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**ADDRESS BY SENIOR MINISTER LEE KUAN YEW AT THE HO RIH HWA
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SUNTEC SINGAPORE**

An entrepreneurial culture for Singapore

Introduction

When I was invited to inaugurate the Ho Rih Hwa Leadership in Asia lectures, I could not decline. When my Foreign Minister was casting around for a man capable of being our ambassador in Bangkok, Ho Rih Hwa took up the appointment. He discharged it from 1967 to 1971 refusing to accept any remuneration. He went on to serve from 1972 to 1974 as our ambassador in Brussels, was also accredited to the EEC, to Bonn and was our Permanent Representative in Geneva, again without any salary. In 1972, he was awarded the Meritorious Service Medal.

Ho Rih Hwa was born in Singapore in 1917, the son of a Chinese immigrant. His father started life as a carpenter in Singapore and became a small-time shipbuilder at Tanjong Rhu. He was educated at Yang Zheng School from primary 1 to primary 5. At the age of eleven, he was sent to China to continue his education, and graduated with a BA from Nanking University. In 1944 he left China and studied agricultural economics at Cornell, USA, where he met and married Li Lienfung a fellow Cornell graduate student from Hunan, China. After his studies, his father-in-law, a wealthy and successful entrepreneur sent him to Thailand and Burma to work for Thai Wah. He bought tungsten and tin for Wah Chang, the parent company of Thai Wah. He knew nothing about the business and received constant and detailed instructions from his father-in-law. He also learnt how to deal in agricultural products like seedlac and jute. On his own he mastered the trading and production of tapioca flour and chips and became one of the largest producers of tapioca in Thailand. He and his wife, Li Lienfung (a chemist) started a factory to make glass noodles from mung beans, modernising the process and forcing others to follow suit. Then he went on to wheat flour milling, jute sorting and trading, a vegetable oil factory and an electro-plating plant. He did not start as an entrepreneur.

He was more a trusted manager receiving guidance from the entrepreneur, his father-in-law. But he later branched out on his own and became a successful entrepreneur. His development from a manager to an entrepreneur holds out promise to many who start as managers.

Entrepreneurship

Entrepreneurship has been described by the Centre for Entrepreneurship at Babson College in Massachusetts as "a way of thinking and acting that is opportunity obsessed, holistic in approach and leadership balanced. It is identifying an opportunity regardless of the sources currently available and executing on that opportunity for the purpose of wealth creation in the private, public and global sectors." An entrepreneur sees, evaluates and exploits opportunities whereas a manager concentrates on the effective use of available resources to achieve optimum results.

I believe that entrepreneurs are born and was confirmed in this belief when I discovered that before you are able to excel in a particular field, the necessary qualities had to be innate. I was once presented with a beautiful Labrador Retriever. I sent the dog to the police dog training school to get it to learn to sit, lie down and heel to command. He was not successful because he was a show dog Labrador. Later I read of Labrador Retrievers that could catch trout and retrieve pheasants shot by its master. After a fortuitous conversation, I was presented with one for my daughter by Sir Alec Douglas Home in 1971. The bitch was bred from a line of field trial champions. Teaching her to obey all the commands was effortless. Had I the birds for her to retrieve or the fish to catch she would have had no trouble doing it. In fact she became so bored with the routine repeat of the same commands, that on the first command she would go through the whole repertoire.

I am not an entrepreneur although I can recognise one. But I have been engaged in political leadership. I believe it is similar to the question "Are leaders born or trained?" A person not born with leadership qualities cannot improve significantly however thorough the training. Those with some leadership qualities can with training become better leaders than what they would otherwise have been.

The British used to make the great discoveries – steam engines, textile machines and electric motors. They won many Nobel Prizes for science. However they did not commercialise their discoveries. Or as the writers on entrepreneurship put it, they did not turn their inventions into profitable goods or services that people would buy. Why this lack of capacity to commercialise their innovations? I believe it is because of their culture. Long years of empire over two centuries developed a society where old wealth and the landed gentry were held in high esteem. The new rich were regarded with some disdain. The bright aspired to be successful and admired for their intellectual skills as lawyers, doctors, professionals, people who used their brains and kept clean hands, not like engineers or people who worked hard and had to dirty their hands. Their values were shaped by the attitudes of old wealth and the landed gentry. The new rich were not embraced in the upper reaches of society. Only their children could aspire to be welcomed after going through the necessary public schools and universities, and their new wealth had matured and become old wealth.

Eventually in the 1980's, Margaret Thatcher set out to change the fundamental values and attitudes of the British people towards old and new wealth. She privatised the nationalised industries and encouraged private enterprise. Unlike most of her generation, she did not consider "profit" a dirty word. The results proved convincingly that the same companies when run by persons appointed by and answerable to majority shareholders were more profitable

than when they were run by managers and boards.

The difference between British and American values cannot be more profound. The US is a frontier society. By and large there were and are no class barriers. Everybody celebrated getting rich. Everybody wanted to be rich and tried to be. There is a great urge to start new enterprises and create wealth. The US has been the most dynamic society in innovating, in starting-up companies to commercialise new discoveries or inventions, thus creating new wealth. American society is always on the move and changing. They have led the world in patents, striving to produce something new or do something better, faster and cheaper, increasing productivity. Having created a product that sold well in America, they would then market it world-wide.

The Economist of February 1999 in a profile of an elderly Japanese entrepreneur noted that "self-made men ... attract ridicule and condescension in snooty Japan." These were also the social attitudes of the British upper class before Margaret Thatcher challenged and set out to change them.

When I saw America's amazing recovery in the last ten years after it had lost so much ground to industries in Japan and Germany in the 1980s, I appreciated in full the meaning of Americans being "entrepreneurial". But for every successful entrepreneur in America, many have tried and failed. Quite a few tried repeatedly until they succeeded. Quite a few who succeeded continued to create and start up new companies as serial entrepreneurs. This was the way America's great companies were built. This is the spirit that generates a dynamic economy.

Chinese culture and values determined the aspirations of generations of their bright students. Ever since the "Spring-Autumn" period (770-403 BC) traditional Chinese societies have valued first, the scholar "shi"; second, the farmer "nong"; third, the worker "gong"; and fourth and last, the merchant "shang". This is the social hierarchy of an agricultural society and has not changed much in popular culture. The merchant class did not enjoy high social status in most agricultural societies not only because their economic role was not obvious, but also because it was often considered unproductive. Traditional China under the Confucian order was a highly developed society based on a self-sufficient agrarian economy not open or willing to embrace changes. Such a society did not spark off the industrial revolution nor give rise to capitalism.

For generations, bright young Chinese chose the path of scholarship and through the imperial examinations system became mandarins. The same values and systems prevailed in Japan and Korea, both influenced by Confucian culture. Even in present day China, Japan and Korea, many of the best graduates of their top universities go for a job in government rather than join a private company. And so it has been in Singapore. The result, these countries did not have a strong entrepreneurial tradition. With the British, most of the best Oxbridge graduates competed for places in the civil service until the late 1980s when the "big bang" (liberalisation) led to huge rewards in financial services in the City of London that drew in talent. With the Americans it has always been the opposite; the best graduates go into business, or join the big corporations, not government.

My early belief that entrepreneurs were born, not made, was modified by my experience. For years, I had been comparing the difference between Hong Kong and Singapore businessmen. The lessons I drew are both encouraging and sobering. With the communist liberation of the Mainland, Hong Kong received an influx of ready-made entrepreneurs, manufacturers, bankers, shipping operators and traders from the coastal cities such as Shanghai, Xiamen, Shantou and Guangzhou. They built the manufacturing industry in Hong Kong, starting with textiles, plastics, toys, and businesses like shipping and banking. They were experienced entrepreneurs and spawned an entrepreneurial culture among the other displaced people who flooded into Hong Kong. A Hong Kong manufacturer settled here and became a Singapore citizen. He recounted to me that when he employed Singaporeans to work for him, after 20-30 years, they were still working for him, as senior managers, but the managers he brought from Hong Kong had left to start a garment business of their own. They saw what he was doing and did likewise. I had to change my mind. There was such a thing called an entrepreneurial culture in a society that encouraged many to try to succeed in business.

I had also studied how Taiwan benefited from some entrepreneurs who had come from the Mainland, but by and large, the mainlanders in Taiwan controlled and manned the bureaucracy and the military. This left the native Taiwanese in agriculture, trading and manufacturing. They were the entrepreneurs who started the many small and medium enterprises that became the striking feature of Taiwan's economic dynamism. The big state owned enterprises that needed massive investments for steel and shipbuilding were run by mainlanders.

Hence it is not surprising that Singapore did not have a strong entrepreneurial tradition. Our businessmen were mostly traders and shopkeepers with no experience of investing in factories that required long gestation periods and large capital expenditure before they could break even and eventually become profitable. Singapore banks were not keen to advance money to such traders to start factories. Our bankers did not have the experience or the expertise to make such risk assessments and to manage the risks. When we had to industrialise to solve our high unemployment, we were compelled to start the Development Bank of Singapore to undertake the risks of lending to new manufacturing ventures. This was also how GLCs came about. Because we did not have enough entrepreneurs, and those we had lacked the capital or interest, government ministers undertook the task of starting new ventures. Successful ministers of finance like Goh Keng Swee, Hon Sui Sen and Lim Kim San launched new enterprises. For example, Goh started a shipping line with government officers and a Pakistani shipping expert to guide them. NOL eventually succeeded. When Malaysia-Singapore Airlines was broken up, we started Singapore Airlines (SIA) headed by some outstanding civil servants. So too with National Iron & Steel, Chartered Industries, Keppel, Sembawang and Jurong shipyards, besides several enterprises in food processing. We did it out of necessity and did not consider it unusual that government ministers acted as entrepreneurs, selecting the most promising and energetic of our officers to run these new companies.

We succeeded. We were fighting to survive. Ministers and senior civil servants were highly motivated with no thought of financial reward. All of us were acutely aware that if we failed the people would suffer unemployment and degradation of their lives. Every one of the officers who took charge of our enterprises, went all out to make their companies succeed which meant to make them profitable. With growing stability and economic well being, that do or die mood has passed. We recognise this, that we now need to motivate government officers who manage

these GLCs by more conventional methods, rewarding them in accordance with the profits they make, including stock options so that they win if the company succeeds. The dream of wealth attracts everyone. But it is those who innovate in creating new products or services, who will be the new rich.

Few are born entrepreneurs, and not many will succeed. To succeed as an entrepreneur one has to have some extraordinary qualities such as high energy levels, a cut of mind that sees opportunities where others see problems, and a keen sense of what product or service will be profitable.

The Global Entrepreneurship Monitor (GEM) 2001 Executive Report made this specific point, that "the small size of Singapore's domestic market and the general weakness in the economies of the region have made it more difficult for start-ups to grow without exporting. Those seeking funding therefore have to demonstrate an ability to penetrate global markets." The Report found that Singapore had the third lowest rate of entrepreneurial activity among the GEM 2001 countries (5.2%) just above Japan (5.1%) and Belgium (4.6%). Singapore's rate of 5.2% compares poorly against the 11.7% figure for the US.

Despite these obstacles Singapore has seen some successful Singaporean entrepreneurs. The more well known ones are Sim Wong Hoo of Creative Technology, Wong Ngit Liong of Venture Manufacturing, and Kwek Leng Beng of Hong Leong Group. Their experience and that of other emerging ones should be researched to discover the attributes they share in common and whether they confirm the findings of GEM.

I believe circumstances and culture decide how entrepreneurial a people or a sub-group of them becomes. In Indonesia and Malaysia, the Chinese are by and large excluded from the bureaucracy and the armed forces. So their energetic and resourceful Chinese have become successful businessmen and entrepreneurs. In Singapore many of those who were most likely to succeed have been inducted into politics, the bureaucracy and the army, navy and air force. Hence too few are in business on their own and even fewer are entrepreneurs.

However Singaporeans can slowly change with changing circumstances. Our values and culture are not as deeply embedded because we are a young society of immigrant stock. Nevertheless it will take time and effort to change them through education.

There is an obverse side to a dynamic entrepreneurial economy. The GEM study found that in Denmark and Finland in the early 1990s, the total income controlled by the wealthiest 20% of the population divided by the total income controlled by the poorest 20%, was about 3.6. In other words, the incomes of the top 20% were 3.6 times that of the bottom 20%. In the United States, it was 9.4 times.

To change our values, we must consciously focus on the specific new values we must adopt. These are the four salient features of America's entrepreneurial culture: (1) a national emphasis on personal independence and self-reliance, (2) respect for those starting new businesses, and (3) acceptance of failure in entrepreneurial and innovation efforts, (4) tolerance for a high degree of income disparity. For over 30 years we have aimed for an egalitarian society. If we want to have successful entrepreneurs, Singaporeans have to accept a greater income

disparity between the successful and the not so successful.

Recap

Singapore had to remake itself when it became independent in 1965. The Cold War was on, China was isolated, out of the world's markets; most developing countries chose import substitution and rejected MNCs. They believed MNCs would exploit their labour and natural resources. We had the whole export oriented freeway open to us. We succeeded.

The Cold War is now over. The enemy is not communism but terrorism. The terrorist war looks set to be the backdrop for some time.

We are in a new era of the global economy. China will be a vacuum cleaner for Foreign Direct Investments (FDIs) and its production capacity is enormous. We must get part of the FDIs in higher value added and higher technology sectors.

Our own domestic conditions have changed. The easy things we have done. We have become a manufacturing base, a financial services centre and a transportation hub. We have rebuilt our city centre and re-housed the whole population. Now we need imaginative and artistic architects and planners to create living space with enough greenery and leisure areas.

We have educated everyone. Today nearly all Singaporeans go through secondary education. After secondary school, 20% go to universities, 40% to polytechnics and 20% to institutes of technical education. Now comes the difficult part, to raise their quality at each level, so that they can through their better training and higher productivity, meet the competition from lower wage workers in China.

More of our firms must expand regionally. Not everyone has to start a business from scratch. More could succeed by building on old businesses and expanding internationally. Some of our energetic, resourceful and able people must go into business, and not just take salaried jobs. This is a change of culture, of values and mindset. It will not be easy, but some can succeed.

We need a more supportive and conducive environment that will encourage enterprise. A new generation of emerging entrepreneurs, such as Ong Peng Tsin of Interwoven and Olivia Lum of Hyflux are starting up companies, branching out in successful new directions, applying technology to capture new opportunities. Those in the professions and corporations also must have an entrepreneurial outlook, able and willing to take their professional practices or companies in new directions. Being entrepreneurial does not only mean starting big new companies. Every new business that fills a need is an enterprise that adds to our dynamism.

The government intends to release more of its able and resourceful officers to the private sector after they have served their scholarship bonds. However that may not mean we will have more entrepreneurs. It depends on their mindsets.

We have a much smaller market than Hong Kong or Taiwan; that is all the more reason why we have to match or better their tax regime. They keep direct taxes low.

To conclude, the remaking of Singapore does not mean we throw out every strength and virtue we have developed. We did not do everything wrong or we would not be what we are today. The present generation of leaders can build on what we had achieved, a cohesive society, better educated and skilled people, harmonious industrial relations and a determined quest for excellence. Innovation and enterprise are only part of what we should have more of. We need to keep our industrial sector vibrant through hi-tech and high value added investments from MNCs. We must improve our internationally traded services sector, by adding medical, educational and legal services, attracting customers from the immediate region and beyond, from India and China. The world has changed and so must we.
