Veteran businessmen venturing into startup space

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AFTER over 25 years in the tax refund industry, Asad Jumabhoy decided to venture out to build his own startup.

He had not worked at or built a startup before. But having worked at top executive positions for value-added tax (VAT) refund giants Global Blue and Planets, Mr Jumabhoy had a clear advantage. He knew the ins and outs of the industry and was well-connected to potential investors. And so, Mr Jumabhoy, who is about 60, decided to take the first steps to reform the antiquated business model of the tax refund industry to focus on customers instead of merchants.

Mr Jumabhoy bucks the trend of startup entrepreneurs, who are largely in their 30s when they founded their outfits.

A quick look at founders of startup unicorns in South-east Asia revealed that they were mostly below 35 years old when they started their businesses, with some - like Bukalapak's founder Achmad Zaky, or Traveloka's Ferry Unadi - starting at the tender age of 24.

A 2017 study by Professor Wong Poh Kam from the NUS Entrepreneurship Centre surveying some 528 high-tech startups in Singapore highlighted that 37.5 per cent, or the majority of startup founders, were in the 26 to 35-year-old age bracket.

Prof Wong's study also showed that the numbers started to drop significantly as ages increased. 12.1 per cent of startup founders were found to be 46 to 55 years old, and only 3.2 per cent of startup founders were above the age of 55.

The stereotype of all startup founders being young and fresh out of university - or freshly dropped out of university - is now being broken by senior and mature entrepreneurs venturing into the startup space, looking to found new outfits that are becoming their second or third wind.

BT spoke to more than 15 founders who are above the age of 50, and with at least 15 years of experience under their belt. These founders told BT that more like them are venturing out of their comfort zones to build or join new startups, hoping to solve pain points or plug gaps in their industries.

With more experience under their belt, mature startup founders have a higher likelihood of success, said Vishal Harnal, a partner at early-stage venture capital firm 500 Startups.

A 2019 study by a group of economics researchers, including those from the Massachusetts Institute of Technology (MIT) and Northwestern University, found that older entrepreneurs - those who started businesses in middle age or beyond - appear correlated with better startup performance, while younger founders appear disadvantaged.

Such qualities are invaluable and often puts industry veterans at a significant advantage to a young entrepreneur straight out of college, according to Geoff Prentice, the former co-founder of Skype.

Mr Prentice too, started Hong Kong-based online lending startup Oriente in 2017 with other accomplished veterans when he was 42. With Oriente, they hope to bridge the financial inclusion gap across South-east Asia for the under-banked and unbanked.

His other co-founders are Hubert Tai, 51, the former founding chief operating officer and chief technology officer at Lufax, and Lawrence Chu, 40, the founder of BlackPine Private Equity.

Having sufficient industry experience has also allowed founders to have a deep know-how of industry and organisational operations, more experience in managing funds, and greater credibility to attract investors and cooperation from industry players.

This might give their startups a longer runway.

In the same 2017 study, Prof Wong also found that more mature founders were at the helm of startups that have been around for five years or more.

A recent founder of late-life planning startup Timeliss himself, 67-year-old Prof Wong told The Business Times that his prior experience as an angel investor and entrepreneurship researcher, coupled with a strong knowledge of the ageing market space - one of the core areas of his research - allowed him to better understand some needs of the industry where he could plug gaps in.

"Although there are still many unknowns when it comes to building a startup, experience still helps in structuring the startup to be more focused, frugal and lean," Prof Wong added.

"If you have not managed a profit-and-loss statement before, it might be difficult to decide where would be the better areas to channel funds, or choose less-crucial areas to tighten the belt on," said Florence Leong, co-founder and director of KosmodeHealth, a food and biotech startup in Singapore.

Ms Leong, who founded Kosmode Health along with Associate Professor Huang Dejian when she was 52, added that her previous experience in a large pharmaceutical company and a small venture capital outfit helped her make critical business model decisions - such as where to position product to create maximum value that can sustain a business operations, how to engage important stakeholders and how to lay the foundation for strong corporate governance and work discipline without stiffening creativity.

Venture capitalists look at who is behind the company, especially during the early stages when there are not much results to show, noted Dr Tan Geok Leng, co-founder and chief executive of machine learning data analytics startup AIDA Technologies.

"A founder's track record and reputation goes a long way when convincing investors to place their trust in you," Dr Tan said, adding that his prior experience and knowledge of the ecosystem helped him gain credibility and respect from both investors and customers, which gave the firm a competitive advantage.

Having the background knowledge of the nuances in the industry gives you a firm grounding and understanding of your customer's needs, explained Mr Jumabhoy, adding that entrepreneurs will then be able to build upon their knowledge to bring customers what they need in a different, and perhaps better way.