



**Incumbent:** Singapore has been a favoured location for venture capitalists and startups in the region but Malaysia can focus on several sectors and be a hub of its own.

# The right bets in creating a hub

Investments into mega trends can put Malaysia on a stronger footing

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THE Malaysian startup ecosystem has been taking shape in recent years. Government agencies have been set up to build and support the ecosystem, funds have been allocated to help startups get off the ground and entrepreneurs are increasingly more bold to start their own ventures.

These efforts are in line with Malaysia's aim to be a digital hub.

But while various initiatives are taking off, there is still some way to go before Malaysia's dream of becoming a regional hub can be realised, notes Vickers Venture Partners chairman and co-founder Finian Tan.

In the region, Singapore has notably been a favoured location for venture capitalists and startups alike. The city-state has a well established infrastructure, a competent talent pool and a ready ecosystem.

"Singapore had a headstart and Malaysia can't outspend Singapore. It is hard to dislodge an incumbent.

"But having said that, your potential is so much greater. You have 32 million people. Singapore has five million. And when you are larger, people will flock to you. It's not difficult if you play your cards right. You can't outspend

Singapore but you can better-spend them," says Tan.

He notes that the local agencies have been actively engaging some leaders in the space to build on what has already been put in place and many of the important organisations involved in the ecosystem are helmed by young, dynamic people.

But more needs to be done. Some of the components that make up an ecosystem are infrastructure, a robust funding landscape, talent and network. And some of Tan's suggestions to speed up Malaysia's stake in the region is to improve the standard of the English language here, improve efficiency within KL and select sectors to invest in.

Tan is no stranger to the ecosystem.

In his capacity as deputy secretary of Singapore's Ministry of Trade and Industry, Tan was involved in Singapore's early efforts to turn the country into Asia's Silicon Valley back in the late 1990s. His strategy back then was to enable inter-ministerial communication to change regulations that would allow startups to thrive and to jump-start the venture capital ecosystem. He also looked into the setting up of a science hub and a US\$1bil fund to support its ecosystem.

While Singapore is "open to all

and sundry", Tan says taking some concentrated bets and focusing on certain industries can put Malaysia on a better footing as a hub.

He urges Malaysia to look into some of the mega trends that are developing in the industry and to improve local infrastructure surrounding these mega trends.

"There are three mega trends at the moment: the artificial intelligence, biotechnology and nanotechnology. These are exponential, not linear, trends.

"Linear trends are products like batteries. For example, batteries for the iPhone hasn't improved by leaps and bounds from the first one. The average improvement is 3% per annum, 10% at most. But the CPU has grown by leaps and bounds. The things you can do with it are much faster.

"Don't bet on linear growth. Focus on some major mega trends. Pick your sectors and attract these companies here, create a cluster around it and be an expert in these areas. And when people want to be in that space, they'll come to Malaysia. Be good at something. And when you select, go all the way. And build all the ecosystem around it. But it requires some big bets," he says.

Tan is known for his bets. He was among the first investors in Baidu. He invested US\$7mil

in the company when it was still valued at US\$20mil. The Chinese search giant today has a market capitalisation of some US\$90bil. His other recent big investment is in San Diego-based biotech startup Samumed, where he and his co-investors own about 11% of the company, which is now valued at over US\$12bil.

Vickers Venture recently raised US\$230mil for its fifth fund.

"It really doesn't take much for startups to stay here if they can get an ecosystem here. One of the big advantages that Malaysia has is a lower cost of living. But if the talent and network don't come, it doesn't work. It must be the whole ecosystem. Can you attract talent to Malaysia? Of course, you can. If you make things attractive, they will come. There are a lot of people in the world who are willing to move for better opportunities," he says.

He also advises Malaysia to increase its links with Indonesia through the similarities in their languages.

"Indonesia has a population eight times that of Malaysia. You can tap that market and tap on that growth. You already have the same language," he adds.

Tan emphasises that Malaysia has plenty of potential and Vickers Venture's recent launch of its local headquarters in KL is an endorse-

ment of that potential.

Its base here is the newest outpost in the Vickers Global Network and will focus on realising Malaysia's large innovative and disruptive potential.

"South-East Asia is one of the key pillars to our investment strategy. We view the initiatives of the Malaysian government, led by the Malaysia Digital Economy Corp (MDEC), as one of the key attractions of Malaysia. Malaysia also represents an ideal location for Vickers as it is the region's antenna and is a key destination in the 'One Belt One Road' regional economic development initiative," Tan said at the launch.

MDEC chief executive officer Datuk Yasmin Mahmood welcomed the move.

"In these days of increasing digital transformation and rapid disruption, it is becoming more important than ever to secure and attract more venture capital investment in our ecosystem to encourage entrepreneurship and help to rapidly grow exciting startups into wider markets.

"The opening of Vickers Venture's Malaysia headquarters is another testament to the strength of Malaysia's digital economy strategies to foster greater growth and innovation. It also shows their level of confidence in our ecosystem," said Yasmin.