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DEAR ENTREPRENEURS, ARE YOU SOLVING A REAL PROBLEM?

EXPERTS' GUIDE ON HOW TO MAKE IT AS A BUSINESSMAN

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local market.

Third, not having **sound financial knowledge**. I find most Malaysian start-ups lack this. They should ensure they are not spending more money to acquire customers than what customers can actually pay for their services or products. Hence, unit economics is vital. A start-up needs to know when to start bootstrapping or to acquire funding.

Finally, there is a **lack of a product-market fit**. This is why we observed the exit of numerous start-ups. Our products should be a 'painkiller' to an existing problem, rather than presenting itself as a 'vitamin' or 'supplement' whose market space can easily be manipulated by competitors. Once a product-market equilibrium has been established, it will be easier to retain existing customers and attract new ones.

Q: Which industries in Malaysia have the highest and lowest number of start-ups?

A: Tech has the highest numbers with 350 to 650 start-ups. While this industry is thriving, the Smart City concept is not. Globally, the concept is gaining traction and in fact, various Malaysian entities see the potential and value it holds, yet the number of start-ups in this particular vertical are rather small.

There are also quite a number of start-ups in the **e-commerce** space. This is not surprising because a PwC report in 2016 showed that 48% of Malaysian consumers make online purchases on a monthly basis.

While there are plenty of start-ups that focus on the software scene, the same cannot be said for hardware. This could be attributed to a lack of relevant expertise, equipment, finances or interest.

Prior to the launch of the Social Enterprise Certification and Social Procurement Incentive, **social entrepreneurship** was at its infancy. Hopefully with recognition, benefits and incentives in place now, entrepreneurs who are keen on making a social or environmental impact will begin emerging.

Q: What does the appointment of Jack Ma as Malaysia's digital economy adviser and development of the Digital Free Trade Zone (DFTZ), mean to local entrepreneurs?

A: The DFTZ can facilitate start-ups with the ever-growing global e-commerce activity and internet-based innovation, both of which are crucial when looking at increasing market share beyond Malaysia. Start-up owners can tap into the upcoming set up of a regional e-commerce and logistics hub as it will provide a grooming platform for them to become innovators. This, in turn, helps create a sustainable digital economy. It must be made clear that to be sustainable, local companies must ensure that their products are both innovative and competitive and have strong differentiation factors for them to compete on a global scale.

Q: What should Malaysian start-up

founders look out for or focus on this year?

A: One, we expect **increased corporate involvement** with start-ups. Why? The flexibility and mobility of a start-up business is something that corporate bodies lack. Testing a fresh idea is something they can leverage.

Two, as mentioned in a point above, we expect a **growth in the social entrepreneurship** sector, especially with the introduction of several government initiatives. These initiatives will not only help provide start-ups the accreditation needed, but also influence corporate organisations' purchase of more sustainable products and services whilst fulfilling their CSR mission.



Anand Krishnan, managing director of Endeavor Malaysia Endeavor Malaysia selects, mentors and accelerates high-impact entrepreneurs. They work with scale-ups, i.e. companies that have already achieved product-market fit and are looking to grow further.

Q: There are countless incubator and accelerator programmes in Malaysia alongside great growth opportunities. Are entrepreneurs in Malaysia aware of them?

A: There is an abundance of support (maybe a little too much!) for tech start-ups in Malaysia, within the private and public sector.

The challenge I believe, is for entrepreneurs that fall outside the 'tech start-up' fold. They struggle a lot more in terms of finding support, especially in the public sector where the support ecosystem is very fragmented. There are so many different government agencies that have separate support initiatives for different verticals, so it can be incredibly daunting for an entrepreneur.

Q: What insights can you provide from having met, consulted and guided countless number of high-impact entrepreneurs in Malaysia?

A: Entrepreneurs really need to have clarity on what motivates them and what they are really trying to achieve so they are able to launch accordingly. Whether you're building to last, generate high dividends, or just make sales, this clarity will dictate how a company grows.

Secondly, every time a company doubles in size, it also doubles in complexity. The **more** conscious entrepreneurs are about the **need to evolve** – in terms of management

teams, internal processes, culture, etc. – the **better** they will be at coping with growth.

Thirdly, entrepreneurs tend to de-prioritise addressing issues with their co-founders and senior management team. Instead, they focus their energy on day-to-day challenges of the business.

Having a group of founders that are honest with each other and who are **aligned on their business aspirations** is critical, especially as these things evolve over time.

Lastly, the best entrepreneurs understand the need to **surround themselves with more experienced people** who can act as mentors throughout their entrepreneurial journey.

Q: There are a lot of similar ideas in the local start-up scene, and due to intense competition, only the fittest survive. What would you tell entrepreneurs today?

A: Firstly, - and I cannot stress this enough – but anyone starting a business should be really honest with themselves about the **problem they are solving**. The problem ought to be big enough for you to build a meaningful business. This drives a sustainable, long-term business.

Second, have a **sounding board outside one's usual circle** that consists of experienced mentors from a variety of backgrounds and perspectives. Ensure that the individual you select is personally invested in you and your business. This is because when one is so caught up with day-to-day operations in a high-growth company, it's easy to develop a tunnel vision that blinds them to things that truly matter.

Third, ensure the business is based on **solid fundamentals** – unit economics have to work, and you can't just go for growth all the time. A common mistake entrepreneurs make is prioritise growth above all else before ensuring that their business fundamentals are solid and this includes answering questions on marketability, cash flow management, marketplace security etc.

IN A NUTSHELL

A key message that we at Leaderonomics got from these experts is that it's time for budding entrepreneurs to focus on solving real problems, tap into untapped industries that hold a lot of potential, and not merely replicate other business models without testing a product-market fit. Otherwise, you are competing in a red ocean filled with high competition, and you risk selling an unfeasible product.

Malaysia, or specifically Kuala Lumpur, may not be in the list of the global top 20 start-up ecosystems, but we have the resources and opportunities that serve as enablers to entrepreneurs who want to launch a business.

Entrepreneurs today need to ensure they are well-equipped with basic business know-how and the relevant bodies – private and public – should educate these entrepreneurs constantly on available growth opportunities.

By TAMARA JAYNE
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STARTING a business does have its perks along with its share of difficulties. **Leaderonomics** had an opportunity to speak to several Malaysian start-up companies to hear some of the challenges they faced and ways to overcome them.

1 FINDING YOUR TEAM

As a start-up, you need people to run the show with you but it is often difficult to afford them. You need those who can wear multiple hats and are able to work independently.

However, these people are often the best in class in their industries and most likely wouldn't want to take a pay cut or risk their career path.

Tap into your network of family and friends to identify talents who are open to change and adventure. Giving employees ownership of the company through Employee Stock Options also helps to attract talent.

2 KNOW HOW MONEY FLOWS

Knowing the regular profit and loss statement of the business is not enough. Although it may appear that you are breaking even on paper, it doesn't mean that the business will survive the following month.

The key to a thriving company is to ensure that you understand your receivables, payables, and the net position at all times in order for you to plan ahead.

The profit and loss, balance sheet and cash flow statement are the foundations for monitoring a business turnover and making decisions.

3 DEALING WITH COMPETITORS

When dealing with competitors in the same industry, you may feel like a kid looking up the magnificent Himalayas. And someone comes along to tell you that the new toy you have been wanting all this while is waiting for you at the top of the mountain.

It can be intimidating especially if you are comparing yourself to companies that have been around for ages. Seek help and advice from experts. Engage with them and be aware.

You will soon realise that you shouldn't worry about your competitors. Focus on what you do and let the public – clients, consumers, customers, audience – decide who they would like to support. Compliance and regulatory requirements can be a tedious factor that can make or break a business if you fail to conform or are too lax. Always know what laws are applicable to your business and strive to comply.

4 DEALING WITH PEOPLE

As the company grows, so does the need to hire more employees. Staffing and manpower cost is always going to be an issue in any company and you will have to find the right solutions for it.

In the beginning, everything may seem rosy but along the way, disagreements and friction are bound to occur. Don't be afraid to be honest with your team or even go separate ways with co-founders or employees.

This is the cycle of team management (Forming, Storming, Norming and Performing) according to psychologist Bruce Tuckman.

Often, a company needs a good cop and bad cop to keep things in balance when managing people. Different people have different personalities and managing everyone differently based on their personalities can be a daunting task.

Having a reward and penalty system

10 START-UP CHALLENGES EVERY BUSINESS FACES

DEALING WITH COMMON PROBLEMS OF A NEW COMPANY



New business leaders should watch their words, thoughts and emotions when faced with challenges.

– focusing on positive and negative reinforcement instead of punishment – helps keep things in check.

5 KNOW WHO YOU ARE

When you are a start-up, everyone has different ideas about how to run your business and how you should grow. This is especially true when you're in the early fundraising stage and your investors are telling you to adopt a certain business model or product.

Take time to find – at times even form – your own identity and your vision for the business, the best business model and product-market fit.

Without being firm in your identity and vision, you may get swayed by investors and partners to take on directions that may not be the best fit for the company.

The key is to give the founding team enough time to test the market and experiment different business models to identify the best path for the start-up and share that vision with investors.

6 RISK MANAGEMENT

A big part of growing and expanding the business is in taking risks. Playing on the safe side will only take you that far but it would not prove if a business or an idea is successful or not.

However, accidents happen. People resign. Buildings get damaged. Machinery breaks down. Understand the risks associated with your business and plan for them.

Insurance helps. Employee coverage, fire and theft, medical and redundancies help overcome this.

Starting an online business and having your primary sales from social media channels can be risky too. One online business had their Facebook account hacked and lost all of their 80,000 followers they had garnered over the years.

They had to painfully start their Facebook fan page from scratch. Their advice? Collect your customer database from day one – having done this, they managed to send out e-mail newsletters to inform their customers on their new page after that incident.

7 SUSTAINABILITY

Other factors such as a sluggish economy and currency are factors to bear in mind. If you're selling a tangible product and it originates from overseas, the price may increase.

On top of that, the Goods and Services Tax (GST) comes into play causing the price to be pricier compared to locally produced products.

Coupled with the fact that Malaysians generally have less disposable income due to inflation, GST and weakening Ringgit, each customer spends less compared to previous years.

To counter this dip in sales, you could spread your investment eggs by focusing not just on the Malaysian market but also regional and international sales.

Ensure that the foundation of what you are doing adds value to the surrounding environment.

If your business is relying on the brand of others, the product of others and the risk of others, you can be sure that that is also the direction your profit is headed in. Furthermore, your business is less in your control than you think. Choose the right business model with a long-term goal in mind.

8 CULTURE

Walk the talk. Do what you say and follow through on said promises. What you tolerate becomes company culture.

How you behave as a leader defines the kind of culture your company practices. Plan for growth within your team.

Understand that in time, people grow and learn. If you can inculcate this into your work environment, it becomes a strong retention tool while allowing yourself to expand or embrace greater roles and responsibilities.

Who better to succeed and run your business than the very staff who are working in it day-in day-out?

9 LEADERSHIP

New company owners tend to overestimate their own capability. Learn

that you do not know everything and that is okay.

Get a mentor – someone you can admit your mistakes to – and seek help from when you mess up. Your mentors will be able to hold you accountable to your business plans and personal development and pinpoint – and resolve – faults when they see it.

Another key point is that to be a leader, you must learn to be the bigger person. Give first. Trust in others. Believe that they will do their best even if you are doubtful. Supervising works better than controlling. Allow for mistakes as greater learnings can also take place when mistakes are made.

A leader brings out the best in all around him. Your health, your discipline, your day to day habits and focus are essential because you need to be at your best at all times to make the right decisions.

If you are sleepy and exhausted all the time, your business will eventually face the slump too.

Have an occasional downtime to recharge yourself even if it means turning off your phone notifications for a while.

10 MARKETING

This is a necessary spend. However, it can be very painful on your company's expenses if it is not executed in the right way. Not many receive the right return on investment (ROI) on that spend.

Marketing needs to be data driven. At the end of the day, understand your sales funnel and fine tune it. When possible, outsource work to others even if you can do it yourself.

Delegating tasks and outsourcing will enable you to focus on more important things at hand. Sometimes you may find that your market is not ready for innovative solutions to everyday problems. Some are just happy facing the current issues.

Keep educating your target market and never give up. Keep updating your progress until your value in business is loud and clear.

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Almost everything we do in today's business world involves one risk or another: customer habits change, new competitors appear, market gets saturated and strategies fail. These and more can stagnate your business growth. Formal risk analysis can help you assess the risk factors and suggest solutions to minimise disruptions to your business plans. It will also help you to decide whether the strategies you apply to control risks are cost-effective. Leaderonomics has suitable risk management programmes that can help your business achieve the above. Let us know what your business needs are by e-mailing training@leaderonomics.com

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In an ever-changing and ever-changing economic environment, many companies find themselves trapped in the pricing game. Mass production companies have flooded the market with cheaper products, making business increasingly competitive. At Leaderonomics, we encourage you to swim in the blue ocean and adopt right strategies that will help you cast a fresh look on your business. Our Blue Ocean Strategy training is designed to equip you with skills to create an uncontested market place and make competition irrelevant, capture demand rather than exploit existing demand, break free from the chains of the value-cost trade off and keep your cost low while doing all the above. To find out more, just e-mail training@leaderonomics.com and our consultants will attend to your needs accordingly.



Ashran Ghazi, CEO of MaGIC Malaysian Global Innovation and Creativity Centre (MaGIC) is an agency under the Finance Ministry, that supports and enhances the Malaysian start-up ecosystem.

Q: What areas should Malaysian start-ups improve on, if any, when compared to other South East Asian start-ups?

A: Originality of business ideas is flattening at a rapid pace, and my concern is that this will eventually dip. There is not much of an issue with local entrepreneurs adapting or scaling ideas from other countries. However, from a nation-building standpoint, there should be the push to 'catalyse the community' to ensure our ecosystem is churning fresh ideas that could transform various sectors.

Secondly, there is the **one-size-fits-all mindset**. Entrepreneurs who seem to duplicate business models from other countries without doing proper market research are becoming more rampant. Rather, they need to be more metrics-driven and rigorous in figuring out whether or not the unit economics or business model for their start-ups actually work for the

■ Prethiba is a writer and content curator with Leaderonomics. She is passionate about impacting people through the written word. She believes that our lives are solely written by us, and thus the power to change for the better lies with us.