

SINGAPORE

Singapore's startup ecosystem: Have we arrived?

In the sixth part of a special series looking at Singapore's burgeoning start-up scene, Professor Francis Yeoh analyses why the country is now seen as one of the world's leading centres of tech entrepreneurship.

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Posted 06 May 2016 06:00 Updated 06 May 2016 06:40

PHOTOS



CAPTION



SINGAPORE: It is 9pm on a Monday night, usually a very slow period for F&B businesses. Yet the crowd at this newly opened food centre has not thinned.

While not packed like it is at lunchtime, there is a stream of customers to the large central dining area. There, small groups of mostly young and casually dressed customers chat over beer, tapas, pizza and assorted grub purchased from the nearby hawker stalls or food trucks, while an aspiring singer entertains with his guitar on an elevated platform.

This is Timbre+, a food centre with a novel concept catering to the startup community set up at Block 71, Ayer Rajah Crescent - the place dubbed by the Economist as "the world's most tightly packed entrepreneurial ecosystem". It is a wise choice of location. Without the startup crowd of Block 71, this area, like industry parks elsewhere, would be quiet and deserted after 6 pm.

Block 71 is arguably the most famous icon of Singapore's development as an entrepreneurial hub. Reports on Singapore's startup scene by the world's media regularly feature the vibrant community of entrepreneurs working in hundreds of startups in Block 71 and the newer adjacent blocks 75 and 79.

The entrepreneurial landscape of Singapore has changed dramatically and visibly over the last decade - particularly in the last five years.

How has this come about?

Scott Anthony in his 2015 Harvard Business Review article attributed Singapore's development as an entrepreneurial hub to three factors: A hospitable environment for startups, serious government skin in the game and the use of soft power to address hidden barriers to entrepreneurship.

Many foreign entrepreneurs working in Singapore would readily agree with this analysis. Frenchman Guillaume Picard, CEO of travel website eOasia, [chose Singapore](#) rather than Hongkong or Bangkok as the base for his startup company because of the country's strategic location, good infrastructure and supportive government. The two German principals of Voice2Choice, a startup company in voice synthesis, relocated to Singapore in 2015 for the same reasons, after spending over a year developing the technology for their startup in Germany.

GOVERNMENT SUPPORT FOR STARTUPS

Extensive government efforts to develop the eco-system have clearly made an impact. Singapore's National Research Foundation (NRF) undertook a holistic study to identify weaknesses and gaps in the local entrepreneurial landscape and came out with programmes to address specific points of failure in a 2008 initiative known as the National Framework for Innovation and Enterprise (NFIE).

Programmes such as the University Innovation Fund (UIF), Proof-of-concept (POC) grants, Early Stage Venture Capital (ESVF) and Technology Incubation Scheme (TIS) have helped to create a virtuous cycle of entrepreneurial activity over the years, complemented by various other initiatives from the Media Development Authority (MDA), Infocomm Development Authority (IDA) and SPRING Singapore.

Data from the NRF showed that the roughly S\$100 million allocated to investment schemes such as ESVF and TIS (as at March 2016) enabled supported startups to attract follow-on funding from private capital of almost S\$400 million, giving an impressive leverage of four times the government's outlay.

The TIS, supporting 16 selected incubators, has had the most visible impact. Entrepreneur turned investor Leslie Loh of Red Dot Ventures (one of the 16) called it a "game changer". Serial Entrepreneur Eddie Chau described TIS as "the engine which revved up the startup ecosystem".

The TIS scheme was based on a similar programme implemented by Israel in the 1990s, which had been instrumental in turning Israel into a startup nation. NRF supports 85 per cent of a selected startup's funding, capped at S\$500,000, while the TIS incubator puts in at least 15 per cent, or about S\$88,000.

Of the 145 startups invested by the 16 TIS incubators, 61 attracted follow-on funding, 34 had exits and 29 (or 20 per cent) ceased operations. Not a bad record for a new scheme! While yet more of these startups may fail in the future, 20 per cent is comfortably far from the 70 cent failure rate typical of venture capital investments.

A more important outcome of TIS is that by providing the generous investment leverage and thereby greatly reducing investment risk, the government succeeded in drawing out a sizeable number of experienced local business executives as well as investors from the region to participate in TIS and become part of the startup community. These high net worth individuals play a vital role as angel investors and mentors in various startup programmes, significantly enriching the entire ecosystem.

Similarly, the University Innovation Fund provided universities with substantial financial resources to aggressively step up their entrepreneurship efforts on campus. NUS, NTU and SMU all saw a surge in startup activity in the last few years. The NUS Overseas College (NOC) programme has sent thousands of students to intern in startups in Silicon Valley and other startup hotspots, creating a large pool of NOC alumni that have dominated the local startup scene in recent years. The student startup grant provided under UIF has spawned many innovation projects in the universities, greatly expanding the funnel for new startups, which subsequently feed into the TIS and other seed funding programmes.

The S\$50,000 iJAM grant enabled hundreds of startups to carry out concept testing and market validation before seeking investment. iJAM supported close to 400 startups, a quarter of which received follow-on funding. Numerous accelerators and incubators, set up in the last two years, have further enriched the mix and dynamics of the ecosystem.

So has Singapore succeeded in its ambition to become an entrepreneurial hub? Has the local ecosystem matured sufficiently to be left on its own?

PRINCIPLES GOVERNING A STARTUP ECOSYSTEM

Brad Feld - entrepreneur, author and co-founder of startup accelerator Techstars - identified four key principles that are essential to developing and maintaining a healthy start-up ecosystem in his book, *Startup Communities: Building an Entrepreneurial Ecosystem in Your City*:

1. Entrepreneurs must lead the startup community
2. The leaders must have a long-term commitment
3. The startup community must be inclusive
4. There must be continual activities that engage the entire entrepreneurial stack

Singapore would score well on the last two principles - the startup community here is highly diverse and inclusive with entrepreneurs coming from all over the world. Numerous activities dot the startup calendar, not just at Block 71 but also in the universities and offices across the island – with conferences, meet-ups, demo days, hackathons, fireside chats, and so on.

On the first two principles, however, evidence is less strong that the startup community here is being led by entrepreneurs with long term commitment. Singapore's ecosystem at this stage has yet to attain sufficient robustness even compared to Israel (which has a comparable population), let alone Silicon Valley. Hitherto, the startup community remains dependent on government leadership and programmes and will remain so for the foreseeable future until critical mass is reached.

RESILIENCE AND CRITICAL MASS

A startup ecosystem at its developmental stage is fragile and could deteriorate rapidly once momentum is slowed, if there is insufficient resilience due to lack of critical mass. Both the government and the community must therefore play their respective roles to keep the momentum going.

The good news is that there is increasing recognition of the role startups can play in the future of Singapore, as the country moves from an economy characterised by heavy reliance on multinational companies to a more robust economic model comprising a mix of large and small but high-growth enterprises.

Calls for strengthening entrepreneurship have featured regularly in parliamentary debates and media discussions. Measures to strengthen Singapore's entrepreneurial capacity and promote innovation will likely be a key discussion topic for the high-level Committee for the Future Economy.

While the details for innovation and entrepreneurship programmes under the government's S\$19 billion RIE2020 plan have not been publicly announced, the local startup community can be optimistic that continuing government support will be forthcoming, even as the TIS programme terminates in June 2016.

The startup community in Block 71 can, therefore, look forward to a stronger ecosystem in the years to come. The outlets at Timbre+ in one-north can likewise be assured of a steady clientele, even on Monday nights.

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The programme provides start-ups with seed funding, a working space, mentoring, networking opportunities and attractive media packages to speed up their growth and development.

- CNA/mz