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MIND YOUR OWN BUSINESS

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Quick-thinking technology entrepreneur weathers host of challenges

Survival a measure of success

Starting a technology company is an inherently risky business – more so than in other industries. If the product or service it provides is too far ahead of its time, users may not be able to fully understand and exploit its benefits, and it could fail to catch on. On the other hand, offerings that are similar to what is already available in the market often find it difficult to stand out from competitors. For every well-known success that is Microsoft, Amazon, or Google, there are an unknown number of startups which have fallen by the wayside.

So perhaps it should come as no surprise that Lap Man, who was among the first generation of entrepreneurs to ride the internet boom in the late 1990s, is content to have simply survived.

Today, he is the founder and chief executive of Diyxian, a major provider of virtual private network (VPN) services to companies on the mainland.

This is something that uses the internet to allow companies to connect their computers together from different locations in a secure fashion, keeping proprietary information safe from outsiders.

It employs more than 400 staff, not including an army of 1,000 technical support workers located at two call centres in Guangzhou and Shenzhen.

Operating on the mainland, Taiwan, Hong Kong, Singapore and Vietnam, the company boasts a total of 31 points of presence – physical access points to the internet – and provides service coverage for more than 700 cities. It also has four internet data centres, which are vast facilities that house computer equipment used to provide the network services it leases out to customers in Beijing, Shanghai, Hong Kong, and Taipei.

Financially, Diyxian has also done what few internet startups have been able to achieve – bottom line profitability.

The business broke even in 2003 and, between 1999 and last year, revenue grew by 380 times. But this was not always the case. Man said the company had to face many difficulties despite its solid business model.

"In the last 10 years, I think there were three or four occasions where we were on the verge of closure."

Conceived in 1999, Diyxian was an attempt to fill a perceived gap in the market for corporate data services for Hong Kong companies seeking to link their computer networks to their factories on the mainland. At the time, most companies used leased line connections which physically



Lap Man says unforeseen problems pose the biggest challenge for any company doing business on the mainland. Photo: Jonathan Wong

linked computers at different locations with single and secure, but expensive dedicated lines.

Because VPNs carry information over the internet, which at the time was slowly emerging as a popular trend, it had significant cost advantages since its technology allowed different companies to share the same bandwidth. Moreover, at the time, there was also a lack of service providers which provided VPN services from Hong Kong to the mainland.

This demand coupled with the semi-utility nature of providing networked data services, and a pricing that involved charging monthly fees for companies to lease out its network services, meant a stable business model with regular income.

According to Man, the difficulties Diyxian faced was not so much in persuading companies that they needed to switch or to adopt VPNs. This demand was already there, and users understood, or at least had heard of, the product.

What was challenging was facing the myriad of unforeseen problems associated with doing business on the mainland, and how the smallest of policy changes could have profound effects on business.

For example, he said there was at one point early in the company's history that about 50 per cent of its bandwidth was being carried over a network operated by the People's Liberation Army (PLA). When the central government suddenly banned the PLA from providing commercial products or services to civilians, he

was given just two days to find another carrier willing to take on the extra load.

"I am not even talking about bankruptcy, the business could have just vanished at that point," he said.

A similar crisis occurred later on when the company imported computer equipment to set up its data centres. He recalled mainland customs officials showing up one day, out of the blue, demanding to know whether import duty had been paid for the equipment. When the vendor, with whom the company had purchased the equipment, was unable to produce a receipt, he said officials shut down his equipment and carted it away.

On top of such worries, there was the bursting of the dot-com bubble in 2001, which forced it to fire as many

as 40 per cent of its staff, and the localised economic slump in Hong Kong following the severe acute respiratory syndrome outbreak in 2003.

Looking ahead, Man said he expected growth prospects for the corporate data communications market to be strong. He said that while the mainland had been very reliant on manufacturing over the past 10 years, it saw a sharp rise in its retail and services sector because these businesses would need secure computer networks to link their growing number of retail branches to operate.

On the other hand, multinational corporations have continued to invest in the mainland hoping to make up for slower growth elsewhere especially during the downturn. This would provide opportunities to help foreign telecommunications carriers to link their clients' networks to the mainland.

"Easily, we can be four or five times our current size," he said, brushing off concerns about competition from established telecommunications utilities such as PCCW and China Telecom – the latter of which he believes has focused the lion's share of its attention on the lucrative mobile telephone market at the expense of the corporate data communications.

"For an incumbent [such as China Telecom], it's too small a market. But to me, it's not so bad at all," he said.

Ten things I know

1 Provide stability Maintain a consistent quality of service. Once business leaves, it's not coming back.

2 Have courage Because starting a company is a serious business and involves a multitude of risks.

3 Maintain professionalism Know your own products and services.

4 Have a vision Because efficiency and productivity won't do anything if you don't define your direction. You'll be left running around in circles.

5 Have faith More likely than not, you will encounter many difficulties. Believe in yourself and never give up.

6 Be patient Rome wasn't built in a day, and neither will your business. Profits usually take time to build steadily. Don't be surprised if not everybody rushes to buy your products or services on day one.

7 Exercise good judgment A good decision-making process is important, especially when you don't have all the information you need.

8 Review your history Reflect on the problems and issues that you have faced in the past. That way, you won't get caught in them again.

9 Stay calm When you face obstacles, panicking is worse than doing nothing. Keep a cool head, examine the facts, and make a rational choice.

10 Be flexible It is especially so if you are a smaller company. Your advantage is your speed in responding to your clients' needs. Use different approaches in different situations.