singapore and Malaysia

Karl Egge

Macalester College

Follow this and additional works at: http://digitalcommons.macalester.edu/macintl

Recommended Citation

Available at: http://digitalcommons.macalester.edu/macintl/vol12/iss1/14

This Article is brought to you for free and open access by the Institute for Global Citizenship at DigitalCommons@Macalester College. It has been accepted for inclusion in Macalester International by an authorized administrator of DigitalCommons@Macalester College. For more information, please contact scholarpub@macalester.edu.
Reflections on Entrepreneurship in Singapore and Malaysia

Karl Egge

My objective was to gain insights on if and how starting a new firm in Malaysia and Singapore differs from the same endeavor in the United States. My field research included fifteen unstructured, on-site interviews over three weeks in January 2002. Most of the interviewees were selected through former students of mine living in the region. Seven of the interviewees had been investors and founders of seventeen new firms, three were managers of expansions or spinouts, and five were academics or otherwise involved with local entrepreneurs and the business environment.

My reflections are based on personal interviews with the nonrandomly selected entrepreneurs, and discussions with several professors at Universiti Sains Malaysia (USM) in Penang and the National University of Singapore, who had experience with and researched entrepreneurs in this region. I also reviewed several books about Malaysia’s rapid economic growth and its unique business-ethnic-political linkages.

*****

I can make available to the interested reader a detailed, three-page spreadsheet summarizing all of my interviews. In what follows I provide a very brief overview and summary of some of the more interesting entrepreneurs and their businesses.

A. Mark Chang’s JobStreet.Com

This job and worker matching, internet-based firm began in 1997 in Penang. JobStreet.Com charges firms (about $175) to post a job open-
The firm has grown from 30 to 130 full-time employees in the last 2.5 years. They have expanded to three offices in Malaysia, one in Singapore, five in India, and one in the Philippines.

Perhaps the essential key to understanding the precedents to Chang’s launching of this firm is his statement that even in his high school days he wrote his own computer programs and never had any fear of technology. A second key to his success is that he assembled a team with complementary skills. He wanted others to handle business issues, telephone lines, rental space, and so forth. He did not want to sacrifice his time and comparative advantages. A third key is that he started running banner ads for revenue with his portal site. By watching who was buying and hitting on the ads, he identified job-worker matching as the key. Chang, who went to MIT, likes to find solutions to problems. He believes there is a lack of transparency in jobs, and finding the appropriate fit is costly to both job providers and seekers. He wants to make the matching more transparent and less costly.

B. Dr. Osman Mohad and Examples of Government-Sparked Entrepreneurship

Mohad is an Associate Professor in marketing at USM. His MBA class is doing case studies on two investments by the Penang Development Corporation. They are not private sector initiated.

One of the two projects was building Hotel 1926 Penang. The Penang Development Corporation bought an old, centrally located headquarters that housed colonial officers and government administrators in downtown Georgetown, and subsequently converted it into a 4-star (out of 5 stars) hotel with restaurant and meeting and function rooms. It rents the facility to the Malaysian Malay Chamber of Commerce. In turn, their business arm did the leasehold improvements and set up a wholly owned company to manage the hotel. One of the objectives of the Chamber is to develop native Malay expertise in hotel and restaurant management. The hotel opened in 2000. The night I went there with several of the MBA students, only about 15 of the 95 rooms had been rented. Its restaurant was not busy, yet service was slow.
C. Steven Tan’s Asiasmart.com

A native of Penang, Tan is the principal founder of this Singapore based firm. It is an online magazine subscription firm. Tan said he has been reading a variety of magazines since a child. His Amherst College roommate’s family was the largest magazine supplier to universities and institutions (RoweCom). Tan caught the internet “bug,” and searched for a business that would link his avocation and network of contacts to the internet. The business model entails obtaining online subscriptions from Singapore and Hong Kong residents for predominantly American magazine titles (thousands are available). Buying in large lots, Asiasmart should get substantial discounts from the publishers, and it could have lower transportation charges with bulk containers sent via airfreight.

Customers shop online for titles, not unlike the use of Amazon.Com’s shopping cart. They pay in advance for their subscriptions. A major problem has been the low, 25 percent renewal rate. The business is struggling. There was a recent reduction in the number of employees down to eight. Tan has not taken a salary for a year. The firm gets free office space from one of its major investors. The firm generates about $1 million per year, and is nearly at the break-even point.

The key success factors here are Tan’s network of friends in the industry, the avocation of magazine reading, and access to value-enhancing (or loss-reducing) venture capitalists and investors. The negative elements include the sale of a product/service with a higher price point than in the U.S., getting low renewal rates, and essentially being stuck within the two metropolitan areas. Focusing on sales of hard copy magazines to Internet-savvy people appears to contain some contradictions.

D. Tushar Doshi’s Tushiv International (PTE) Ltd.

Tushar is a 1990 Macalester College graduate with MBA training in Arizona. An Indian, he is a native of Singapore. His two-year-old small firm’s business foundation is as an international commodity broker, which his employee manages. Beginning in 1996, he pursued several negative cash flow business ventures before settling, in 1999, on his commodity brokerage business as the positive cash flow foundation for his subsequent pursuit of higher-growth opportunities.
Tushar spends more than half his business time in another venue: pursuing a virtual imaging and advertising opportunity. He spends his time almost like a missionary salesman, demonstrating the technology and trying to get all parties interested. There are many roadblocks to a sale, but he is passionate and driven.

One of many of his lessons for entrepreneurs is that, once you can get your basic living expenses covered with one line of business, you may pursue other higher valued (but difficult to effect) business opportunities that motivate you.

E. Hobart Kay’s Many Firms

Mr. Kay’s grandfather emigrated from China to Singapore, working as a stevedore, but ended up a manager. His father grew the ship unloading, stevedore company to 600 employees. Kay took it over in 1988, when his father died, but gave it away (i.e., the contracts) to the key employees two years later and walked away.

Kay started many firms. Even in junior college in California his business acumen began to show. He imported pewter products from Malaysia and Singapore. Upon returning to Singapore, he started a garment manufacturing company (in the 1970s) with a friend. This led to a dye business, and to a very successful tee shirt firm. He claims he never tried to maximize profit, but instead to have fun. He gave the firm away in 1985 because he was no longer having fun. In the late 1980s and early 1990s, he gave his 15-store laundry to his sister. His only two conditions for the gift were that she could never ask him any advice on how to run or what to do with the business, and free laundry of his clothes for life!

All along, Kay’s passion and avocation have been following and betting on horse races. He said he never gambles at casinos. Instead, he prefers competing (as a bettor) directly against others. Those more versed in and with more information about horses, jockeys, and the odds, and who also are prudent in how they bet, essentially acquire what he called “my ATM machine.” He bought the Racing Guide for less than U.S. $100,000. Kay believes that his historical record of being better prepared than others, knowing how to handicap the field, being on the front end of trends in how people spend money, and doing what gives him “joy” will serve him well in this investment. He only wants to do work in things that are fun. Earning money from the business is secondary. He can earn money betting. He gets joy out of giving
people a job or a company. Confronted with negative business situations (e.g., a labor problem with his father’s stevedores, more competition from tee shirt firms or laundries), he leaves.

**F. Jayesh Parekh’s Many Firms**

Parekh is 47. After leaving India for the U.S., he received his Master’s degree in electrical engineering at Texas. For eight years, he worked in the Chevron offices in the U.S. as an IBM engineer. Later, he spent over four years helping to set up the offshore operation for IBM India. This was a precursor for them to get back into India. In August 1993, he quit IBM and began his own successful entrepreneurial career.

Parekh launched Frontiers Technology and Applitecht Solutions in 1993, with a partner from his Texas days. This is a 500-employee firm in the customized enterprise software market. It does project work and a lot of it involves coding. This firm is expecting to have its IPO in 2002. Nearly all of the employees are in India, but 35 are in Singapore and 15 in the U.S.

Parekh and six other Indians formed a joint venture with Sony Pictures to set up Sony Entertainment Television (SET) in 1995. This firm is by far the most valuable of all start-up firms whose leaders I interviewed. The seven Indian investors made substantial capital contributions in order to meet their 40 percent ownership share. Parekh indicated he had to liquidate nearly all his other assets and borrow in order to meet his own contribution. The firm has 300 employees, but perhaps 5,000 work for contract affiliates producing shows that SET airs in India and around the world. A U.S. based fund bought less than a 10 percent ownership stake in the firm last year for almost $200 million. SET beams shows out of Singapore via satellite to India. It becomes at least one of the channels in the basic package the ultimate consumer obtains. Broadcast in the national Hindi language, it is also broadcast around the world and picked up as a premium channel in such places as Paris. One of the major international investment banking firms is working with SET, restructuring it and preparing it for probable IPO in 2003. The firm has offices in India, Singapore, the U.K. and the U.S.

Parekh said he is most driven recently by a firm he helped launch in 2000, Mobi Apps. This sixty-person firm has Arthur D. Little as one of its investors. Most of the employees are in Bangalore, but five are in
Arlington, Virginia. This firm offers platforms in the wireless space, e.g., in tracking and logistics.

What I learned from Parekh was “hunt in packs.” He likes to invest in ventures with trusted friends, who bring complementary skills to the enterprise. He does not want to be the CEO. He enjoys starting the firm, being on its Board, helping set direction, growing it, and looking for harvest opportunities. I also saw the value of his U.S. education, coupled with his de facto graduate school work for IBM. That gave him confidence and it also gave co-investors, key employees, vendors, and bureaucrats involved in various licensing issues more confidence in him.

G. Arvel Teng’s NewsPage

This is a mobile software and solution provider in the wireless applications area. Founded in 1994, it now has had two rounds of outside, venture financing. Teng is Malaysian Chinese. He graduated from USM in Penang, and worked for Hewlett Packard (HP) in Singapore for six years.

Teng gives credit to his stepfather for encouraging him to look at the world as a business. For three years, he took no pay with NewsPage. He used up his accumulated savings, since before creating NewsPage he had little time to spend money. He said that in his first two years at HP, he worked three jobs: after HP work ended at 6:00 p.m., he was a private tutor, and around midnight and in the early morning, he was a commodity broker.

NewsPage writes the library code and does the system software for customers who use wireless in such target markets as courier services, sales forces, and field service teams. NewsPage grew from 20 employees in 1996, peaking at 140 in 2001, but was down to 100 when I visited in mid-January 2002. This includes about 30 in Malaysia (mostly technical and a few sales), 8 in Thailand, and about 60 in Singapore, with two-thirds of them as technical writers. Revenues are running at about U.S. $3 million per year.

Teng told me that he made a mistake with the second injection of outside financing in early 2001. He felt a pressure to expand and grow, but knew the timing was wrong. Today, he is looking for an “event of liquidity,” which I interpret as going public or selling. He believes the firm is appropriately scaled now. Within the past year, he hired a new
CFO, C.K. Tan, a former student of mine at Macalester, who has a Harvard MBA.

I wondered, as I left, if the stock market mobile application and solutions device was the best use of their talents. Is there a large market here? Are there corollary products and applications?

H. Ismail Hj. Ahmad

Ismail Ahmad is a director and the General Manager of UB Co. A Malay, Ahmad graduated from Macalester in 1981. His firm recently became independent in a management buyout from a major, stock exchange listed firm (Renong Group), which was in a dire financial condition. The fifteen-person firm arranges letters of credit and/or directly lends short term (less than a year) to smaller, Bumiputera Malaysian firms, bridging the financing gap between expenditures for inputs and receipt of funds for their output. At any one time, UB Co. might have fifty loans on its balance sheet, totaling about U.S. $7 million. Equity is about one-fourth, with bank (debt) money the remaining three-quarters. Its revenues come from interest and fees.

I. Chin Yee What (Joshua)

Chin Yee What is a recent (late 2000) Ph.D. with a lecturer’s position in the School of Social Sciences at USM. His research and dissertation is “Chinese Entrepreneurs in Malaysia: Interaction of Culture and Transformation of Entrepreneurship.” Over the 1997–2000 period, he interviewed 29 business owners, some more than twice.

Joshua identified four variables or themes correlated with owning one’s own firm:

- Psychology — In short, given one has to work, you might as well work for yourself and be your own boss.

- Security — Surprisingly to academics in entrepreneurship, these respondents chose to have their own firms for more security. For example, they do not want to be subject to layoffs.

- Employment factor — He illustrates this, among other examples, by reporting that respondents did not want to be subjected to a boss forcing them to return to entry level work. When you work for others, they can tell you what to do, where to work, and how hard to work.
J. Annette Goh-Menon, the Malaysian Institute of Management, and Venture 2001

The Malaysian Institute of Management (MIM) is a major force in developing professional managers in Malaysia. It has 10,000 individual and group members. In 2001, it launched the first of what they hoped would become an annual business plan competition. I interviewed Goh-Menon to learn more about it after hearing a little from a former student of mine at Macalester, Shahzad Ashfaq.

Venture 2001 was their first of many envisioned business plan competitions. Its focus was on IT and Internet businesses. It was open to all ages. At least one of the team members was required to be residing in Malaysia. Also, a team should not have received external venture funding before the plans were submitted. Not counting resubmissions, there were 446 plans in the first venture contest.

Surprisingly, there were only about five woman-led teams, and only about twenty Malay-led teams in the competition. The median age was 28 to 32. Goh-Menon is now working on Venture 2002.

On reflection, I sensed several major differences between the entrepreneurial activities of Malaysia and Singapore on the one hand, and of the U.S. on the other:

A. Internationalism

U.S.-based start-ups tend to have a U.S. sourcing and sales focus. Those firms I studied in Malaysia and Singapore are much more internationally focused. This may be due to geography, since the distance from Denver to Boston is further than the distance from Kuala Lumpur to Bangalore, India; Bangkok, Thailand; Hanoi, Vietnam; Hong Kong, China; Jakarta, Indonesia; and Manila, Philippines.
B. Government Involvement

In Singapore and especially in Malaysia, the government is a major investor in for-profit firms. In Malaysia, it actively pursues policies designed to raise the business acumen and wealth of the majority Malays. Often, this comes at a higher direct cost of the items it buys. Government social insurance is directed into business through loans and equity investments, and participants can withdraw some of their social insurance.

C. Ethnicity

Clearly, there is disproportionately more entrepreneurial activity among the Chinese in Malaysia. In the U.S., there are few differences in start-ups by race. Family background (e.g., parents not in business) may be a key cause of this difference in Malaysia.  

*****

Also upon reflection, however, there are a number of similarities. Variables associated with the more promising start-ups found in entrepreneurship texts and articles, and often mentioned by experts, are corroborated by my interviews. In Malaysia and Singapore, the founders who overcame the inertia associated with employment in government or other firms tended to be:

- From family backgrounds with a history of starting or running a firm.
- Older, in their late 20s in age. They had worked for others following their formal education, acquiring know-how and “know-who.” They are more experienced than their younger peers. They also contributed their savings as capital infusions for their new firms. Many took no salary or directorship draws for over a year (if at all).
- Endowed with higher education degrees from the U.S. or Europe, and/or work experience with large, well-known multinational corporations. This human capital endowment opens doors that their peers have difficulty with.
- Embracing and welcoming technology; trying to predict the next wave and then learn it first.
Entrepreneurially oriented from an early age; e.g., in service and retail ventures while in school.

On a path connected to their prior firms. These are serial entrepreneurs. One sees the importance of the corridor principle, that is, if you start a firm, new or related opportunities appear that you might want to pursue. Their current venture is not their last venture.

Only looking at a “harvest” as a means to put their attention and money in another venture, often a friend’s or with friends.

In this start-up, not to make a lot of money. Instead, to pursue an interest or dream, to work just for the fun of working, to gain notoriety and recognition from peers.

Getting government-linked agencies, firms, and venture capitalists to invest money in their deals.

Of the opinion that control of resources is more important than owning them (e.g., rent space, borrow equipment, get partners to contribute for a share of the action).

Doing what gives them some joy, such as hiring others to manage parts of the firm they don’t have a comparative advantage in, and focusing on other parts of that firm or on starting new ones.

Those ventures that I sensed or learned were stumbling or had failed had these problems, which corroborate the literature and common sense:

• Stubborn founder unwilling to retreat and perhaps go a different direction; e.g., pushing a business or technology with limited market potential.

• Lack of knowledge of government rules and conditions that could affect their venture, and/or competitor responses once they began their venture.

• Focus on the technology and the product, rather than on finding and signing up customers.

• Missionary-like selling; having to search for buyers and then explain to them what the service was and why they needed it.