

THE LAUNCHING OF MALAYSIAN VENTURES BERHAD
PETALING JAYA HILTON, SELANGOR

18 JULY 1984

Yang Berbahagia Dato' Azman Hashim, Pengerusi Malaysian Ventures Berhad; Dif-Dif Kehormat; Tuan-tuan dan puan-puan.

Saya mengucapkan terima kasih kepada Lembaga Pengarah Malaysian Ventures Berhad kerana memberi peluang kepada saya berucap malam ini. Syarikat ini merupakan syarikat modal penerokaan yang pertama ditubuhkan di Malaysia. Saya pernah menyuarakan perlunya syarikat seperti ini ditubuhkan sebagai satu langkah tambahan bagi meningkatkan bilangan perusahaan dalam sektor teknologi baru dan sebagainya. Saya berharap syarikat ini akan menempa kejayaan dan akan menimbulkan keyakinan sektor kewangan negara ini bagi menampung penubuhan beberapa buah syarikat modal penerokaan yang lain.

Ladies and gentlemen,

2. I have, on many previous occasions, spoken about the importance and role of venture capital in the Malaysian context. I am pleased to learn that certain banks and business groups have started to look into the possibility of forming their own venture capital companies. I must, therefore, congratulate the Arab-Malaysian Merchant Bank, and its partners for taking the initiative to establish Malaysian Ventures Berhad, the first venture capital company in Malaysia.

3. It is heartening to note that Malaysian Ventures Berhad is also a partner in a larger regional venture capital grouping called the South East Asia Venture Investment Company or SEAVIC. I understand SEAVIC comprises some forty US and European institutions, banks, business enterprises and the International Finance Corporation, the private sector arm of the World Bank group. This organisation which will explore the opportunities in the Asean region, is commendable especially since it will provide useful market links for Asean manufactured products and a wider technology source and exchange of information on problems, solutions and experiences.

4. The Malaysian economy is an open economy, and international trade makes up more than half of our GNP. However, a substantial proportion of our exports are still primary commodities which are subject to wide price

fluctuations. Hence, we have sought to diversify our exports. Towards this end, we have encouraged the growth of our manufacturing industries particularly the resource-based industries. Manufactured goods too can suffer from economic depressions, but they are less affected by external forces than primary commodities. With an abundance of natural resources, I do not see why we cannot diversify and develop a strong manufacturing base and be a significant exporter of manufactured goods.

5. In line with this, the government has taken measures to encourage industrial activities that can contribute to the nation's development. In the past, the government has been a major initiator of projects and facilities to promote economic growth. The government, however, cannot and should not continue to invest in what is the domain of the private sector. The extent of Government's involvement is already large and it should limit its role to an appropriate level so that the private sector can play its part. The government has already established the institutional framework and created the necessary environment for the private sector to show its creativity and to take the lead in industrial investments.

6. Privatisation, Malaysia Incorporated, and the formation of HICOM and small business development centres and many more socio-economic and commercial corporations are but some of the ways to achieve this end. What is left is for the private sector to respond positively and to play its role. You have, within your resources, the ability to be creative and innovative, and to take the opportunity to work with the Government and at the same time achieve high profitability. You can be assured that the Government will provide the necessary support to the genuine entrepreneurs who are committed to the country's industrialisation programme. We want businesses to prosper so that we all can share that prosperity.

7. There is no shortage of "entrepreneurs" in this country. However, it is the disciplined entrepreneurs with innovative ideas that we are short of. Often entrepreneurs start small and fail, not because they do not try enough or work hard, but because they do not receive the support they need. Many have excellent ideas but they too fail because they do not have the financial resources. As they are starting anew, they do not have the track record to enable them to raise the funds they require. The traditional bankers would want to see their past performances, their balance sheet and profit and loss accounts and market studies. But if you are a pioneer, then there is, and rightly too, no track record to talk about. If all the bankers were to take this attitude, there would not be any Silicon Valley! This is not to imply that bankers should not be prudent, as indeed they

must be as custodian of depositors funds. But they should not be afraid to allocate a small portion of their resources to invest in new businesses.

8. It is the venture capitalists, who are willing to take calculated risks and who can help to encourage new products and services and develop them into growth industries that have enabled new technologies to develop. I am particularly pleased that today we see the birth of such an institution in this country. I understand Malaysian Ventures Berhad will not only provide equity financing but also technological and marketing support.

9. One word of warning. An idea or knowhow on the making of something do not ensure business success. To succeed the knowhow must be combined with management and marketing expertise. The person with the knowhow may not have the other two attributes. It is important that he be prepared to work with those who have. That way he will not only improve the chances of success but should there be failure, he will not bear the whole burden. In Malaysian society it is natural for everyone to keep his knowledge to himself. He will not share it with anyone else for fear of losing his advantage. Yet in Western societies knowledge is freely shared through publication and other means. The innovator will get royalty or some kind of fee. But because the knowledge is widely used, the small royalty becomes very large indeed.

10. It is time that Malaysians change their attitude and in sharing their knowhow, distribute and lessen their risks. Of course, some safeguards must be built in order to ensure that the knowhow is not completely lost.

11. The venture capital industry here is only in the embryonic stage and we should not expect an immediate take-off as has happened in the United States today. It has taken the US industry nearly 20 years to reach its current position, aided by the advent of new technology in computers and bio-technology. Venture capital was successfully applied in the US even before the silicon boom. It is the emphasis on entrepreneurship and the application of existing technology rather than technological breakthrough that would make venture capital attractive here. Technology can be imported, adapted, improved upon and applied to create high value-added industries. Today we do not have to reinvent the wheel. The Japanese after the war, started off by mostly using technology developed by others but now even their former teachers are looking to them for inspiration.

12. I am not implying that we should not, or could not, develop our own technology. Our Rubber Research Institute, for example, is second to

none. Given the proper support we can develop into other fields such as genetic engineering to improve our oilpalms and other food crops.

13. No doubt venture capital involves a certain degree of risks. Not many people would want to venture into the unknown. But as practical businessmen, you must know that the success of a business extends beyond balance sheet figures and the immediate ability to repay. For those who can minimise these risks, the rewards could be substantial. I was told that in the past, many venture capital companies in the US failed because they were greedy, impatient, lacked the necessary commitment or did not possess the entrepreneurial spirit to carry out projects successfully. In setting up your venture capital company, let us learn from others so that we can minimise these risks in the future.

14. As a developing country, we need to identify and systematically examine opportunities to introduce new concepts and new activities. I am pleased to note that the merchant banking industry has been well enough established over the last 15 years for it to be the vital vehicle to assist other companies to restructure and comply with the New Economic Policy. I am also pleased to note that the merchant banks in Malaysia themselves have complied with the NEP and in fact have a substantial bumiputera participation both in terms of ownership and management. Of the 12 merchant banks, Bumiputera equity participation, inclusive of Government controlled corporations, amounted to 68.2% and 43.5% of senior management staff are Bumiputeras.

15. I am especially pleased that today, a Malaysian merchant bank has taken the lead to establish the first venture capital company in Malaysia. The launching of a venture capital industry will intensify the search for more innovative ideas and activities, and will help to establish and foster more companies with innovative ideas and activities in Malaysia. In launching the Malaysian Ventures Berhad tonight, I wish to offer its shareholders and its chairman, Dato' Azman Hashim my heartiest congratulations.

Tuan-tuan dan puan-puan,

16. Sekarang dengan sukacitanya saya melancarkan Syarikat Malaysian Ventures Berhad ini dengan rasminya.

Terima kasih.