

# START-UP

## reputations in Asian markets



## Do strategies for building reputation differ between Western and Asian start-ups?

By Mark Chong & Gregor Halff

Many studies have shown that organisational reputation and performance have a strong and positive correlation. When an organisation's reputation grows, it not only reduces the stakeholders' uncertainty about its future, but also increases the organisation's access to stakeholder resources (such as money and influence)—thereby improving its chances for economic success.

Start-ups though encounter several additional challenges, as compared to established firms, in communicating their potential to generate wealth and gain access to the resources needed to commercialise their technologies. More specifically, start-ups typically do not have a track record of financial performance to guide stakeholders; they lack the resources to invest in costly signals such as advertising and branding; and their offerings are yet to be tested and validated by the markets. Thus, the way they develop their reputations would differ from that of established firms.

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### REPUTATION BORROWING

When established/prestigious actors decide to enter into a transactional relationship with the start-up, it serves as an endorsement of the start-up's quality and potential. For the start-up, such an affiliation with prestigious venture capitalists and underwriters attracts attention, and subsequently enhances the credibility of the new venture.

### REPUTATION BY ENDOWMENT

By virtue of personally possessing the relevant management and technical expertise, experienced founders and top managers transfer some of their personal reputations to their start-ups. Hence, this is an internal reputation building model, where these start-ups may be said to be endowed with their founders' and top managers' reputational capital, which can boost their access to venture capital.

### REPUTATION BUILDING

Despite their resource constraints, start-ups can build their reputation through a number of tactics, such as new product introduction, winning product awards and competitions, and symbolic actions and communication. Amazon.com, in its early years, invited celebrity writers to book

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launches and held poetry contests to attract the interest and attention of stakeholders. Such tactics can help the start-up attract the attention of key stakeholders and establish its credibility as a firm.

And this leads us to the key question posed by this article: what strategies do start-ups in emerging Asian markets use to develop their reputation? While research posits that start-ups in the West use one or more of the above three strategies to develop their corporate reputation, does the same hold true for young companies in Asia?

## The role of business reporting

It would not be possible to answer this question without discussing the role of the media, which typically acts as the greatest link between start-ups and their audiences. Over 50 years ago, the renowned sociologist Bernard Cohen argued that the “press may not be successful much of the time in telling people what to think, but it is stunningly successful in telling its readers what to think about... The world will look different to different people depending on the map that is drawn for them by writers, editors, and publishers of the paper they read.”<sup>i</sup>

As stakeholders are rarely able to experience the performance and identity dimensions of a firm in person, they often resort to third-party sources such as the news media for information. This is particularly true for start-ups, that is, new entities without a distinctive identity. By magnifying the relatively weak signals coming from a start-up’s actions, the media can increase a firm’s visibility to a larger number of stakeholders and attract broad market attention. By selecting which features of a firm are included in business reporting, journalists increase the salience of these features. Accordingly, the features included in business reporting determine a start-up’s reputation to a large extent.

However, is the media equally active and effective in drawing attention to start-ups in every part of the world? Or do we see regional differences?

To understand the applicability for reputation building for start-ups in Asia, we took a sample of four top-tier, English-language newspapers in Southeast and East Asia: The Straits Times (Singapore), South China Morning Post (Hong Kong), Bangkok Post (Thailand), and Jakarta Post (Indonesia), and searched for articles that contained the word ‘startup’ or ‘start-up’ in the headline and/or lead paragraph using the Factiva database. Our analysis covered all articles over the ten-year period between January 1,

2003 and December 31, 2012. We excluded stories that were not focused on a specific company. We also excluded stories that focused on disruptive events over which the start-ups had little control (e.g. lawsuits) and newswire reports, blogs, and corrections. This process resulted in a final set of 106 articles: 65 from The Straits Times, 30 from South China Morning Post, six from Bangkok Post, and five from Jakarta Post.<sup>ii</sup>

We used media content analysis to identify the specific reputational features most prevalent in these four countries. Two coders, oblivious to the research question and independent of each other, coded the articles and obtained inter-coder reliability scores of 0.849 (Krippendorff’s Alpha) and 94.4% (percent agreement). Their unit of analysis was the entire article for the existence of the following three features: reputation borrowing, reputation by endowment and reputation building (which included innovation, new product introduction, awards and competitions, symbolic actions such as presenting papers or publishing studies, etc.). Where two or more features were present, the coders chose the most dominant feature. The results of this analysis are shown in Table 1.



**TABLE 1: RESULTS OF MEDIA CONTENT ANALYSIS**

	The Straits Times	South China Morning Post	Bangkok Post	Jakarta Post	Total
Reputation Borrowing	14	1	0	0	15
Reputation by Endowment	11	2	0	1	14
Reputation Building	40	27	6	4	77
Total	65	30	6	5	106

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## Asian start-ups have less to gain from mainstream media

Given the extremely low sample size that was generated in the search, our first key finding was that mainstream newspapers may not be a good tool for building reputation for start-ups in Asia after all. And that in itself is a distinct difference between the western and Asian models, and suggests that start-ups in emerging Asian markets may be better off not targeting the major English-language newspapers in their countries, but instead invest their scarce resources elsewhere to build their nascent reputations.

Thereafter, our exploratory study indicated that the ‘reputation building’ strategy was most frequently featured in business news reporting. It was also the most commonly reported reputational feature in each of the four newspapers. It seems that media is drawn in by original ideas and (symbolic) actions of new companies, while stories of founders, senior managers and financiers rarely made it into the news.

But if the mainstream English-language media does not play a key role in start-up reputation building, then what are young entrepreneurs in Asia doing to enhance their credibility in the market? To answer this question, we continued with our research and held a focus group discussion with six Singapore-based start-up founders.<sup>iii</sup>

## FROM MAINSTREAM TO NICHE MEDIA

According to the respondents, the paucity of newspaper stories on how Asian start-ups build reputation could be attributed to Asian mainstream media’s interest in ‘success’ stories. As one focus group member said, “The mainstream media wants to pick up success stories, and by success, I mean ‘successful’ in terms of dollar revenue. But for each successful start-up, there are many failed cases that will go unreported as Asians cannot accept failure. To be frank, how many successful stories can be found in Singapore?”

Two respondents also attributed the paucity of newspaper coverage to the nature of newspaper audiences, “The only people who actually care about early-stage start-ups are the people who run start-ups themselves, ex-entrepreneurs or the investors. Nobody else cares.” Thus, the founders we spoke to looked instead to trade media for coverage (for example, Tech in Asia for technology start-ups), as they perceived editors of trade publications to be more supportive of start-ups.

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In particular, for start-ups introducing a new technology, it is also crucial to raise awareness about the technology itself, and articulate the value proposition of the business: “In our case, it boils down to the accuracy of the data. You have to let them test the product either very cheaply or for free. So once they see positive results, they will publish in scientific journals. Once your name is in the scientific journals, the word will spread.” Some entrepreneurs even contribute thought provoking articles to trade publications, sharing with readers their personal experiences and learning as an entrepreneur. This strategy had worked well for one respondent, “An angel investor read it [my article] and thought it was interesting. He ended up giving me free office space for a couple of months.”

#### FROM PRINT TO SOCIAL MEDIA

Unsurprisingly, most respondents were focusing their efforts on social media as a means to build awareness and establish a reputation in the market. Social media helps tap into a wider audience cost effectively and creates a multi-dimensional communication channel through which the start-up can engage with its investors, customers and other channel partners. Print media, in contrast, is one-dimensional.

Yet another benefit of social media is that the results are (partially) measurable. As one respondent pointed out, “It is very hard to track the return on investment for a newspaper article...it is easier to track it if it is online, such as the number of retweets on Twitter and the number of ‘likes’ on Facebook. I do guest blogging as well, as it builds my reputation, although not so much for my start-up. It is indirect reputation building.”

#### FROM FOUNDER-CENTRIC TO COMPANY-CENTRIC

Cultural factors also come into play in explaining an Asian start-up’s lack of success in gaining newspaper coverage.

Characteristically, many Asian societies tend to equate expertise and knowledge with age, whereas many founders of start-ups are young. One respondent, who ran entrepreneurial ventures in the U.S. and Singapore, explained, “Talking about cultural differences, yes, it’s really different here [in Singapore]. It is very important to have people with a few grey hair. That is exactly why I chose a co-founder who is 15 years older than me and is an ex-professor. Every single person we hired eventually turned out to be 10-12 years older than me. That really helped because their personal background, their personal reputation, and their experience added this huge legitimacy factor.”

Experience and maturity bring obvious benefits to a fledgling business. It is also true that, at the earlier stage of setting up a business, a start-up investment is an investment in the entrepreneur. Hence the personality of the founders, their commitment and capabilities often drive the decision making of investors and other stakeholders. However, as an ‘idea or concept’ flourishes into a tangible ‘offering’, be it a product, service or solution, the reputation of the founder gradually gets decoupled from that of the company.

#### Awareness does not guarantee reputation

Five of the six respondents in our focus group said that while print and social media could help build initial awareness of a company and provide social proof (which could subsequently open up new opportunities such as industry connections), the awareness alone does not necessarily translate into reputational advantage.

Some start-ups proactively adopt a communication strategy to build market reputation, engaging and involving key stakeholders in understanding the business value proposition. As one respondent mentioned, “From day one, we hired a communication graduate. Our employee

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### VIKI: BUILDING A REPUTATION THROUGH AN INNOVATIVE BUSINESS MODEL

In September 2013, Singapore-based start-up Viki was acquired for allegedly US\$200 million by Japan’s e-commerce giant Rakuten, making it the most successful Internet start-up in Singapore’s history. Described as ‘Hulu for the rest of the world’, Viki was co-founded in December 2010 by former NBC Universal executive Razmig Hovaghimian and his two friends as a joint class project between Harvard and Stanford graduate students. Developed as a platform for real-time crowdsourced subtitling and sharing of video over the Internet, Viki’s features drew several high-profile investors such as Greylock and Neoteny Labs who provided the start-up with initial funding. As the company’s business model continued to get validated through its stellar performance, it secured additional funding from more investors. Viki’s growing reputation enabled it to license more shows from content providers, and attract a greater number of viewers, advertisers, and members for its fan-subbing community. Thus the valuation of the start-up was enhanced with each successive activity that it engaged in, and most of its early reputation was based on the innovativeness of its business model and software.

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‘zero’ was not a business guy or tech guy, but a corporate communication guy.”

#### THE END GAME: THE PRODUCT MATTERS

Ultimately, the respondents emphasised that if start-ups focus on getting a good product, service or solution out and on gaining traction in the marketplace, a good reputation will follow. Sharing from personal experience, one respondent further added, “[Our] reputation was built from the quality of the service we provide.”

The importance of a good offering resonated with all members of the focus group, “Focus on customer acquisition, because at the end of the day, if you can’t

acquire customers, then you have a product problem or a market problem, and no amount of public relations (PR) can help you—so you’re just spinning your PR wheels and you’re not getting anything out of it.”

Thus, a key takeaway here is that word of mouth is more important than word of media. Or, to take it one step further, the product speaks for itself. If your offering has proved itself in the market, then you have already begun to build a good reputation in the market. Focus on the core of your business. Reputation is just one part of it. Getting the product out and gaining traction should still be the core of the business. As one respondent put it succinctly, “Do the real stuff and forget the fluff.”

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#### Reference

- <sup>i</sup> Bernard Cohen (1963), *The press and foreign policy*, New York: Harcourt.
- <sup>ii</sup> The difference in the coverage of start-ups between the four countries in the sample did not surprise us, as it reflects the differences in their respective business environments. Based on the Global Innovation Index (<http://www.globalinnovationindex.org>). Singapore and Hong Kong have almost always been ranked among the top 10 most innovative countries in the world since 2007. Thailand and Indonesia, on the other hand, have never made it into the top 30.
- <sup>iii</sup> The start-ups were recommended by Professor Desai Arcot Narasimhalu, Director of the Institute of Innovation and Entrepreneurship at Singapore Management University, and Willis Wee, founder of technology portal Tech in Asia.