



**Street Kung-Fu**

*Series*



# STREET WISDOM OF SUCCESSFUL BUSINESSES



**Howard Khoo**

**Kanyin<sup>®</sup>**  
PUBLICATIONS

# TABLE OF CONTENTS

PREFACE	<b>14</b>
INTRODUCTION	<b>18</b>
Chapter 1.0 WINNERS' STARTING CONDITION <i>Getting Ahead before Opening Day</i>	<b>26</b>
Rule 1.1 SLIDES AND SEESAWS <i>Start only when you are competent and experienced</i>	
Rule 1.2 FLOODS AND DROUGHTS <i>Capital comes freely to the skilled and most qualified</i>	
Rule 1.3 SONS OF THE VILLAGE <i>Success comes from winning friends in the industry</i>	
Rule 1.4 SKETCHES LACK CATCHES <i>Plan beyond just an idea by mapping out details</i>	
Rule 1.5 NO WILD CARDS <i>Use only simple tested business models</i>	
Rule 1.6 GLAMOROUS RED OCEAN <i>Popular business schemes attract intense competition</i>	
Rule 1.7 IN FIGURES WE TRUST <i>Master your figures. Financial numbers are great directives</i>	
Rule 1.8 ENABLERS OR ENTANGLERS <i>Partner only when competence is unavailable for hire</i>	
Rule 1.9 GEMS AND TRAPS <i>When buying a business, be wary of underlying fortunes</i>	
Rule 1.10 VITAL HANDS AND LEGS <i>Put core competent team together before the start</i>	
Rule 1.11 GOOD VILLAGE BAD VILLAGE <i>Your surroundings determine the fate of your business</i>	

## Chapter 2.0 WINNERS' START OUT PLATFORM

80

### *Arming and Supporting Your Attack at the Start*

Rule 2.1 CAN'T WIN ON EMPTY  
*Anchor your dreams on some meaningful purpose*

Rule 2.2 STAY CLEAR FROM BOTTOM  
*Move way ahead by riding others' resources*

Rule 2.3 BROTHERS IN ARMS  
*Collaborate with fellow industry players*

Rule 2.4 THINK DO WILL DO  
*Mindset determines outcome. Think positive*

Rule 2.5 MASTERS AND CLOWNS  
*Use successful industry leaders as mentor*

Rule 2.6 ACHIEVERS IN ENQUIRERS  
*Constant enquiry is your best learning tool*

Rule 2.7 CREWS AND GANGS  
*Build teamwork. Talents don't stand alone*

Rule 2.8 VIPs AND SECOND-LINERS  
*Be a master in prioritizing expenditure*

Rule 2.9 WORK HARD BUT WORK HARDER  
*Business Success: 5% concept 95% hard work*

Rule 2.10 AD HOC BRINGS HAVOC  
*Demand standard operating procedures*

Rule 2.11 ROLL UP YOUR SLEEVES  
*Get hands-on. Get your hands dirty*

*Key Formulae to Succeed*

Rule 3.1 NUMBERS NUMBERS NUMBERS

*Game plan: rapid growth, economy of scale and critical mass*

Rule 3.2 ADD VALUE TO VALUE

*Perpetual value adding to company net worth*

Rule 3.3 NO SPECIALTIES NOTHING SPECIAL

*Sharpen your marketing and promotion skills*

Rule 3.4 NO NEED IF NO NEEDS

*New business must fulfill new market needs*

Rule 3.5 CHEAP JUST GETS CHEAPER

*Being cheap is not a winning strategy*

Rule 3.6 SUNRISE SUNSET

*Discover the blooming and declining industries*

Rule 3.7 TELL THE GEMS

*Search out trade secrets and peculiarities*

Rule 3.8 FADS OFTEN FADE

*Watch out for impermanent vogues*

Rule 3.9 CASH IS KING

*Cash flow is the key virtue of business*

Rule 3.10 CUSTOMERS ARE GODS

*Customer loyalty and upselling are paramount*

Rule 3.11 PLAY WIN-WIN

*Coherence by ensuring winning all-round*

Rule 3.12 LONG LINE BIG FISH

*Long term business secures much bigger rewards*

Rule 3.13 WORK HARD WORK SMART

*Apply the 80/20 Pareto Principle to managing business*

Rule 3.14 FACE IS NOTHING

*Objectives must outweigh face-saving and showing off*

Rule 3.15 COPYCATS IN LION KINGS

*Emulation safeguards surety and substantial savings*

- Rule 4.1 RUN LIKE HELL  
*Advancement: accurate, potent and swift*
- Rule 4.2 HOLD THAT POLE  
*Hold on to lead position*
- Rule 4.3 SACK FOR SLACK  
*Uphold quality and expectations*
- Rule 4.4 BUY WITH EYES CLOSED  
*Build trust, reputation and brand*
- Rule 4.5 WILDFIRES FOR FREE  
*Exploit the low costs of publicity*
- Rule 4.6 PLAY MAN TO MAN  
*Shadow your key personnel*
- Rule 4.7 SO WHAT AM I?  
*Do regular critical self-appraisal*
- Rule 4.8 SURE AND ASSURED  
*Take only calculated risks with backups*
- Rule 4.9 TAKES ON MISTAKES  
*Loosen up on mistakes*
- Rule 4.10 TALK AND TALK AGAIN  
*Persist with resolving differences*
- Rule 4.11 WARNINGs AND SOSs  
*Pay attention to feedback and complaints*
- Rule 4.12 UNRELATED IS UNRELATED  
*Disregard unrelated businesses*
- Rule 4.13 MONEY IS NOT EVERYTHING  
*Attend to staff contentment and discontentment*
- Rule 4.14 CHECK ON SEPARATISTS  
*Contain company politics*
- Rule 4.15 LET QUALITY SPEAK  
*Stay away from corruptive practices*

Chapter 5.0 WINNERS' LONGEVITY  
*Upholding Long-Term Existence*

**280**

Rule 5.1 NOT HEADS OR TAILS  
*Manage risks and exposures*

Rule 5.2 EVOLUTION AND MUTATION  
*Be vigilant, improve and reinvent constantly*

Rule 5.3 ANXIETY IN TRANQUILITY  
*Break the monotony at workplaces*

Rule 5.4 MOMENTUM IN MOMENTS  
*Leverage on habits and routines*

Rule 5.5 WHEN ALL HELL BREAKS LOOSE  
*Prepare for crises and the unexpected*

Rule 5.6 PIT-STOPS INVESTMENT  
*De-stress and regroup periodically*

Rule 5.7 GOOD DEBTORS GOOD CREDITORS  
*Appreciate both payers and payees*

Rule 5.8 DON'T BE STUPID  
*Control taking gambles and illicit dealings*

Rule 5.9 SNAKES AND LADDERS  
*Anticipate and manage business cycles of ups and downs*

Rule 5.10 CARRIAGES TO LOCOMOTIVES  
*Transform from managers to leaders*

Rule 5.11 MONITORS MAKE BAD MONITORS  
*Put humanity into management*

Rule 5.12 CLIFFHANGER INVESTMENTS  
*Be warned of franchising and licensing*

Chapter 6.0 WINNERS' GRACEFUL PROGRESSION  
*Passing the Succession Baton*

**340**

Rule 6.1 OLD DOG NEW TRICKS  
*Embrace new technology. Admit self-limitations*

Rule 6.2 NEW ENGINE OLD ENGINE  
*Plan for succession*

Rule 6.3 SCRAMBLING FOR THE SAME MUCK

*Instill family values of unity*

Rule 6.4 SENTIMENT IN BUSINESS

*Selling off one's business*

Rule 6.5 TOM'S, DICK'S & HARRY'S

*Taking the company public*

Rule 6.6 GUIDE DOG WATCH DOG

*Be a coach. Not a grumpy old fool*

Rule 6.7 FREE AT LAST

*Retiring from business*

Chapter 7.0 WINNERS' START OUT REVIEW

**376**

*Evaluation before Commencement*

Rule 7.1 ROCKET FUEL OR FIREWOOD

*What's your source of motivation?*

Rule 7.2 CONFLICTS IN RICHNESS

*What are your life values?*

Rule 7.3 BEING NAIVE WON'T DO

*Are you short of an education?*

Rule 7.4 DNA AND ACQUISITIONS

*Do you possess entrepreneurial traits?*

Rule 7.5 LET'S GET PERSONAL

*Do you enjoy working with people?*

Rule 7.6 THE ETERNAL SPRINT

*Are you ready for extreme labor?*

Rule 7.7 LIFE'S BALANCE SHEET

*What does success mean to you?*

Rule 7.8 BUSINESS IS EVIL

*Is business evil?*

AFTERWORD

**419**

ABOUT THE AUTHOR

**421**

DEFINITION

**422**

## Introduction



Every so often, people I meet pose questions to me about finding success in business. Some I readily answer in an instant, while others give me pause for thought.

“I have always wanted to have my own business but I don’t know where to begin. Can you give me some pointers?”

“There are so many types of businesses ... What business is best to go in at present?”

“Our eldest son asked if I could give him a chunk of my life savings to start a café. Should I risk it to support him?”

“My business partners and I have quarreled and we have not spoken in months. Can you help?”

“My business has stalled from two years ago because customers are switching to other vendors. Why is that and what should I do?”

“My friend has asked me to take over his business. Should I take up his offer or should I start from scratch?”

“Since our children joined the company, they have wanted to diversify into other businesses. Is that wise?”

“My plan is to have my children take over my business one day. What should I do now to plan for succession?”

There is of course no one correct answer to any of these questions. After all, there is no silver bullet to slay the monster that



is doubt and adversity. After years of living, and after spending a large subset of these years in the world of business and enterprise, I believe that one is helped along to an answer by broad strokes of knowledge accumulated through time and persistence.

### **On Attaining ‘Street Wisdom’**

Some might say I am a believer in the school of hard knocks but I think the term is a little too simplistic and clichéd. Instead, I believe that finding success largely hinges on the accumulation of practical knowledge backed up by formal education. After the buildup of sufficient applied know-how, the clever application of this learning in the attainment of superior fruition is what I like to call “street wisdom”. By “street” I mean not just the wide, unobstructed thoroughfares you zoom through at 100 miles per hour, but also the side lanes, back alleys, nooks, crannies and waysides we often find ourselves on as we plod along on our way to our destination.

No conventional business textbooks, trade articles or lessons from business schools can map out the various scenarios or challenges an aspiring entrepreneur finds himself entangled in while striving towards attaining positive bottom-lines. Despite the fact that many business starters have highly trained business faculties, many of life’s insights elude them because of their insufficient experience, exposure or otherwise.

My contention in this book, filtered through 30 years of business and professional experience, is that business knowhow falls under two broad categories.

The first is of course the staple teachings of today’s business schools, which, for the sake of easy reference, I will call “formal knowledge”. This includes business theories and structures that conventional business education rests on, championed by institutions of higher learning.

The other category encompasses the wisdom of operational tactics and applied methods one uses to run a business. Here is where soft skills are applied to great advantage, and where the maxim of being “street smart” finds its home.



Allow me to illustrate the difference between the two kinds of business knowledge.

Good business practice teaches us to optimize profits by sourcing for raw materials at the lowest cost possible. That is the established wisdom, and it is of course, true. But, a savvy businessman knows to take the philosophy a step further by getting friendly companies to act as a group to negotiate for even lower prices at bulk discounts. The goodwill acquired through dealings with partners and rivals, the prescience to see that industry connections can be used as leverage, and the leadership to put together a working coalition, is what I would call street wisdom.

Similarly, if we get right down to the nitty-gritty of selling a product or service, business textbooks teach us to lure customers with attractive selling propositions. The wisdom on the street, however, would suggest that all sales propositions can be bolstered by a good working relationship with our clientele. Frequently, patrons are willing to pay slightly higher prices simply because they enjoy dealing with us while benefiting from other non-monetary advantages.

It is essential that we acquire both sets of knowledge: theory is an empty shell without the practice, just as practice must be grounded on intellectual foundations. Fortunately, formal erudition is well-founded, documented and taught in many business schools that cater for the wider community. Street skills on the contrary do not enjoy the same privilege. This branch from the tree of knowledge is passed down from past generations of businessmen via word of mouth. And as we know, the passage of time can be amnesic to knowledge and much of these wisdom can be lost without recall.

The formal education of business typically involves bombarding a student with immense quantities of information, in great detail, and in various components. The hapless business protégé has to contend with a complete hodgepodge of subjects such as accounting, economics, management, marketing, business law, finance and others that are yet to be named. Excel they may, or not, but without practical wisdom to aid them at the starting line, many start poorly

and those who manage to push off have great difficulty maintaining success.

To me, having the formal knowledge but not the wisdom and experience will only give you half the chance of achieving success, and vice versa. By the time you master the art form we call business practice through actually running a company, there is a good chance your startup would have suffered virtual failure. In today's harsh business reality, there is little compassion for the muddled, unsuspecting starter. It is absolutely necessary that new entrepreneurs learn, as much as possible, both formal business knowledge and applied business wisdom before they start their ventures.

Today, because the pragmatic experiences of past successful businessmen are generally not well-documented and made readily available, I hope to put on record some of my acumen, which I think are important, in this very book entitled "Street Kung Fu: Street Wisdom of Successful Businesses".

### **Why Street Kung-Fu?**

In Chinese, "Kung-Fu" extends beyond the practice of martial arts to the mastery of any art form, business/trade or other useful skills. Acquiring Kung-Fu entails the learning of expert know-how from masters of the trade through hard work and some other intensive forms of learning. Therefore, this book on Street Kung-Fu refers to the mastery of the art of business using street wisdom.

The Chinese context is relevant because it is widely recognized that the Chinese have a thriving business culture. This tradition in commerce is also known to have extensive influence over the lives of the people of Asia and its surrounding regions through widespread Overseas-Chinese businesses.

Many of the lessons shared in this volume are actually derivatives of historic Asian/Chinese business practices which form a significant slice of this civilization. In Asia and many parts of the developing world, owning your own business is what many people crave to achieve in their lifetime. For these communities, it is very



close to a benchmark measure of whether one has actually made it in life or not. This is because, customarily, living well and enjoying a high degree of financial independence are achieved only by being business owners. The vast majority of people in employment simply do not get paid enough unless they rise to the very top of the corporate world.

In this book, I hope to share some of the practical business Kung-Fu I have learned to help readers start and run businesses more successfully. This is particularly useful for people who have already gone through some formal studies in establishments of higher learning. It is my hope that I can share some of my learned awareness to help business aspirants improve their rate of survival as they grow their startups into much bigger entities.

I also hope to broaden the outlook of my readers and dispel some myths that have been perpetuated about the world of business.

For instance, most people are of the idea that business owners are lords and founders of their companies from the get-go. The story of rags to riches, from minnow to titan, makes for a compelling narrative. On the contrary, most successfully run businesses are actually the offspring of existing sizeable companies. These offspring are often managed by capable employees with minority stakes in the companies before they helped grow them into bigger entities and mounted their equity positions over time.

These future bosses consolidated their positions and became irreplaceable to a company by taking on new projects under their umbrella. Some even became full owners of the company via management buyouts. This is an important cycle, and one that adds new and successful companies to the business ecosystem. Therefore, it is not necessarily true or wise to start a business from scratch with total ownership and without the support of thriving host companies or individuals.

In sharing some of the insights, I have structured this book into seven chapters, and each chapter into further subsections of individual wisdom-tenets that illustrate a certain point in detail. There are altogether about eighty diminutive rules of practical

business insights divided up in the seven sections. Many of these rules are titled in the form of a direct literal translation of common Chinese sayings that depicts their meaning, used frequently by the ethnic business community. At the introduction of each of these rules, you will also find a dazzling Kung Fu icon with a Chinese proverb that expresses the meaning of the concept concerned. There is also a humorous or comical cartoon contained in each of these segments to give these parts some fun and novelty.

Out of the seven segment chapters, each generally chart the phases of business growth from their beginning till maturity and the relevant applications that complement them. The chapters are as follows:

- Chapter 1.0: Winners' Starting Condition *Getting ahead before opening day*  
This section explains the conditions at the very start of a business undertaking and the approaches that the initiators must take to increase the chances of success for their projects. I advise readers on how to arrange for a smooth and natural start using minimum capital from their own pockets. I also offer some ideas as to what businesses to go into and how business plans should take shape to ensure a better chance of success.
- Chapter 2.0: Winners' Start Out Platform *Arming and supporting your attack at the start*  
In launching a corporate endeavor, this segment describes what owners have to embrace to gain the necessary support, protection and tools to assist them in securing much better venture outcomes. I share with readers some of the much-needed aids to make them stronger and less vulnerable to project failure. I also advise readers to obtain pools of useful resources from people they are able to garner support from and to establish a working relationship with them to enable continued backing over time.
- Chapter 3.0: Winners' Business Mechanics *Key formulae to succeed*  
In drawing up business plans of superior quality, this section

contains some fundamental components that are essential to the accomplishment of business schemes. Being short of some of these important basics will no doubt affect the viability of the business design. It also lays out some key mental dispositions and attitudes of the business owners that are necessary to make the plans work.

- Chapter 4.0: *Winners' Mode of Survival Developing and sustaining viability*

This fourth section of the book assists readers by providing them with the methodologies and mindsets to hold their organizations together while their companies are going through tough challenges in the initial years. The chapter also teaches aspirants how to reach out and entice customers in better fashion so that their clients maintain their patronage. It also highlights some important key elements in growing and maintaining a stable and reliable workforce that gives support to their companies' charted journey.

- Chapter 5.0: *Winners' Longevity Upholding long-term existence*

This fifth portion of the book explains to readers the many means and techniques that long-lasting corporations and their owners use to subsist over long periods of time despite the many changes in the business environment. These practices include the vital element of risk exposure and risk control over time. It also addresses crisis management, which, if one fails to master, often takes companies down without warning.

- Chapter 6.0: *Winners' Graceful Progression Passing the succession baton*

The sixth section of this book illustrates some of the common issues that surround business succession, and my goal here is to deliver some wise and sensible ideas as to how these concerns are to be dealt with before originators leave their posts. The chapter also demonstrates what business elders can do to educate and cultivate their successors.

- Chapter 7.0: Winners' Start Out Review *Evaluation before commencement*

In the final section of this book, I ask readers to review a few important aspects of their psychological make-up such as their purpose and fortitude to see if they are suitable to take on a business. I also challenge them to examine their personality, knowledge and skill sets to see if they are up to the challenges ahead. I also find it my duty to ask readers to consider their life's priorities to see if being in business is actually what they want after all.

The topics covered above are a summation of numerous pieces of business wisdom and applied philosophy, which seem to have helped entrepreneurs better manage their companies over the years. Although these lessons may seem to be referring primarily to small and mid-sized enterprises, many of the principles still apply to larger ones. Incidentally, this list of about eighty insights is by no means exhaustive but is the best we can do given the limitations of publishing. Wherever possible, I have supplemented my humble learning with relevant business literature to offer a more holistic framework.

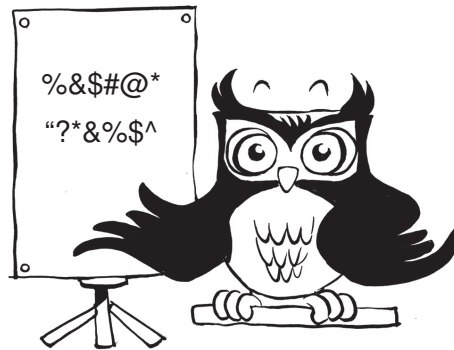
This book is structured to complement the existing body of literature used widely in today's business education. This written volume is arranged in a lighthearted and easy-to-understand format with stories of past business experiences and cartoon illustrations to perhaps help deconstruct the notion that the study of business exists only in a formal, highbrowed environment. I sincerely hope that I can instill some fun into the learning process to give it some entertainment value. After all, if you think about it, the acquisition of knowledge is in fact a fluid practice with few inert answers. And getting to these answers is a process borne of practice and a little gung-ho attitude.

So let's take it to the streets.

## Chapter 1.0

# WINNER'S STARTING CONDITION

*Getting ahead before opening day*



*"Listen...starting correctly is most important !"*

At the start of any undertaking, business or otherwise, the new entrepreneur must always take a good look in the mirror and, without fear or favor, ask himself if he is ready to take on the difficult tasks ahead.

After all, the state and approach of the entrepreneur holds the key to the success of the venture. A majority of business failures in the first few years of a business are, in my opinion, primarily due to wrong footings and false starts. It is only understandable that business aspirants make mistakes if they are not well informed about where or how to get started. The fatal assumption they make, however, is that it is okay to stumble your way through a business in the hope of finding their way. The light at the end of the tunnel may well never reveal itself.

In this first section of the book, I give potential business owners some pointers on how to get started and the necessary preparations to make so that they are able to maximize their chance of success.



I inform my readers as to how to arrange for a smooth and natural start using the minimum amount of capital from their own pockets. I also give some ideas as to what businesses to go into and how their business plans should take shape to ensure a better chance of success.

In the hiring of employees and nurturing teamwork at the start, I provide some forewarning of the people that they should or should not engage in their new organization to maximize their effectiveness. On top of that, I want to help my readers make good decisions in matters such as choosing the right trade environment to assist them in making their venture adequate and proficient, deciding whether to purchase an existing business or start a new one, or in selecting the right location or environment to start their enterprise.

**Rule 1.1 SLIDES AND SEESAWS**

*Start only when you are competent and experienced*

Today's highly competitive business environment leaves very little room for error at the start of any new venture. Inexperienced entrepreneurs who step into the arena without on the ground preparation, hoping that they can muddle through and correct their mistakes along the way, will be in for a shock.

They soon realize that inexperience leads to constant struggles in the daily operations of a business, followed by their not-so-distant financial demise.

Successful starters are typically people who are already very experienced and familiar with the industry concerned. The ventures they start are a natural progression and extension to what they had been doing in past years. They make a natural transition from employee to business owner, and simply *slide* into new but familiar skin. Unsuccessful initiators often go through many ups and downs like a *seesaw*, fire-fighting and busy with damage control, because of their shortcomings. Starters who are not familiar with their new business will almost certainly fail to start smoothly.

**Street Naïve: The Café that Josh Started**

Lee is a good friend of mine from my university days. He owns and runs an established hospitality and property business. His eldest son Josh, for the last two to three years after graduation from college, did charity work for the International Red Cross in underdeveloped countries. Recently, Josh finally decided to come home to settle down with the view to start a family.

Because he had little interest to join the family company, Josh asked Lee for some capital to start a lifestyle café that offered western food and beverages. Lee, like most loving parents, agreed to the idea and provided Josh with the start-up capital.

With the help of some friends, the café was up and running after

nine months of planning and preparation. The journey towards the shop launch was rough and the official opening date was postponed twice. From the design and construction of the shop, preparation of the menu, recruitment of the staff and all the way to the preparation for the inaugural grand opening, the ride was a struggle for Josh. His inexperience got him back paddling and retracing his steps to where he realized he had blundered.

Josh had hoped that his problems would be over after the dust had settled from the commotion of the opening days, but that was wishful thinking. The kitchen was found to be much less organized, fresh food supplies were always delayed, floor staff were often late to work or absent, customer numbers were on the decline with lots of complaints, and the list went on. Much of Josh's time seemed to be spent solving endless problems day after day.

In less than two years since the shop opened, Josh became demoralized and his interest in the shop came to a gradual halt. He resorted to hiring a senior manager to take over his work while he pursued other interests. Before the fourth year was up, Lee decided to close down the business due to heavy losses.



### Know This Street Rule

Statistics shows that some 50% of business start-ups fail within the first 12 months and 95% fail within the first five years of their

existence. The reason behind this high percentage of flops lies in:

1. Insufficient skills, in-depth knowledge and experience.
2. The overconfidence of starters that lead them to underestimate what is required to make the new business successful.
3. Inadequate support from external industry associates such as financiers, raw material suppliers, contractors, customers and so forth because of their lack of confidence in the start-up principals.

The key takeaway from Josh's hard lesson is that the little mistakes and setbacks will keep piling up so long as you don't know how to deal with them. As the problems build up, they will become overwhelming over the course of time.

To keep from being swamped by unexpected dilemmas, owners should already know the business like the back of their hand. They should have an intimate knowledge of the industry through many years of involvement as senior employees or minority business partners. Making operational decision should come as second nature without any major doubt or hesitation.

Intense competition is to be expected because if you are able to identify opportunities in a venture, so will others. No business operates in a silo, and you will be expected to join a battlefield of competitors with more established players and upstarts with fresh ideas. The fight to attract and retain customers can be so intense that you will find little time to do anything else, let alone correct your own shortcomings.

If you are interested in venturing into any new business that you are not familiar with, it is highly recommended that you join an existing business similar to the one you wish to start and learn the tricks of the trade in depth. At the same time, you should have extensive practice in running that business with minimum assistance. Anything short of that will invariably lead to having little to no chance of success.

Customarily, candidates would select a trade or business that they are passionate about and then learn both the theoretical as well as practical aspects of the profession. It is crucial that aspirants attend some formal study on the subject before they embark on

accumulating work experience. Not knowing the theoretical aspects of the job would inevitably slow down the practical learning and also prevent the transfer of in-depth knowledge. Therefore, before new entrepreneurs take on fresh ventures, they should go to school and pick up work experience before starting their business enterprise.

### **Street Wise: Wing Keong's Grasp of the Trade**

Wing Keong enrolled in a vocational school not long after he had finished high school. He had taken a keen interest in electronics from a young age and ended up pursuing a diploma in the subject. Upon graduation, Keong became a sales executive in a medium-sized wholesale electronics company distributing home electronic appliances to retail shops in the capital.

Because of his diligence, hard work and enthusiasm, Keong was promoted to the role of senior marketing manager after six years in the company. Not only was he very knowledgeable about the products, but Ken, his boss, was also extremely happy with his devotion to customer service. While working, he took it upon himself to further his studies through night classes in a local management school. His skills soon extended to staff organization and logistics, which made him an expert in just-in-time goods delivery.

The business grew quickly under the supervision of Keong to his boss's pleasure. Although he was made general manager on the 10<sup>th</sup> year of his service and was paid a handsome salary, Keong's ambition was to be his own boss before the age of 40.

Because of his cordial relationship with his boss and his own financial limitations, on his 40<sup>th</sup> birthday, he made a proposal to Ken for a new venture.

Under the new venture, Keong would groom his assistant to take over his existing duties. Meanwhile, he would expand the company's electronics distribution network nationwide, starting with neighboring states. He and his boss would form a new company for the venture where Keong would have 51% ownership of the shares, while Ken took up the rest. Ken's task was to come up with the initial capital to fund the venture, giving Keong time to repay him with

profits from the new business. Ken, with his astute entrepreneurial instinct very quickly agreed to the new arrangement.

Because of Keong's skills and experience, the venture turned out to be extremely successful. In a little over 10 years, Keong was able to grow his new business to other parts of the nation, tripling Ken's business volume.

### Summing Up

The plain truth is that if you are not already very skilled and knowledgeable in the business that you have just started, chances are that you will find it extremely challenging to make that venture work. Winners usually are people who have been in the trade for some years. They are just transitioning from being employees to a new role as business owners. It is, in a sense, advancing an existing career. You could think of the transition towards business ownership as reaching a new milestone rather than making a fresh start.

Thus, I suggest: If you are now in business and you are already skilled in the trade, fortune will be on your side. But if you are not yet competent in the industry, perhaps it might be wise to bring in an experienced equity partner or CEO who has the proven ability to help you see the project through. The alternative is to sell that business and come back another day after you have done the necessary learning.

Like the Street says, "*If you don't understand the business, don't take up the business*".

### Rule 1.2 FLOODS AND DROUGHTS

*Capital comes freely to the skilled and most qualified*

It is a common belief in the marketplace that people who venture out to set up their own business must first secure large sums of money as startup capital. This often comes from their own savings or from borrowings from the bank, family or relatives.



Capable entrepreneurs do not fear a *drought* in capital. On the contrary, if they are able and ready, they are *flooded* with funding offers as investors eagerly look to participate in the new venture. These potential investors see the opportunity for handsome gains without too much effort on their end of the bargain.

As a matter of fact, most successful new start-ups usually have the financial backing of existing business entities such as corporations, venture capitalists, partnership firms, high net-worth individuals and other patrons. Significant banking support usually comes in only after the initial proven success of a business's set up and during the growth phase.

### **Street Naïve: Why Mathew's Tap Went Dry**

Mathew graduated with high honors in electronics engineering from a renowned university in the United States. Soon after, he joined an established bank as a computer engineer in the information processing and support division. Because of his competence and diligence, he was quickly made the deputy head of division.

Due to the fact that he was ambitious and enterprising, Mat left the bank to set up his own website, selling office supplies and stationery products online to offices as an extension of his father's bookshop business. With the family's savings, he hurriedly put together an impressive web platform with the means to deliver supplies to major companies via postal or courier services in town.

But the new business model had not taken into account some fundamental problems. These included overlooking the fact that many corporations make their own company-labeled stationery like letterheads, envelopes, notepads and reports. Major wholesalers offer them comprehensive services like printing, binding and delivery at very competitive prices, cutting out the middle men. Besides, deliveries via post or courier companies tend to be slower and more expensive.

Although Mat was first encouraged by some growth in his business in the first couple of months from mostly home-based organizations and individuals, he realized that he could not achieve

the scale needed to make it viable. To capture the business of larger corporations, Mat knew he would need a much bigger set-up to offer more comprehensive services and products at comparable prices. He came to the conclusion that his humble website would not do the job.

Not giving up, Mathew embarked on a journey to seek financial backing because he had exhausted his parents' savings. He first went to the banks where he was given a friendly send-off with no results. He consequently approached some venture capital companies to try his luck. However, they all found Mat's business model to be too generic in a market that is already well saturated. In just one-and-a-half years, Mat was sent packing with his website. Without any options left, he went on the market to seek employment.



*Entrepreneur: "Thanks, but no thanks. I don't need any bank loan."*

### **Know This Street Rule**

The belief that start-up entrepreneurs have to labor hard to secure funding is grossly inaccurate. This only applies to people who start out without a proven track record.

Most skilled and qualified starters team up with their financiers to obtain the necessary funding with little solicitation. Many get head-hunted by backers who wish to invest in them in return for handsome returns. Their contribution lies solely in plowing money into the



project. The initiator commonly teams up as a minority shareholder and works towards increasing his holdings as the business grows. He can also progress to become the majority stakeholder at a later time, through some prior agreement, when the business expands to some considerable size.

Types of investors include:

1. Existing companies that wish to expand into the same or related business, but require capable people to spearhead the operation and offer them shares as motivation.
2. Existing business entities that wish to develop new businesses they are unfamiliar with. They thereby track down someone with the relevant track record to take them in as equity partners.
3. Resource-rich venture capital companies that constantly seek out money-making opportunities by offering ownership to innovative entrepreneurs to go into mutually beneficial businesses.
4. High net-worth individuals who invest in potentially fruitful projects with the objective of obtaining superior earnings.

Other than small sums of earnest capital from the project architect, most investors fork up most, if not all, of the scheme money with a view to reaping in the bulk of the profits. The project architect, in return, benefits from not having to come up with the capital or take inherent risks in project failure. They inevitably need to live up to their side of the bargain by producing results and looking after the business.

Therefore, only minimal capital is necessary if you have got what it takes to make the venture successful. The small earnest capital is only there to make sure the project head is committed to seeing the undertaking through.

### **Street Wise: Capital Came Knocking for Sim, Ling and Arthur**

Sim, Ling and Arthur were former employees of mine from the company I sold some four years ago. They have since ventured out on their own and built successful businesses that I am proud to be associated with, even today.

My company was in the fashion retail, wholesale and manufacturing business, listed on the Malaysian Stock Exchange under my stewardship. It was a fully integrated setup with fabric knitting as the first upstream event and branded clothing retailing in chain stores as its final downstream activity. The whole process involved fabric knitting, material dyeing, tailoring, garments manufacturing, wholesaling, and finally apparel vending at some 700 department-stores-outlets and company-owned chain shops.

Throughout my 25-plus years at the establishment, I have found the above three members of staff to be very exceptional individuals. Not only were they very competent in their jobs while under employment, they were also very shrewd but graceful in mapping out their dreams, which were to own their own businesses.

Sim worked as our dye-house manager who had been with the company since its commencement. Without much formal education, Sim learned the art of fabric dyeing from the pioneering Hong Kong masters who were temporarily hired to impart their skills during factory inception. Sim is, by nature, a very humble, inquisitive and hardworking man. He soon got the knack of fabric coloring, which allowed his teacher to return home in just over three years. While performing his duties, not only did he develop a habit of enhancing his skills from reading and learning from industry elders, Sim also established a close working relationship with people of the trade. On the final year of his service in my company, he was scouted by a very successful dye stuff supplier, who has given him a 25% stake, to form a partnership in establishing a large commission fabric dyeing plant.

Ling on the other hand was our director of sales who worked through the ranks from her first duty as an office clerk. Over her 23 years with us, she hopped through the many company tasks from sales administrator and sales manager to factory manager, and finally became the executive director of sales. Her many promotions were due to the intelligence, hard work and outstanding interpersonal skills she showed during her tenure with the company.

Ling eventually left when she was offered some 33% share of a large newly formed textile manufacturing plant where the majority owners were foreign investors.

Finally we have Arthur, who was our general manager of apparel wholesale and retail division. Arthur was very sociable, well-respected and market-savvy, and had extensive contacts in the retail market. He was under our employment for a brief period of seven years but over that time, Arthur was regularly approached by employment headhunters to take up positions in other corporations. He finally settled for a job as an executive director of a renowned department store with share-option ownership of up to 30% of the company.

### **Summing Up**

Most intelligent and capable entrepreneurs do not sweat raising money at the start of their ventures. By the time they are ready to venture out on their own, there will be lines of investors or bankers waiting with capital to entice them to accept them as equity partners or business financiers. Winners normally prepare themselves very well by acquiring the much needed skills and experience which would have earned them a good reputation in the industry at the point of their business entry. Therefore, they usually set off on their business endeavor without having to worry about startup capital.

Thus, I suggest: If you now lack the capital to kick off your business, chances are that you are not yet ready or have not demonstrated your capabilities. You should diligently clock up more work experience and gather the knowledge required to show people of the industry that you have what it takes to venture out on your own. At the point when you are equipped and prepared, investors will come looking for you. Of this, I am certain.

Like the Street says, *“If you are the maker of money, money itself will come knocking”*.

### Rule 3.15 COPYCATS IN LION KINGS

*Emulation safeguards surety and substantial savings*

They say that imitation is the sincerest form of flattery, but mimicking another more successful business is also a useful shortcut to success. This is especially true if your business is young and growing, and has yet to determine its own path.



Inventing your own proposition can be very costly and time consuming, while borrowing a working model gives you the confidence to move forward. Of course, you can improve upon the model with features of your own.

Learning from another's success formula creates an environment of improvement and reinvention, which makes products better and more affordable for consumers. Many industry winners model their ventures after the market leaders and build very decent businesses out of that. Knowing when to adapt a better idea to your business model can make *lion kings out of copycats*.

### Street Wise: Ling's Western Influences

Ling was the owner of one of the biggest and most profitable footwear and apparel companies in Southeast Asia. Specializing in the mass consumer segment of young working ladies and teenage girls, he offered his wares at attractive, affordable prices.

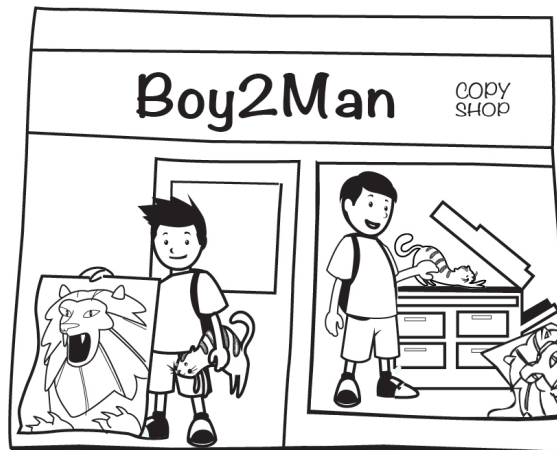
The company garnered a monthly revenue of tens of millions of dollars from the sale of millions of shoes and clothing items. The company stockholding consisted of over 1,000 product designs with a design team churning out a couple of hundred new patterns every few months to satisfy customer demand.

However, for over 30 years, and until today, the company has not produced their designs from scratch. Instead, every calendar quarter, the company's design team visits the fashion capitals of Milan, London, New York and Paris to shop for fashion samples. These are brought back to headquarters to be used as prototypes for

their design ideas and innovations, which leads to fresh styles of their own.

By emulating what the top design houses have done, and adapting the designs to their home market, the company has been saved from spending on research and development. Because Ling does not copy the products exactly, he also avoids copyright infringement. In addition, the business does not mimic just one or two brands, but finds inspiration from numerous top labels around the world and modifies their designs accordingly to suit the local market.

This has allowed the company to keep up to date with the latest fashion trends, which are usually driven by globally renowned brands. By being in synch with the fashion world, Ling manages to avoid overstocking on products that can't be sold. Suffice to say, in the world of fashion, everyone is inspired by everyone else.



### **Know This Street Rule**

“There is practically nothing new under the sun; why do you need to reinvent the wheel?”

There is in fact a lot of wisdom in this statement. Successful business models offer a lot to learn from. Apart from the savings you can make from research and development, a predecessor you take inspiration from also gives you the confidence you need to leap

forward. A misstep, on the other hand, can be very costly to make right.

It is okay to play second-, or even third-, fiddle to a market leader if this game of tag along is going to save you from making gross errors along the way. This is especially apparent in the motor vehicle industry, consumer communications electronics, computer software, pharmaceutical drugs, fashion, industrial design, music, food, and countless other industries.

Even the most original products take their cues from other industries or cultures. Most copy from their competitors but disguise them with enhancements of their own.

Even if you are already established in the industry, it is still worthwhile to learning from existing competitors that are doing well, and improving upon their methods. Short of finding a blatant rip-off in the market, consumers are not particularly worried about the originality of an idea. What they look for is features that suit their purposes.

Pure originality does exist, however, but this is for the extremely rich and powerful leading companies who rely upon first-mover advantage to stay ahead of the pack. They need to leverage on large resources to experiment with their products in order to attain a surety of success. The first and second runners-up in the market usually fare as well without the added expenditure.

There is no shame in redeveloping an existing idea and adapting it for the purposes of your business. That is, barring circumstances whereby your actions break copyright rules and infringe upon patents. The business world is built upon inspiration, assimilation and improvement with a very fine line between imitation and knowledge acquisition.

### **Street Wise: Aiming for Second Place**

The following are a few very good examples of second- or third-tier product players who play a wait-and-see game with their respective industry leaders. Many achieve better corporate results than the market leaders by their ability to imitate and modify a

successful formula, and deliver even more value to the end users:

1. Motor Vehicles

It is a well-known fact that very established Japanese and Korean car companies had their origins in first copying and then improving upon early American and European motorcars. Until today, many second-tier motor companies are still emulating product designs by industry leaders and then modifying them. This saves the copycats lots of money in design research and development and, to a certain extent, prevents costly marketability mistakes.

2. Smartphones

It has been widely publicized that smartphone industry leaders like Apple or Samsung are fighting each other in the courts over alleged copyright infringements. They are also taking the many second-tier phone companies through the courts for doing the same. It is much easier and cheaper to replicate popular market-tested software than trying to come up with your own original operating system. The idea is to improve upon existing formulas to capture your own market segment, and differentiate from the market leaders with your own marketing proposition.

3. Food Outlets

Many food outlets do not normally create their own original food menu to introduce to the market. Instead, they study the various food menus offered by their more established rivals which have proven to be popular among customers. The dishes they offer are generally similar to the originals, but with some twist or improvements. This will help ensure that the dishes offered cater to the taste buds of the community, without relying too much on expensive market surveys.

4. Consumer Electronics (TVs, Computers, Hi-Fis, etc.)

Again, many second- and third-tier consumer electronics companies often copy the main features of their leading competitors and introduce new attributes to them. With

the cost savings on research and development, they are able to offer lower prices to their customers.

### **Summing Up**

It is important for new entrepreneurs to understand that there is nothing wrong in learning from more-established market leaders. A well-tested formula can be analyzed and appropriated to ensure a better chance of success when entering a market. However, care must be taken to always look towards improving upon the formula so as give customers an enhanced experience to capture market share.

Research and development is a costly affair and expensive market studies are not always reliable. So before you throw yourself into the business arena, have a look around to see what has been shown to work in the market and do something similar, but in a better fashion and by providing some fresh and essential attributes.

Thus, I suggest: Do not get into the market by reinventing the wheel. This will prove very costly both in expenditure on market studies and in undoing your mistakes. Go emulate some successful companies by borrowing their concept, but make recognizable improvements by offering fresh features and also gratifying extra desirable needs.

Like the Street says, *“Wheel re-inventors are truly doorknobs while copycats are lion kings.”*



## Chapter 5.0

# WINNERS' LONGEVITY

*Upholding long-term existence*



*Speaker: "Do you know why certain businesses survive for so long?"*

Business entrepreneurs do not survive over long periods of time by the roll of the dice. Their longevity depends much to their ability to remain relevant within their respective markets, and the actions they take to ensure their existence.

Business environments change with the passage of time, and it is up to a company's management to adapt to the new conditions. The ability to shift, grow and transform itself to meet new market requirements will ultimately decide if a business thrives or becomes obsolete.

This fifth chapter of the book is all about creating an enduring and resilient business. It shares the many measures and techniques required of companies and their owners to subsist in a changing marketplace.

These practices include the vital consideration of managing risk exposure – whether it can be controlled and minimized, or whether entrepreneurs are entrapped by the lure of big profits.

There is also the issue of crisis management and the ability to take on disasters as they occur. These crises make every other problem faced by the company seem paltry by comparison, and they certainly come at unexpected times. But it wouldn't be the end of the world if the business is prepped or conditioned to take on even the worst-case scenario.

Taking another look at the entrepreneur as the pivotal force behind his company, this chapter of the book shares some good practices that can be adopted to preserve his general wellbeing, as well as those of his staff over the long haul. Physical and mental health is an important requirement of becoming a successful business owner who endures the test of time. This prerequisite is often overlooked in the quest for success. Ignoring signs of weariness within a company can result in the rapid disintegration of all that you have been working for.

Finally, an entrepreneur must view himself through the eyes of those he works with – and this includes people from both ends of the value chain. Whether or not a business owner is deemed a worthwhile investment by those who contribute to his business will determine if he manages to keep those relationships, benefiting all and maintaining balance in the equation.

## About the Author

Howard Khoo Henn Kuan was born and bred as the grandson of a prominent Chinese migrant merchant in the North Borneo town of Sandakan in Sabah, Malaysia. Before he sold his business in 2011, he was the group Managing Director/CEO of Hing Yiap Group Berhad, a company listed on Bursa Malaysia Stock Exchange.

Under the leadership of Mr. Khoo, the Hing Yiap Group operated as a lifestyle fashion business engaged in retailing, wholesaling and manufacturing of branded apparels and accessories under the teenage brands of Bum Equipment, Diesel, Unionbay, Antioni and Bontton. It had approximately 700 retail outlets throughout Malaysia and other Asian countries carried out in renowned department stores and company-owned concept shops. The company also ran a large vertically-integrated textile and apparel manufacturing plant which entailed fabric making, material dyeing, fashion tailoring and garment manufacturing. In 1997, the company went public under the stewardship of the author.

Mr Khoo is a graduate from the University of Melbourne, a post-graduate from the University of Sydney and a Fellow of the Malaysian Institute of Management. He is an active speaker/coach in numerous youth forum on the subject of business and self-improvement, and enjoys indoor reading, writing and intellectual sharing. He also takes pleasure in outdoor activities such as competitive sports and cross country trekking.

Howard is a believer in living life to the fullest with a good balance of family, work and play. He and his wife Meng reside in the distinguished cities of Kuala Lumpur and Melbourne, Australia with their three children.