

Essential Values for Success – An Interview with Mr. Pua Khein Seng

by Ms. Suvarna Ooi

PUA Khein Seng started helping out his father, a farmer, in the fields at the tender age of 9. Yet, today, despite being the Chief Executive Officer of Phison Electronics Corp., one of the top five technology companies in the world valued at over US\$1 billion, he remains true to his humble beginnings. JURUTERA met up with the man himself to learn about his success story.

The 38-year-old entrepreneur hails from Sekinchan, a small town approximately 102km northwest of Kuala Lumpur. He met first business partner CK AY when he attended Pin Hwa High School and left for Taiwan at the age of 19 to further his studies.

Pua applied and was accepted by the Department of Electrical Control Engineering (now known as the Department of Electrical Engineering), National Chiao Tung University (NCTU). Being aware that his family could not support him financially, he held several part-time jobs to help pay for his studies.

He began learning about NAND flash memory when he was preparing for graduate school. The latter was also where he met his other business partners, Samuel Wu, Jackie Hsu and JY Yang; and together with CK AY, Pua founded Phison in November 2000. He was only 26.

Pua said, "Our first challenge was to raise US\$1 million in capital. After we achieved that, we tried to hire more engineers. However, since we were only a young startup with little resources, many skilled engineers did not want to join us as they did not believe that we would make it in this industry."

Still the company struggled on and managed to turn its first profit in 2001. And the rest, as they say, is history. The hard work of the five co-founders began to pay off as the company experienced a meteoric rise in the demand for its products. Just three short years later, when Phison was listed on the Taiwan Stock Exchange, Pua became the youngest CEO in Taiwan.

Today, the company has become well-known for designing the world's first system-on-chip for a USB flash drive and is the largest producer of flash memory related applications in Greater China. In 2010, Phison shipped 500 million units of NAND Flash controller IC and was ranked 65th in Bloomberg's BusinessWeek "The Tech 100", an annual list of the world's top technology companies. In the same year, the company recorded a turnover of US\$1.06 billion.



Pua said, "Phison is successful today because we were in the right industry at the right time. I must admit that luck played a big role in our success as the demand for flash memory grew beyond our expectations. We do not possess exceptionally high IQ. The company was able to achieve all that is has because everyone has put in a lot of hard work."

In today's competitive business environment, he pointed out that it is very difficult for entrepreneurs to run a successful business on their own. For a company to enjoy long-term success, entrepreneurs need trustworthy business partners who must be honest with each other and not allow greed to take over when the business begins to generate profits.

He stressed that "in order to be successful as an entrepreneur, you need a good team, because no matter how skilled you are, you only have 24 hours in a day. I simply cannot stress enough just how important it is for team members to trust each other, for without it, you can be sure that the company will fall apart."

It is the same principle that he and the other co-founders continue to uphold to this day. Pua pointed out that "the five co-founders at Phison are still with the company because we have gone through so much together. We may all have totally different personalities, yet when Phison is in trouble, we all agree to find the best solution for the company and not for ourselves."

The bond between the partners was put to the test in 2003 when there was a great shortage in the global supply of flash memory. At that time, the company sourced its supply from Samsung, one of two major global suppliers of flash memory. However, despite being one of its key customers, Samsung stopped supplying Phison as they wanted to shift their support to bigger companies.

Fortunately, Toshiba saved Phison from bankruptcy when the former offered to provide the urgent supplies that the company needed. Pua said, "I decided then that Phison will never say no to Toshiba. Without Toshiba's support, we would have gone under, thus we are here today because of them. In hindsight, the best decision Phison has ever made was to invite Toshiba to be its shareholder."

According to Pua, it is very important for entrepreneurs to have the support of a mentor. That is certainly true in his case. He met his mentor, Kiyoshi Kobayashi, president of Toshiba's Semiconductor and Storage Products Company, one year after he established Phison.

He said, "The first advice he gave me was not to 'build castles in the sky'. He said that, although having a dream is important, an entrepreneur must learn to recognise his limitations and be realistic about what he wants to achieve."

He added, "In the past 10 years, whenever I have a difficult decision to make or simply needed guidance, I will seek out his opinion. He will then carefully analyse the problem at hand and yet, at the end of the day, he allows me to make my own decision."

BUILDING LASTING RELATIONSHIPS

Building lasting relationships with the vendors and customers also play a big part in the company's long term success. Pua stressed that this is something every entrepreneur should strive to do.

He said, "Phison is able to enjoy this level of success today because our employees have worked very hard along the way. Most of them have been with the company for a very long time. To get such dedication from one's employees, the management cannot afford to be selfish and must learn to share their profits with them."

Last year, he gave about 45 speeches at numerous universities throughout Taiwan. Most of the students who attended were interested in being entrepreneurs and asked him for advice on creating their own startups. He said, "The first question I asked them was, why do they want to create their own startups and be an entrepreneur? About 70% of them immediately replied me that they want to be rich. If that is the case, then I believe that 99% of them will fail."

Pua explained that one of Phison's principles is to be generous in terms of sharing its bonuses and dividends with its employees. In fact, the goal of the company's top management is to help each employee purchase their own home in Taiwan.

He also holds on to the principle of treating his employees like they were his family members. He said, "We have made a commitment to our employees that if they serve the company well, the management will try to help them if they face any difficulty. For example, if an employee is warded at a hospital because of an emergency and they have problems settling the medical bill, the company will show its support by settling the bill on their behalf."

In general, Phison's employees, and even the management, are only allowed to travel in economy class whenever they take a flight. However, several months ago, when the company sent several of its employees to Las Vegas, United States, to attend a convention, one product manager asked whether he could upgrade his ticket as he suffered from a leg condition. The manager even offered to pay the difference in the price of the ticket.



Pua said, "To show how serious we are in taking care of our staff, I immediately introduced a new policy allowing employees to upgrade their tickets if their flight was longer than seven hours. I also made an exception that the company was willing to pay for any employees to travel in business class if they had any sort of health condition."

To this day, many people are still surprised to find out that, as the CEO of Phison, he owns less than 4% of the company's shares. In fact, the co-founders collectively own less than 10% of the company's shares. He said, "We truly value our employees and we know that if we are generous with our employees, they will in turn work harder for the company. For me, leadership is not just about the management of the business, it is also crucial for your employees to respect you."

On the other hand, Pua often advises new entrepreneurs against copying Phison's business model. He said, "You can study Phison's business model thoroughly and try applying it in your business. However, there is no guarantee of success. Our business model works for us within our environment and industry, it may not be the same for yours."

Compared to 20 years ago, Pua believes that, these days, it is easier for budding entrepreneurs to pursue their dream of setting up their own businesses. He pointed out that, not only are there now more new startup funds to tap into, it is easier to share ideas and search for information with the help of the Internet.

He said, "My advice to young entrepreneurs is to take it step by step and to work hard as there is simply no shortcut to success. The truth is, not everyone is suited to be an entrepreneur; only those who have a dream, a sense of responsibility and the tenacity to face the challenges head on will succeed."

These days, Pua makes the effort to share his experience with as many young graduates as possible. He said, "When I was in college, I had no direction on what to do after graduating. So I can relate well with the young graduates who are facing the same problem. Although my university invited many successful speakers, I found it difficult to relate to them because of the age gap. For now, I believe that young people can relate better to me. It is my way of giving back to society."

He has also recently launched his book, which he co-authored with Debbie YY Hung, entitled, "Driven to Success: Tech Star Phison's US\$1 Billion Journey". True to his generous spirit, Pua will be donating all of his proceeds from the sale of the book to the Federation of Alumni Associations of Taiwan Universities Malaysia Study Loan Fund.

According to him, entrepreneurs who want to establish a new startup have to be very careful about their cashflow. He said, "Until now, I still do not have my own driver or secretary. Anyone who wants to make an appointment can call me directly. Even though I am Phison's CEO, I travel in the economy class when I need to take a flight. There is no reason why an entrepreneur needs to show off his status, it is better to be thrifty."

When facing a difficult situation, he advised entrepreneurs not to give up easily. He said, "Sometimes it helps to take some time to clear your mind before taking a fresh look at the problem. I always tell my staff that they need to endure the challenging times just as they would endure a rainstorm; prepare a good umbrella and wait for the storm to pass. I constantly recall my father's advice that no one who works hard will remain poor."

LOOKING INTO THE FUTURE

Being creative and coming up with new ideas is not a big issue as execution is usually more important for an entrepreneur. Pua said, "Timing is very important. For example, since 2005, we had created our version of the solid state drive. However, there was virtually no demand for the product then. Orders for the product are only beginning to pick up in recent months."

He added, "Our engineers have also created a security smartcard for mobile phones over four years ago. Yet, the demand for this product remains small because the market for it has not matured yet. Thus when we create or discover some new technology, we must also gauge if the industry is ready for it."

Pua pointed out that to become successful entrepreneurs, engineers must have vast knowledge in their respective fields and be familiar with the industry's trend. He said, "I often ask my engineers, would you buy your own creation? If not, then why do you need to create it?"

On his plans to form a Malaysian entity, Pua stated that he would consider doing so when he has about 200 Malaysian engineers under his payroll. He recently hired two graduate engineers from Universiti Tunku Abdul Rahman (UTAR), and has about 45 Malaysian engineers working for Phison to date.

He said, "I am very proud of the Malaysian engineers at Phison. They are very humble, responsible and work very hard to support their families back home as most of them do not come from rich backgrounds."

On the future of Phison, Pua is confident that flash memory will still be in great demand in the next 10 years.

He said, "I believe almost everyone will own a smartphone in the next two years as the product becomes more affordable. Smartphones, unlike normal mobile phones, require a lot of flash memory."

He pointed out that every time a person gets a new smartphone, they are also getting new flash memory. The mobile phone market is currently worth about US\$1.4 billion to US\$1.6 billion, while the smartphone segment comprises less than 20% of that market. In the next two years, approximately one billion smartphones will be produced each year. As such, there will certainly be plenty of room for Phison to grow. ■