Source: *TODAY*, p16
Date: 20 October 2016

HOW LOCAL ENTREPRENEURS GRAPPLE WITH CHALLENGES

Four lessons to learn from new S'pore tech businesses

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Entrepreneurship is a key driver of growth in any economy. In developing countries, entrepreneurs play a vital role in coming up with solutions to challenges such as access to clean water and affordable healthcare — in a sustainable manner.

In developed economies where growth in real wages has stagnated or declined, entrepreneurs set up new ventures to create value and generate employment.

To encourage an entrepreneurial mindset, education is pivotal.

Entrepreneurial education gives students the skills to identify opportunities and the expertise to start businesses that capitalise on the opportunities.

In Singapore, the number of technology start-ups has increased from 2,800 in 2004 to 5,400 in 2014. Meanwhile, their contribution to overall employment has jumped from 7.1 per cent (156,500 employees) to 9.5 per cent (345,400).

For the past decade, while teaching technopreneurship and entrepreneurship courses, I have used Harvard business cases to help undergraduates with limited work experience understand the complexity of businesses and management.

Two years ago, I embarked on interviewing more than 20 local start-ups to begin developing Singapore case studies and document how local entrepreneurs grapple with challenges.

Eight of the cases are now featured in a book titled Facing Down Failure. What are some lessons they offer to technopreneurs?

OPPORTUNITIES IN DISGUISE

Very often, opportunities present themselves in ways that are not apparent. In fact, they may even be problems to begin with.

In a review of patients in three nursing homes, for instance, the Singapore National Healthcare Group found that three in five patients could be taking wrong medication or dosage. One reason: Some elderly folks have difficulty recognising pills of assorted shapes and colours.

In response, the Group's pharmacists started working with the nursing homes to conduct periodic reviews of their medicines.

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PHOTO: REUTERS

This prompted technologist-entrepreneur Lim Teck Sin to source for and license an advanced imaging technology from the Agency of Science and Technology Research (A*Star) to develop a drug registration system that identifies and verifies prescribed medication with 99.25 per cent accuracy. By minimising medication errors using "digital" rather than human eyes, the system improves not only patient safety, but also healthcare productivity.

ASK THE CUSTOMERS FIRST

Building products that nobody wants is a waste of resources. History is replete with examples of hefty losses incurred by companies that offered new products with few takers. Volkswagen's Phaeton cars and Sony's MiniDisc players come to mind.

In recent years, a lean start-up approach has gained popularity, where entrepreneurs engage prospective customers first before committing resources to build solutions.

For example, a local electronic medical record (EMR) management start-up, Vault Dragon, interviewed hundreds of doctors to understand the main issues they faced with their workflow and medical record storage system. They found that one issue with the user interfaces of most EMR systems is that they did not match the clinical workflow, thereby hindering rather than enhancing the productivity of the medical staff.

With the insight gleaned from these interviews, Vault Dragon founder Tseng Ching-Tse developed an end-to-end EMR solution that stores electronic patient records in the cloud and allows medical staff to conveniently access and annotate the digitised documents for better patient-relationship management.

The new business model was so attractive, Mr Tseng secured a seven-figure investment to fund it.

In the same vein, Tware, a start-up that produces smart jackets to simulate the feeling of being hugged to calm children with autism, continuously measures responses to its products from the children's parents, teachers and therapists. Based on their feedback, Tware launched an improved version that is lighter, more durable and less warm.

'PRENUPS' FOR CO-FOUNDERS

Partly because of the high risks and costs of starting a business, start-ups tend to be partnerships instead of sole proprietors. But this brings its own set of risks. To protect their interests, co-founders should sign "prenuptial" or founders' agreements that clearly lay out vesting conditions for equity ownership to ensure the commitment of all parties involved, especially in the formative years.

It is not uncommon for co-founders to leave in the first few years of operation. Changing circumstances or differences in opinions among the co-founders are reasons frequently cited for their early departures. However, if the co-founders cannot agree on what to do with the shares of the exiting party, the start-up's operations can be disrupted and its very existence may be at risk.

Several of the local start-ups I interviewed saw their co-founders leaving within the first five years of formation. However, all had founders' agreements in place to manage such events that could make or break a young company. Although the early departures of co-founders hurt staff morale to some extent, the remaining founding team managed to minimise the impact with founders' agreements to keep the companies on track.

IT NEED NOT BE A LONELY JOURNEY

Entrepreneurship can be a tough journey, but it does not have to be a lonely one.

One-third of the 20 start-ups interviewed, such as award-winning cloud security start-up Digify, had enrolled in accelerator programmes that gave them instant access to networks of mentors and investors. A quarter of them, such as biotechnology start-up InvitroCue, had worked with the research laboratories of A*Star or universities for technology development. At least 20 per cent of these new ventures, such as fashion e-commerce retailer Her Velvet Vase, and food and beverage lifestyle business One Rochester Group, have benefited from government schemes such as the market readiness grant by IE Singapore and the capability development grant by Spring.

Indeed, there are many resources, tools, and infrastructural support that our innovation and enterprise ecosystem can provide for start-ups to ride their risks of innovation. Entrepreneurs do not need to look too far to find local communities of innovators, mentors, investors and serial entrepreneurs to tap into to face down failure.

● Sarah Cheah is an Associate Professor at the Department of Management & Organisation at NUS Business School. Her research centres on innovation, entrepreneurship, and early-stage technology incubation and development. She will be a panellist at a forum discussion on 'Leading Innovation' jointly organised by NUS Business School and TODAY on Oct 25.