

Lending a helping hand to global entrepreneurship in Pakistan

BY M KHALID RAHMAN

I RAN into him at the registration counter of the conference hall. A little startled at his sudden appearance by my side, I recognised him at the first glance but all I could say was, "Oh. Are you Ken Morse?" Pat came the reply, "Depends on who's asking!" A brief introduction followed and soon enough we were sitting outside the hall — Ken, a colleague and I, talking busily. When I told him that I wanted to interview him for *Business Day*, Ken wanted to know first what question I had to ask. I assured him that the interview would be about his work — not about his views on political environment in Pakistan and the region.

At this moment in time when many foreigner entrepreneurs would prefer to stay away from Pakistan, Ken looked so much at home — relaxed and, well, perky. And why shouldn't he be. He told us that his friendship with Pakistan and its people spans over almost half a century. He first visited this country as a young boy with his parents back in 1961.

Kenneth Paul Morse is a co-founder of 3Com Corporation, Aspen Technology, and four other startups. He was born in Boston, USA. Morse graduated from the Massachusetts Institute of Technology with an SB in political science in 1968. He also earned an MBA from Harvard Business School in 1972.

Ken was in Karachi last week to attend the MIT Enterprise Forum of Pakistan (MITEFP) Conference on Corporate Innovation and Entrepreneurship 2009, held in collaboration with the Organisation of Pakistani Entrepreneurs of North America. Besides some good speeches about the entrepreneurial spirit and discussion, what the main highlight of the



event was the Business Acceleration Programme 2009 award that would go to the best among five short-listed innovating entrepreneurs. Ken led the jury.

He started with a narration of how he went about being a catalyst to modern entrepreneurship: "I started six high-tech companies with colleagues and classmates from MIT. Five did well and one was a complete disaster. I think I learned as much from the disaster as from the success of other companies. Thirteen years ago, I decided to make a change and go to

MIT and start up the Entrepreneurship Centre there, and give back to the next generation of the new generation of entrepreneurs. From the beginning, we had decided that we must have an internet for focus. I began to look for entrepreneurship opportunities in Pakistan. I was a co-founder of Open — the Organisation of Pakistani Entrepreneurs.

The other co-founders in North America were Imran Sayeed, and Umair Khan who is an MIT graduate, an entrepreneur and has a wonderful company in Silicon Valley, with a very successful educa-

tional game — 'The Secret Builder' — for young people. Literally thousands of grammar school and high school students in Pakistan are playing this game; and in 80 other countries.

"I started coming back here to work with Mobilink on corporate innovation and also a study of art to build an entrepreneurship centre. It became clear to me that the entrepreneurial ecosystem needed training for entrepreneurs — people in their thirties who took the plunge and decided to start their business and it became clear to me also that

'Pakistan is a great country with great human resource and great natural resources. As far as I am concerned it is poised to take off.... I can tell you this: Americans are tired of tolling call centres where people don't speak English properly; they are tired of outsourcing software development to China and India where they are considerable security and consistency problems. The problem turned out that in India's software houses are extraordinary, and a number of security breaches that have resulted from outsourcing to Chinese software companies are growing daily. So Pakistan's time has come,' assures Ken Morse, founding managing director of MIT Entrepreneurship Centre

there was a big funding gap as well as coaching that were needed. So we started the MIT Enterprise Forum of Pakistan about four years ago together with some leading alumni linked to Open. Farrokh Captain is its heart and soul, and I am on its board of the Enterprise Forum back in MIT headquarters in Cambridge, Massachusetts. So I serve as a liaison with the local chapter here.

"The local chapter very quickly came to understand the need for a Business Acceleration Programme (BAP)—just what we are here

for today. They understood that the problem was not about with giving companies the startup but it was about helping them grow from one million to 20 million, and how to achieve attainable global growth. So BAP is more about giving a visibility and support to young companies so that they can grow to their full potential.

"In the course of helping these young companies we learned that it was time to provide both coaching and funding through a dedicated angel network. So we established the Tech Angels Network

(TAN) and it was clear also that we needed an offshore vehicle called TAN America Fund was launched so that loyal and interested Pakistanis living in North America could invest in the exciting projects here. We had a road show around the US, and many members of Open pledged to give money — as an investment. I am a founding investor in the TAN America Fund. And so is Imran Sayeed, Farrokh Captain, and many others. We have a lot of companies that have asked for TAN America fund, and advice and the systems. It is a good place to come to advice because people involved in TAN are brilliant business people both in Pakistan and North America.

"This conference celebrates three things: It celebrates corporate innovation and entrepreneurship, which is its title. As you can see we have an overflowing crowd of two hundred people here, I guess. This conference also celebrates the Business Acceleration Programme. Thirdly, we are off to a good start in getting funding commitments for the Tech Angels Network. The Tech Angels Network is involved with technology companies. So it won't be doing restaurants or movie theatres, franchising or other perfectly legitimate forums of entrepreneurship. We can leave that to others. We will focus where can add the most value.

"From my point of view, most attractive Pakistani companies are those which have global potential — the companies that have potential not only to gain a strong position in the Pakistani market but also to go global. We have the ability to help them through the Open Network to enter the US market which is normally tough - and for that matter the market in the Emirates and Gulf through the Open chapter in Dubai. It is a very unique team of the MIT alumni, the Pakistani entrepreneurs and

the powerful influential business people in Pakistan." To the query how a young and upcoming entrepreneur in Pakistan gets the advantage of the business acceleration programme, Ken replied: "The first thing is that the young enterprising entrepreneur needs to be globally ambitious. Secondly, he or she needs to have a good team of entrepreneurs who are brilliant, workaholic and having some experience. It's highly unlikely that we will provide support and funding for a group of your eager beavers just out of school who don't know anything. They need to have real world experience in order to have a chance of success in the cruel crucible of global market."

Ken is a frequent commuter to Pakistan, and he thinks that "it is always a wonderful feeling to be back here. In order to improve the climate for entrepreneurship here, I think, would be to make the government function more efficiently and more transparently. Entrepreneurs don't want to play a game that is rigged."

He concluded, "Pakistan is a great country with great human resource and great natural resources. As far as I am concerned, it is poised to take off.... I can tell you this: Americans are tired of tolling call centres where people don't speak English properly; they are tired of outsourcing software development to China and India where they are considerable security and consistency problems.

The problem turned out that in India's software houses are extraordinary, and a number of security breaches, that have resulted from outsourcing to Chinese software companies, are growing daily.

"So Pakistan's time has come. There are plenty of people in my world who are able to differentiate between the simplistic headlines on CNN and the reality on the ground. I am one of them."

Gold

poised to fall soon?

BY KISHORI KRISHNAN

IT is sure to burst. Any time soon. The gold bubble that has got investors pouring in over 12 billion dollars this year into the SPDR Gold Trust (GLD), the big exchange-traded fund, has not just made it top-heavy. Several market watchers say the fundamentals indicate that gold is poised to fall.

Gold is a two sided, two-faced coin that has very distinct personalities. On the one side, it is a hedge against inflation, a reserve currency and the only Holy Grail that gold bugs from around the world, worship.

On the other, the yellow metal is a real commodity, used in jewelry, electronics, computers and space components.

Clearly, gold investors can't have it both ways.

More capital As central bankers flood the world's financial system with

ever-increasing amounts of cash and increasingly easier credit, observers insist that there is just no offset increase in the amounts of goods and services available for purchase.

The result: more capital chasing the same amount of production.

Also, check out the supply and demand ratio. Gold would surely lose some of its luster. Gold miners have poured more than 40 billion dollars into new projects since the bull market began in 2001, according to Montreal-based bullion dealer Kitco.

Like big oil explorations started earlier this decade amid rising energy prices, new gold projects are now bearing fruit, maintain analysts.

Moreover, in the first six months of 2009, mining output climbed 7 per cent after several years of declines.

What gave it an added boost: China, Russia, and Indonesia pushed up production. The

timing was just right.

Kitco predicts that new mining will add 450 tonnes annually, or 5 per cent, to the gold supply through 2014, enough to move prices lower.

The dollar, too, is playing second fiddle. But for how long?

"There will always be a focus on the dollar," Wolfgang Wrzesniok-Rosbach, head of marketing and sales at Hanau, Germany-based Heraeus Metallhandels GmbH, told Reuters. "There's still a lot of interest for physical gold. There's now a tendency to buy on dips."

With the dollar likely to stay down, gold will remain attractive as an alternative currency.

"Until the dollar puts in a convincing rebound, then the onus is to the upside in gold," said Jim Steel, senior vice president and metals analyst with HSBC.

Huge swings Old-timers also point to the fact that gold has moved in

huge swings since the economy started to crack in 2007. The price closed above 1,000 dollars for the first time on March 14, 2008, just before Bear Stearns was sold to J P Morgan, a Fortune 500 firm, then fell to near 700 dollars last November.

On Monday, November 16, gold price traded up to a new record high of 1,133.20 dollars per ounce, as investors sought exposure to the price of gold on the back of an acceleration of the US dollar decline.

After a brief rise at the start of November, the US dollar is near its 52-week low against a basket of its trading partner currencies.

Analysts maintain that the rush into the gold sector reveals waning confidence in both government and governmental agencies such as the Federal Reserve, and the broader monetary system.

Incidentally, price targets for gold are being pushed ever higher -- Swiss-based money manager Felix Zulauf recently called for a 2,000 to 3,000 dollars per ounce gold price in five years.

Overbought Some analysts insist: gold is clearly overbought. For almost ten years -- from 1995 to 2005 -- gold has been trading between 250 dollars and 420 dollars per troy ounce. The rally began only in 2005.

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Even Kitco analyst Jon Nadler has repeatedly said gold is setting record prices amid "some of the poorest fundamentals I've seen in the

market for a long time."

Nadler has been top-calling gold for years. He prefers to view gold as a momentum-driven commodity like any other, as opposed to a global currency substitute that is not consumed like a commodity.

He suspects the recent rise has been driven by large hedge funds and institutional investors making momentum-driven trades. As for fears of financial collapse, "The sky did actually fall last year - and it was good for 1,035-dollar gold," says Nadler. "But that's about where the worst ends."

So the short-term outlook is not promising.

Obstacle course The speculators who are buying the metal can be divided into two camps, according to Adam Klopfenstein, senior market strategist with futures broker Lind-Waldock. The first are those who think the economy is recovering, so they are seeking riskier assets such as gold. The second are those who are buying gold for its more traditional role as a

haven investment, because they believe the rally in stocks will collapse.

Perhaps the greatest obstacle that could short circuit the rally in gold in the short term to intermediate picture would be a US dollar rally, insist some experts.

While the USD is overdue for a short term rally, other analysts maintain the financial markets could soon offer something else for investors to get in. And that investors would soon have better ways to multiply their funds than sitting on piles of gold.

Mark Davis, writing for BNN News Wire, makes the case for limited gold supply downstream too. An even more pronounced downtrend can be seen in North America. This is where output has dropped over the last decade from 17.06 million ounces in 1998 to 10.59 million ounces in 2008.

Given all these circumstances, there is only one way ahead — down.—*Courtesy Gold Investing News*

BusinessDay Quote



'The entrepreneur in us sees opportunities everywhere we look, but many people see only problems everywhere they look. The entrepreneur in us is more concerned with discriminating between opportunities than he or she is with failing to see the opportunities.'

MICHAEL GERBER, entrepreneur and author of business strategy book *'The e-myth revisited: why most small businesses don't work and what to do about it'*