M'sian technopreneurs face challenging year

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Malaysian technopreneurs are likely to face an uphill climb growing their businesses this year due to several ongoing challenges, say industry observers.

The lack of seed-stage funding, slowdown in global economy, shortage of innovative ideas and absence of relevant skillsets, will hinder the country's tech entrepreneurs' expansion plans this year.

Cradle Fund CEO Nazrin Hassan said there is still a gap, commonly known as "go-to-market" funding, which exists for companies between the pre-seed and seed stage of commercialization. Established in 2003 by the Malaysian government under the auspices of the Ministry of Finance, Cradle provides pre-seed funding and advice to Malaysian technopreneurs.

"Deepening and expanding market access for local technopreneurs to secure deals and contracts still remain a major challenge, be it locally or overseas," said Nazrin, who is also the former president of the Technopreneur Association of Malaysia (TeAM). He noted that about 80 percent of local technopreneurs are at the early stage of development, but many of them cannot grow further due to the lack of funds.

"There is a gap that exists between the pre-seed and seed stage of funding," he explained. "Pre-seed funds only help technopreneurs to develop their ideas, but good ideas will need a bridge to get to the next level."

Nazrin added that while venture capitalists (VCs) do help provide seed funding, they cannot fund everyone and create critical mass needed for growth.

"Most VCs will only fund companies which are matured, has a proven profit track record and a good management team," he said. Nazrin said Cradle hopes to address this gap through the establishment of a new seed fund to help technopreneurs between the pre-seed and seed stages.

He added that there is a need to provide proper incentives to local researchers and universities so that they will be encouraged to commercialize their applied research.

"All this talk about commercialization will not materialize, unless proper incentives, processes and structures are put into place, and these programs are staffed by the right people who can help commercialize university research," Nazrin said.

Looking out for growth
Tony Pua, economic advisor to Malaysia's opposition Democratic Action Party (DAP), said the lack of opportunities in the country is also proving to be a big challenge for many local IT companies seeking significant growth in 2008.

The former CEO of Singapore Stock Exchange-listed Cyber Village, who turned politician in 2007, said it has become critical for any local company intending to grow to a considerable size to venture offshore to the region, particularly to China and India.

"Moving overseas into the unknown is always going to be a major challenge, especially when Malaysians have to compete and market against companies with entrenched networks and which are possibly better funded," Pua said in an e-mail interview.

He added that local businesses are also set to face greater challenges due to the risk of a global recession triggered by the subprime mortgage crisis in the United States.

"While many argue that our trading partners are more diversified today, it is not possible to decouple significantly from the world's largest economy," Pua said. "In reality many of our products are processed into value-added products, and are still largely exported to the United States and Europe."

Some market players feel technopreneurship in Malaysia has still some way to go, despite the progress the country has made in gaining recognition as a vibrant ICT player in the region.

According to Michael Ta, CEO of The FSBM Group's multimedia arm, technopreneurship in Malaysia is often about "positioning the right people, in the right places" to secure a project.

"This is why many local technopreneurs [only] do well in Malaysia but not when they are pitted against the other players in the world arena," Ta told ZDNet Asia in an e-mail interview. The Malaysian IT services company has made inroads in China with Java-based mobile applications.

He said technopreneurship should be focused on developing and promoting homegrown products and bringing them to the world market, instead of "focusing on attaining wealth by associating with the right people".

"Gone are the days where people have the passion to drive change in the way people use the PC or the mobile phone, for instance," Ta said. "The focus is all wrong... Technopreneurship [should be] about working on how we can produce the next Microsoft from Malaysia."

Cradle's Nazrin said the local technopreneur community should optimize their resources and not simply rely on the government or industry bodies to improve the business landscape.

"They need to refine their business ideas, come up with more robust and adaptable business models, recruit the best people and most importantly, sell their products and services," he said.

Pua added that Malaysia's ambition to become a major exporter of IT services and software "will not be a reality anytime soon".

"One major setback in the attempt to transform Malaysia's economy into a knowledge economy has been the lack of quality education, and in particular, at the tertiary levels," he explained.

"Looking at the number of outstanding IT-related positions, one would expect red-hot demand for our local IT graduates," Pua said. "However, we have not been producing IT graduates with the necessary skills, intelligence and qualifications demanded by the IT industry, even at fresh-graduate levels."

He added that given the shortage of such graduates, local IT companies will be "hard-pressed to grow [and] multinational companies will likely give Malaysia a miss [as a location for investments]".