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### ***Cultivating Entrepreneurial Spirit in Asia***

#### ***Introduction***

Ladies and Gentlemen, Distinguished Guests:

I am very delighted to be part of this great corporate initiative by Hitachi Corporation. The title of this discussion is “ Cultivating Entrepreneurial Spirit in Asia” . This, I found somewhat intriguing because if you ask a non-Asian person to look at Asia, they would think that the Asia society is very entrepreneurial as it is, because we have some of the most dynamic and entrepreneurial economies in the world. Our streets are filled with family-owned shops and service outlets, attesting to the entrepreneurial spirit in Asia.

So why do we have to cultivate entrepreneurial spirit in Asia? However, I think that the organizer of this conference recognized that things are changing rapidly in the age of globalisation and the Asian entrepreneurs are facing major challenges in the existing economic landscape. This presentation addresses the impact of globalisation on the Asian entrepreneurs and the challenges the individual and governments face in transforming the old Asian entrepreneurs into new ones capable of facing competitive challenges in the 21<sup>st</sup> century. Some of the structural impediments to adapting the old entrepreneurial model to a new one will be discussed. Lessons learned from global experiences will be explored and implications on Asian entrepreneurship will be discussed. Finally, the recent economic crises in Asia and at the global level would be analyzed in terms of valuable lessons we could learn in risk management. This is an essential part of the new entrepreneurship.

#### ***Impact of Globalisation***

The first subject I would like to address is the impact of globalisation. I believe that globalization has been operating in the world for centuries. The first major experience with it in Asia would be the transfer of people and technology across the globe during the western colonial era in the last century. More recently, the trend is gathering pace due to the rapid advances in transportation and electronic communications. In this situation, I think that for about every day that we speak here, trillions of dollars flow daily across the globe, and multinationals produce and distribute goods and services

worldwide. Capital and labour become commodities but products and management know-how become the keys to success. In this situation, it is no longer sufficient to produce goods and services that are competitive at the national level, one has to be competitive at the global level! The competitiveness of nations is no longer related to the size of population. For those of you who have travelled to Scandinavia, take Finland for example, one company there, Nokia, so dominated the world in mobile telephone technology. That came from a country of five to six million people. They are number one in the world in the mobile telephone industry. And that one company alone contributes to 25 per cent of the country's GDP! That is the modern globalisation age that we have to recognise. On the opposite sides, the so-called Asian entrepreneurs, who run the mom-and-pop retailers through our streets, cities and towns – they are faced with major challenges of their economic lives, because now the global chains like Tesco Lotus, Carrefour are all over town and they are threatening the survival of these small businesses.

So for globalisation, whether we are for or against it, I guess we have to live with it. And I guess there are two ways to go about it. We can be opposing them at the World Trade Organisation meetings or we can adapt and learn how to cope and win in that age.

Closer to home, when we think about global products that Asians have produced and have become global or marketed well over the world, obviously, the Japanese have made a lot. Consumer electronics, all the electronics that we have used today, consumer equipment, and so on. But more recently outside of Japan, who has made global products, one may ask ? I would like to cite some examples.

Closer to here in Singapore, those of us who have used PCs for many years, should know that there is a piece of device in that machine called the sound card that is created by a company here called Creative Technologies. So in Singapore here, we do have a company like this, a product like this that dominates the world also. Further out, there is a new business model now in India. Companies like Infosys or Wipro have become world powerhouses in software outsourcing. They are the biggest in the world. Or in Taiwan, when you talk about Taiwan Semiconductor Manufacturing, it is the world's biggest contract manufacturer of semiconductor chips. So in Asia, we do have examples of companies who have recognised the global trend and have become successful at being major players in the global stage.

Last week, I saw a little Thai company making some interesting products. They went and bought some loudspeaker components from Europe and married it with the traditional drum that was made in Thailand for centuries. They put together a very nice low-cost loudspeaker product selling for \$150 a piece globally on the Internet. Those are some of the examples at the SME levels that I can see that these are the new Asian entrepreneurs that are adapting to the trend. And these are very, very healthy trends indeed.

### ***Boundary-Less Organization***

Under the trend that is changing the world in a major way, is a new management concept. A few years ago, when I had the opportunity to work at the multinational company called General Electric in America, they had a very strong, visionary leader, Mr. Jack Welch, who preaches a number of concepts in management that, we, many of us in management, I guess, have used. But one of the concepts that has not been very well publicised or utilised outside of the U.S. or outside of GE for that matter, is his concept of 'boundary-less organization'.

In that concept, companies as they grow tend to create layers of management, departments and so on and this reduces the efficiency of the company. So in order to create a more efficient functional company, he created a boundary-less organisation where every department is supposed to operate as a business entity assisting and helping the other departments in the company. But beyond that, he also means that for businesses like General Electric who makes systems - medical systems, power systems, they look at the world, not only as a market, but also as a source of technologies. The managers are taught to go out and get the best technology at the lowest cost throughout the world. To put together a product to sell to the global market. And I think this concept will have major implications for many of us in the Asian worlds because in some cases, for a country like Thailand, how do we go on and compete at the cutting edge of technology ?

We don't have R&D level tools and we don't have major companies like GE, Nokia building laboratories in our country, but if we think about the world as your subcontractors, you can actually go out and get the best technology, or any other thing. Whether they are in Europe, the best people in Europe, the best ideas in Europe, America and put them together and manage a product. That is the direction that I think

more and more companies will be, I believe, looking at as they move forward into the post-industrial age. It is no longer adequate to look at only your own company, your own country for the best ideas, for the best products and the best people. You have to source these inputs also at the global level. And that, I believe, is the next trend.

### ***A Question of Culture***

But in moving and in cultivating the new entrepreneurial cultures, I believe that we face some major challenges that will limit us and is a matter of choice as Minister Lim has discussed. So far, in Asian societies, especially the successful ones, we have chosen to maintain social order and discipline and so on and I believe that has done very well for us. The successes of Japan, Korea and Singapore would stand witness to that model. We've created the world's largest industrial powerhouses, supplying the world with everything you need in life. But as we move into the post-industrial age where flexible product designs, integrated services and world branding are important, I think the competitive marketplace requires increasingly creative designs and flexible manufacturing and I think a new breed of Asian entrepreneurs should be developed.

But how do we develop such entrepreneurs? Because our societies are typically very hierarchical, top-down, especially in management in many ways. How do we encourage "out-of-the-box" thinking among our young workers, students, leaders? When, frankly speaking, they spend an awful lot of time getting to do heavy volumes of homework, exams. So they can be placed number one, so they can get the next scholarships. How do we get new entrepreneurs that will create world brand products for us in the new millennium? These are the choices and challenges that face the government leaders, policy makers and some individuals too. Is our society ready to generate the likes of Steve Jobs and Bill Gates who dropped out of schools, form their own companies in garages? Do we have that accommodative structures in our societies? These are some of the questions I raise. I don't have any answers but these are the things that we have to think about.

### ***Discretion is the Better Part of Valour***

So the last subject, given the limited amount of time, I would like to address is the lessons that we faced during the economic crisis in 1997, starting of all places, Thailand. I call this - 'discretion is the better part of valour'.

Entrepreneurship is not complete without mentioning risk management. Our ancient entrepreneurs are very, very entrepreneurial, very risk-taking. But the recent history of the Asian economic crisis in 1997 and the current one - the global economic crisis, started in America, with the new economy, has given real lessons about this aspect of entrepreneurship, i.e. downside protection. How do you protect yourself from what has happened to us five years ago in Asia and what is currently ravaging the whole equity market, capital market throughout the world? Over-exuberance. Mr. Greenspan warned in 1998 about these problems. But nobody listened. But I guess we now have a lesson. So in any entrepreneurship, one has to be enforcing discipline, especially financial discipline. We cannot afford to throw all of our eggs into one basket and leverage everything to explore or profit from a new opportunity. In Asia, I think, what did us in at that time, was I guess, the real estate speculation. A lot of entrepreneurs who had nice businesses going started to diverge from their main line of business and get into real estate. The result has been devastating. Both in Japan and, of course, closer to home, in South East Asia. So hopefully, those lessons are well heeded.

In America, they went even further than that, I guess. They took some products and ideas that are not well developed. They raised money from the stock market and there are no demands there. Companies that never had revenues of one dollar in their lives were able to raise tens of billions and invested heavily in the ground infrastructures and found no market to support. So the question of risk management is very, very important in order to be successful entrepreneurs. I hope that some of you who would be entrepreneurs in the futures will learn about some of these failures because I think they can be very very important part of your new entrepreneurial culture.

These are some of my thoughts on this subject and I hope this will generate some interesting debates. Thank you very much.