

# Light-bulb moments for eager entrepreneurs

Singapore has climbed up the rankings in entrepreneurship, thanks to the Government's push and angel investors. But what can be done to help it shine further?

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Singapore's entrepreneurship landscape has blossomed over the last decade. This year, Singapore ranked 10th out of 130 countries as most entrepreneurial, based on an aggregate index accounting for entrepreneurial attitude, ability and aspiration.

Certainly, the Government has been proactive in creating and promoting an entrepreneurial ecosystem, launching initiatives such as the National Framework for Innovation and Enterprise, which enables more intellectual property created in tertiary institutions to flow to the markets. Then there is Spring Singapore, which nurtures start-ups. Its investment arm, Seeds, has invested in 200 of them since 2001.

Most start-ups are in the technology sector. Singaporeans have applied technological innovations to an array of industries, such as retail, finance, food and beverage, hospitality, talent management and even social enterprises.

With a booming financial sector, Singapore is also fortunate to have a large number of cash-rich investors looking for lucrative investment opportunities.

However, the recipe needs more than this for Singapore to sustain its blossoming entrepreneurship. What more needs to be done to enable Singapore to further climb the ranks and become Asia's nucleus for thriving entrepreneurship?

The following are obstacles, or challenges, that need to be overcome to develop an entrepreneurial mindset.

## SOCIETAL MINDSET

The first obstacle for an eager entrepreneur starts at home with "How do I convince my parents?" There exists a societal perception of seeing entrepreneurship as risky, compared to a salaried job. Families often find the odds of a start-up's success unfavourable, and encourage their children to take up "secure" employment.

## EMBRACING SERIAL ENTREPRENEURS

Just as the strength of an economy is measured by the number of times a single dollar is used or churned in a given unit of time, the strength of a nation's entrepreneurship sector can be judged by how many new start-ups benefit from the "entrepreneurial intelligence" of successful entrepreneurs.

Being new in the game, Singapore lacks a critical mass of successful serial entrepreneurs. But the momentum should catch on as home-grown successful entrepreneurs begin to invest their knowledge, expertise and experience in helping young businesses.

## EARLY ADOPTION

The private sector has done well to leverage the schemes launched by the Singapore Government. However, Singaporean enterprises are hesitant to adopt new products and solutions that have not been tried and tested in other markets.

The Infocomm Development Authority (IDA) has set up Accreditation@IDA programme, which is a good beginning for technology start-up companies to go after government contracts. Similar programmes should be set up for non-technology companies.

## INVESTOR CONSERVATISM

Despite the availability of cash-rich investors, start-ups often struggle to get funding. Angel investors invest in a

promising business idea and work with the founders to create additional value. Similarly, series A investors are expected to fund companies for product development and early marketing.

Yet, I know of people who call themselves angel investors and want to invest between \$50,000-\$200,000 in a start-up only after the company is cash-positive. To me, that is not the mindset of an angel investor. Some Singapore-based series A investors prefer to invest \$1 million - \$2 million once the company has revenues. This is not the traditional model of enlightened series A investors in Silicon Valley.

## 'MAVEN' ANGEL INVESTORS

Singapore needs many more "Maven" angel investors - former entrepreneurs and successful business leaders who have deep knowledge and extensive experience in a particular industry. These Mavens bring much more than money to the table - they are visionaries who use their domain knowledge and networks of contacts to support and guide entrepreneurs, creating significant value for the business.

## PRIVATE SECTOR ENTERPRISES

Many large enterprises such as Singtel and StarHub are setting up their own investment funds and incubators.

These are more strategic in nature, partly for keeping the "lights on", and partly for growing their businesses. However, such efforts will be limited in scope to match either their immediate or adjoining business needs.

They are unlikely to address the creation of future industries and dominant companies in such industries. Private-sector companies should become aggressive adopters of emerging solutions offered by start-ups and be proactive limited partners in third-party venture funds.

## EARLY STAGE VENTURE CAPITAL FUNDS

The Singapore Government has been taking all the risks in establishing an entrepreneurship ecosystem. It is timely that the private sector contributes to an independently run venture fund that can use successful serial entrepreneurs as fund managers.

The limited partners of such a fund should be both government linked companies (GLCs) and other large Singapore enterprises. Such a venture capital company can be trusted with creating the future business divisions of large enterprises, following the Cisco Systems Spin-in model (a form of R&D in which companies are started with seed money and expertise from Cisco, which then acquires them for a tidy sum and absorbs them once products are developed). The fund managers could also be entrusted with the creation of clusters of companies in new industries. Singapore can also incubate companies that are relevant for large Asian economies using such a fund.

Every entrepreneur knows that high risk and high rewards go hand-in-hand. I recollect one savvy Silicon Valley-based investor saying that he would rather invest in a start-up that has a 1 per cent chance of becoming a billion-dollar company as opposed to one that has a 90 per cent chance of becoming a \$10 million company. From that point of view, Singapore still has some ground to cover.

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