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Title: VENTURE ACCELERATE 2003 CLOSING AWARDS CEREMONY

1. I would like to begin by congratulating the organisers of Venture Accelerate 2003, for continuing in your efforts to improve the support system available to emerging technopreneurs.

We all know that the greatest hurdle for any business start-up is to translate their original ideas into a viable commercial venture and eventually build a sustainable, successful business in the long term.

2. Malaysia's success in making the transition to a Knowledge Economy will greatly depend on our ability to harness the creative and innovative capacity of Malaysians and provide the appropriate environment for risk-taking and entrepreneurship. In this regard, Venture Accelerate is indeed a laudable initiative that galvanises both government and private sector resources to enhance our nation's capacity to successfully commercialise ideas. I am pleased to note that the organisers have been sensitive to the needs of budding entrepreneurs, and that this year's format has focused more on nurturing new ventures rather than just on evaluating and improving business ideas that have yet to see the light of day. I trust the 15 short-listed teams have derived greater benefit from the more intensive business coaching and mentorship that was offered through this competition.

3. The Government has taken numerous steps to ensure that there is good support for the commercialisation of ideas. The Government's unwavering commitment to the Multimedia Super Corridor since its launch in 1997 is one great example. The MSC has not only been successful in attracting the giants of the global ICT industry. Through its incubator networks, R&D grants and linkages with Multimedia University, the MSC has also been a focal point - and often the first port of call - for smaller companies and start-ups. We have also created MESDAQ as an avenue for stock listings of new ventures, and ensured adequate funds to support new ventures, through equity venture capital firms such as MAVCAP and MSC Ventures, and debt financing institutions such as Malaysian Debt Ventures.

4. There is ample funding for entrepreneurs in Malaysia. Bank Negara reports that over RM2.1 billion worth of venture funds is available in Malaysia, with about half of this being contributed by the Government. However, less than half of this amount has been invested. The funds are there, but the deal flow is thin.

The most common explanations given for this mismatch is that firstly, the ventures proposed are not scalable i.e. they cannot

grow to a viable size in terms of customers, products or markets and secondly, our business ideas lack sufficient innovation.

5. On the first issue of scalability, I would urge venture capitalists (VCs) to reconsider and modify their business models.

We should be prepared to recognise that business conditions are different here in emerging Malaysia than in matured economies of North America and Western Europe. The typical US or European VC looks out for ideas with the probability of 100 to 1 payoff i.e. he expects to make a hundred dollars for every dollar invested in a winning business. This is possible in America and Europe because domestic markets are large and regional markets are fairly homogenous. These factors make it easier for an entrepreneur's ideas to succeed first at home before venturing abroad. But the situation is somewhat more complex in Asia. For Malaysia, our domestic market is not large and regional markets are fragmented in terms of language, culture, tastes, incomes and economic dynamism. Greater time, effort, risk and resources are therefore required for any venture to succeed in Asia.

6. In view of this reality, I would urge VCs to reconsider your business model for investing in Malaysia. Look seriously at ideas with lower payoff potential, but correspondingly, make smaller investments across a larger number of companies. This model will no doubt be more challenging for VCs. If previously you only required 1 out of every 10 investments to strike gold and recoup your losses on the remaining 9, you may now need to invest in a hundred smaller ventures and hope that 10 of them succeed moderately. In addition, VCs here face a greater demand for more active mentoring and coaching of entrepreneurs to improve the chances of success.

7. Nevertheless, I am confident that VCs will stay the course and adapt. I am encouraged that the deal flow here is beginning to improve. As an example, 15 of the 50 companies listed on MESDAQ today received VC funding before they IPO-ed. I am also told that 2 of the finalists of Venture Accelerate 2003 are currently in funding negotiations with VCs. These are all encouraging developments and point to a stronger, more vibrant market for matching capital to ideas.

8. To technopreneurs, I would urge you to constantly consider the scalability of your ideas and operations. Develop your plans on two scenarios, one with and the other without VC funding. Always having a Plan B will make your ventures more resilient to the uncertainties of launching a successful business.

9. Building a tradition of innovation and creativity in any society is a long term and challenging endeavour. The Government recently announced a National Innovation Agenda that aims to do three things: enhance Malaysia's overall national innovation system; develop a more commercially focused research agenda based

on our competitive advantages; and finally harness intellectual capital in science and technology. We are committed to improving the quality of our research institutions and universities. We will also continue to provide incentives for the private sector to undertake research locally and push for greater collaboration between industry, research institutions and universities. In doing all of these things, Malaysia will need talented individuals to propel R&D efforts to world class benchmarks. The government will shortly announce details of a comprehensive brain gain programme to encourage research talent and professionals to build linkages with Malaysia.

10. The business of commercialising new ideas and creating successful technopreneurs feature large in this agenda. Your success is therefore a matter of national priority and national pride as we undertake this next great leap in transforming Malaysia. I am encouraged to hear of the tremendous quality of the 10 short-listed teams in Venture Accelerate 2003. I have been informed that all of your ventures have deeper intellectual property content than what was found in past rounds of the Venture competition, and for this you must be congratulated.

11. In ending, let me applaud the efforts of the organisers, sponsors and participating VCs for your collective commitment to this year's Venture Accelerate competition. With your active support and contribution, I have no doubt that this important event will gain further strength and prominence in years to come.

12. To the participating technopreneurs who have shown great courage and passion throughout this competition, I wish you the very best and hope that you will persevere through the tough times ahead as you transform your early ventures into towering models of success.

Thank you.

Office of the Deputy Prime Minister