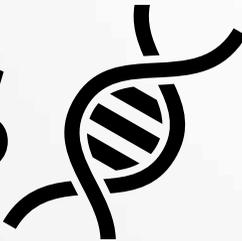


A. Stotz



BUSINESS  **DNA**
WITH ANDREW STOTZ



Interview with **Poe Lothongkam**

CEO,
SVI Public Company Limited



LEADER DNA

After studying electrical engineering at UC, Berkeley, Lothongkam worked for a semiconductor company in Silicon Valley. He later joined Sequoia Capital to help with several corporate turnarounds. Later he worked for Hana Microelectronics and Universal Instruments across Asia. He found a bank to loan him the money to buy a large stake in SVI Public Company Limited, which he now runs. Poe has directed the company through two tough and unexpected challenges; first the severe flooding of 2011 and then a factory fire in 2014.

What Poe Lothongkam shared:

The future of SVI

Expansion through acquisitions and opening factories outside of Thailand.

Don't let your business settle

Be progressive, push forward and strive for growth. SVI considers an annual growth rate of 15% to be sustainable.

Beat your customer's expectations

SVI's customers get product to their customers before they expect to see it. If the customer says it will take nine months to launch a product, SVI will try to do it in three months.

Don't fire defenseless people

Lower-level people are generally the least of a business's problems. Go after those who make the problems in the first place, the slick talkers.

Perseverance is the key to success

This is an idea many young people don't understand as they want instant gratification. The winning strategy though is to set goals, be persistent, and execute decisively.



Poe Lothongkam

Title: Chief Executive Officer,
SVI Public Company Limited

Education:

B.S. Electrical Engineering and Computer Science, University of California, Berkeley, U.S.

About the company:

SVI Public Company Limited is a Thailand-based electronics manufacturing services (EMS) company that provides a turnkey box-build assembly process. Its main products are components used in printers and video cameras. Revenue comes mainly from turnkey box-build and printed-circuit-board assembly. Three factories are clustered north of Bangkok and one is located in Tianjin, China.

Welcome to Business DNA, where we dig into the essential make-up of business leaders and their organizations.

Our focus is not on short term, but rather on understanding the driving forces behind a business.

by Andrew Stotz

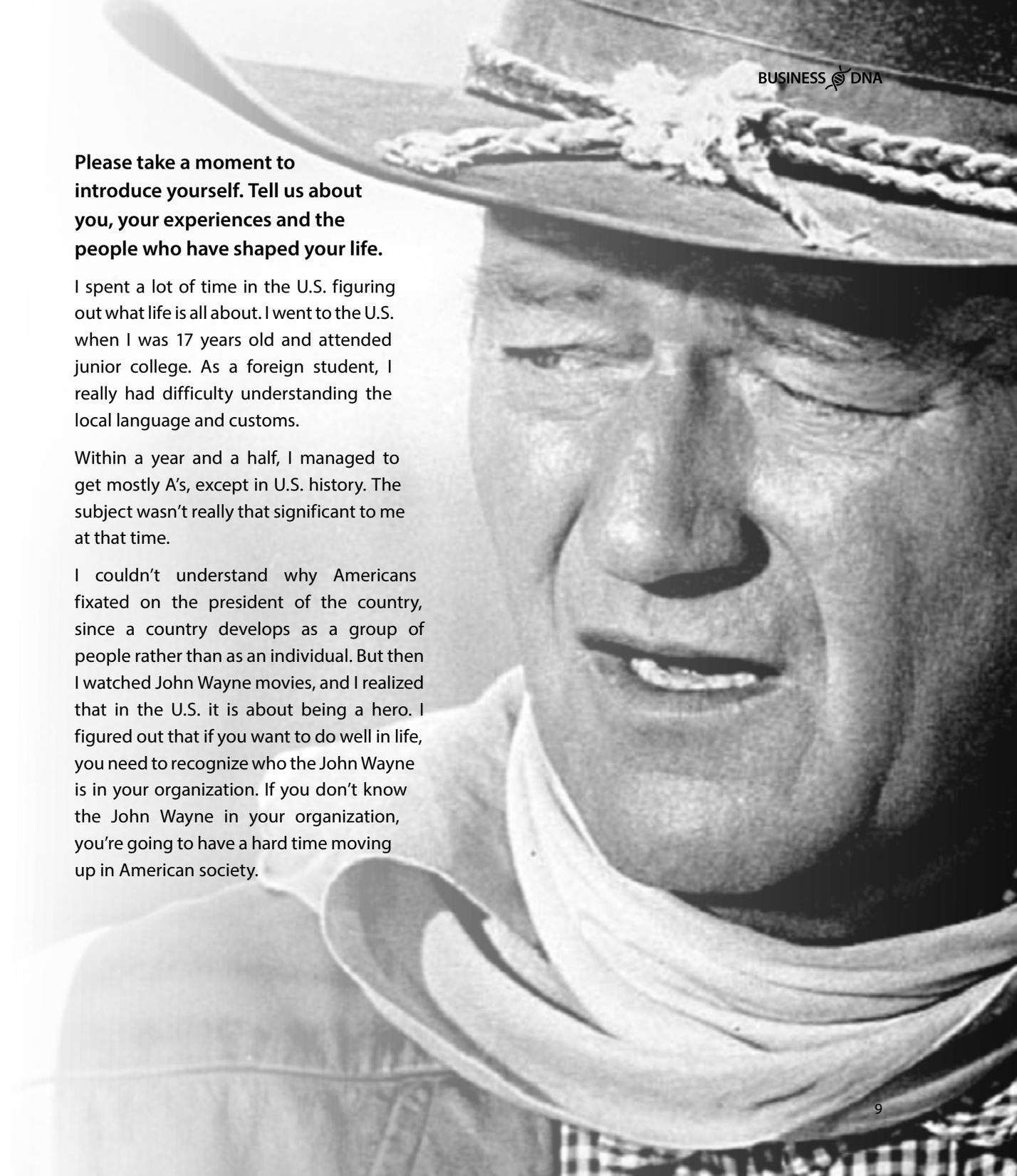


Please take a moment to introduce yourself. Tell us about you, your experiences and the people who have shaped your life.

I spent a lot of time in the U.S. figuring out what life is all about. I went to the U.S. when I was 17 years old and attended junior college. As a foreign student, I really had difficulty understanding the local language and customs.

Within a year and a half, I managed to get mostly A's, except in U.S. history. The subject wasn't really that significant to me at that time.

I couldn't understand why Americans fixated on the president of the country, since a country develops as a group of people rather than as an individual. But then I watched John Wayne movies, and I realized that in the U.S. it is about being a hero. I figured out that if you want to do well in life, you need to recognize who the John Wayne is in your organization. If you don't know the John Wayne in your organization, you're going to have a hard time moving up in American society.



That's the beginning of my career. I was self-funded, which means that I didn't take money from my family. I got a job. I worked through school. I ran a restaurant. At 19 years old in junior college, I decided that I was going to open a restaurant to fund myself, because I was already working in a restaurant making \$2.75 an hour. At that wage, there was no possibility of buying a car or anything else.

Then, I found a Japanese guy who had recently gotten wealthy. The Japanese yen had just appreciated significantly against the U.S. dollar, from about 240 yen/USD down to 90 to 100 yen/USD at that time. All of a sudden, this guy was loaded with money.

He loved to party until two or three o'clock in the morning. But, you know, in the U.S. after ten o'clock, restaurants shut down and you've got no place to eat—certainly not Japanese food. So I told him that he would be guaranteed to have food anytime if he funded my restaurant. So he agreed, and I opened a Japanese restaurant.

I had no restaurant experience, but I bought a restaurant at age 19. Eighteen months later, I sold it and made money.

I opened a second restaurant, Italian, even though I had no knowledge of Italian food.

It was run by a French guy who partnered with me. We sold that restaurant about a year later. I

doubled my money with both restaurant ventures. The first venture more than doubled, because I didn't put any money down. So that was a good, sweetheart deal.

Then I graduated from UC Berkeley as an electrical engineer in computer sciences. I got three job offers. My starting salary for one job would be \$23,500 per year; the second one, \$30,000; and the third one, \$31,000. This was in 1982. That was pretty good money. But when I was running a restaurant, in one month, I would net \$10,000 to \$15,000 cash after all the tax and obligations. So in two months, I would have made my whole year's salary.

Regardless, I chose to quit the restaurant business and go into the real manufacturing business of making electronics.

I got a job working for John Cary, a guy who I used to do some projects for. He was the founder of AMD. When he left to start his own company, I went to join him.

I worked there as a member of the start-up team of the company, building the first products. I understood technology pretty well at that time, as it was the early days of the semi-conductor industry.

Then I got a lucky break when the founder decided to issue stock options. By that time, I was already a key member of the team. So I got a big stock option.

In 1984 or 1985, they went public, and I made a lot of money on my shares.



"I have an inner drive to succeed humanely. I don't have the typical restructuring mentality of firing people and making life miserable just for the sake of money."

Then a guy who founded the company decided to join Sequoia Capital. And Sequoia Capital needed somebody to work in another company that they'd invested in, which wasn't doing well. So they hired me to work in that other company. That's where I learned the world of venture capital.

Since then I've worked for various restructuring jobs: one job in Boston and two jobs in California. The last job I had in the U.S. was the president of Multichip Technology. That company was acquired by T. J. Rodgers from Cypress Semiconductor.

That's kind of the end of my career in the U.S.

I came back to Asia mainly because I got to know a lot of people over here. I felt that the vibes were better in Asia than in the U.S. At that time, the U.S. had a lot of problems. The government deficit was very high...but not as high as today. More importantly, the structure of the country was collapsing. It didn't have



any assets. They were printing money. Inflation was out of control at that time.

So I had to find some other means to survive. If you borrow a lot of money, you know, eventually, you have to pay up for all the debt you've built up.

So I left, and I came out to Asia. I didn't have a job at that time. But, eventually, I got a job at Hana Microelectronics in Thailand.

I worked for Hana for two and a half years. I helped them build and run the factory in Lamphun (A northern province of Thailand). They were doing quite well by the time I left.

Then I went to work for Dover Investments Ltd., which had me running a factory and company in Asia. I ended up in Hong Kong for two years running a Universal Instruments division for Asia. I built a factory in Shenzhen. I built a new sales team for them and ramped up sales from \$80 million to \$300 to \$400 million in a very short period of time.

Then H&Q Asia Pacific hired me to run SVI in Thailand.

Now, in a very short statement, can you sum up the most important thing we should take away from this in order to better understand you?

I have an inner drive to succeed humanely. I don't have the typical restructuring mentality of firing people and making life miserable just for the sake of money.

I go in there. I find the alternative solution for people. If I have a factory that's not doing well, instead of shutting down the factory, I find someone to buy the factory so people will have jobs, and they will have a chance to wake up and do something else.

I don't fire defenseless people. Lower-level people are generally the least of a business's problems. I go after those who make the problems in the first place, the slick talkers. They're the ones I'm going to nail.

Then I focus on people who create value. Will that value be big or small? As long as they create value, I try to make their value a positive thing for the organization.

I would say that I never give up. I'm the kind of guy who goes after the subject or the task given to me. I just go after it.

Can you take a moment to explain your business in a clear and simple way so that we can better understand it?

I take the headache away from my customers, which usually has something to do with manufacturing products. I build the product. I buy stuff from suppliers, ship them to this factory, and ship them out to the customers as soon as possible. I make sure that my customers get the product to their customers before they expect to see the product.

That's my business model. If they tell me it will take nine months to launch a product, I will try to do it in three months.

And I try to pick the battle that I can win. I never walk into a battle knowing I'm going to lose. I don't go up against Chinese suppliers. I try to be more creative when I go up against a competitor.

Now it's time to dig into your "Business DNA." DNA is the molecule that encodes the genetic instructions used for the growth of any living organism – and of course, a business is very much a living and growing organism. Also, remember that the true beauty of DNA is its ability to replicate.

So when we think about Business DNA, we think about the way the values of your company come into being – the code that is replicated through employees. And also, how customers feel about their interactions with your company.

Please take a moment to explain your Business DNA

There are two sides to this. The most important one is the personal drive that I have. I'm always looking for opportunities to do more and to do better. There are four things in life I go after.

One is the financial world. You've got to have money. You can't be poor in business. You have to have money.

The second thing I go after is the spiritual world. You've got to believe in something. You can't walk around and say, "I don't believe in anything. I'm it." When you come to your deathbed or you've gotten into a corner, you've got to be able to say that God will take care of you, or Buddha will take care of you or Allah will take care of you. You have to believe in something. The spiritual world is important to keep you stable.

The third one is physical health. Physical wealth and health are important. You've got to have your body intact. This is the vehicle you need for 50, 70 or 80 years. You've got to keep that in good shape. You can't abuse it all the time.

The last wealth that I go after is emotional wealth. You've got to be respected. You've got to respect people. You've got to have people who love you unconditionally. You've got to love people unconditionally. And you've got to have a heart that people can love and live with. That's emotional wealth.

I can go out with my friends. I can laugh out loud knowing that what I've told them won't come back and haunt me in the wrong way. This is so important.

"If you don't grow the business, you don't belong in the business."

When you keep these four things in mind, you run your business in just a way that is well balanced. You don't go after the bottom line only. You don't go after the numbers for the sake of numbers. You don't cut the headcount because of hard times this quarter.

During Thailand's massive flood of 2011, most companies laid off people or cut their salaries by 30%. No bonuses were given to the employees who kept working.

At SVI, we had no layoffs. We kept everybody on board. Not only that, but two months later at the end of the year, we paid bonuses the same way as the previous year because that's when people needed the bonus the most. Their houses had been flooded. They needed their cars to be repaired. They needed money for the kids' schooling.

So we don't lay off people. We pay the bonus. And we support the people.

That, to me, is emotional wealth.

Even today, our people appreciate that. People still talk about that.

I could do it the other way around. I could lay people off like most of the companies in Thailand did. And then people talk badly about you at the time.

Eventually those companies recovered and they could afford to pay them more. But paying employees more doesn't mean anything, because you've already damaged the sensitive relationship that you had with your employees.

That's a good example of what we're about here.

The business needs to grow. You cannot have a business that's stagnant and not growing. If you don't grow the business, you don't belong in the business. And you can't just say, "Okay, I'm just going to maintain where I am." In maintaining where you are, your costs will outrun you and you'll get killed one of these days.

So we have to grow. And we figured out that if we grow less than 8%, we're not doing a good job. So we target around 15% to 16%. And, normally, we do about 20% growth rate, which is quite sustainable.

You certainly don't want to double your business every two years because you'll outgrow your cash cycle. And then, your money will be a problem. You can't find the growth and your talent cannot keep up with your growth.

I would say that a well-balanced management style that's well understood as to where you stand in terms of the emotional, the financial and the spiritual would really help you a long way.

If you don't have a well-balanced leader, every two years you've got to get a new CEO. He'll get fired, because he's just focusing on one thing, like money, and he'll miss all the other things.

Now can you tell me the biggest misconception people have about your business?

The biggest misunderstanding is that people don't understand what we do. We build a lot of products for a lot of customers, but we don't own any products.

But most people have used a product from SVI at one time or another, because we make the controls for lifts. You hit the button, and the lift goes up in the building. We make that. You buy Coca-Cola. We make stuff that runs the factory.

Our brand name is not in the market. You can't go in a store and buy a product from SVI. Just about any concert around the world is powered in some way by an instrument or electronic component made at our factory. We make the guitar controller. We make the lighting system. We make the voice Doppler, voice synthesizer, amplifiers and things like that.

And you hear my products. You don't see that I'm the one making them. We're like the guy who puts the gold leaf on the back of the temple.

Can you share with us what motivates you and gives you inspiration during difficult times? And tell us about a time when you had to dig down deep and rely on this inspiration.

There are many instances in life that people go through that make them appreciate just having a nice cup of coffee in the morning.

"Our brand name is not in the market. You can't go in a store and buy a product from SVI."

My moments happen a lot more often than other people, because I have gone through a lot of them. I ran companies. I worked in jobs I had no experience in.

In my first job as the president of the company, I was scared that I was not going to perform. But being scared allowed me to concentrate and focus on doing the right thing.

My principle in life is that if you do the right thing for the people and for the business, you can't really go wrong too often.

And just make sure that you're not a self-centered or a corrupt person. Keep that in mind. Either you're being tempted by a lot of money or a lot of power. Just don't get swayed by that, and you'll be okay.

The most difficult moment for me was about two o'clock in the morning, standing in this factory surrounded by 2 meters of water that was pouring into my factory. I had a 1.5 billion-baht inventory about to be destroyed. I had 1.4 billion baht of equipment about to be destroyed. My company was about to be underwater, literally! I was about to go out of business.

That was about two o'clock in the morning. I looked up in the sky, and I saw this moon, almost

a full moon. The sky was clear. It was blue. I knew it was going to be beautiful tomorrow. It was just not going to happen now. What was in front of me wasn't what was going to happen tomorrow.

After that, I looked down and said, "Tomorrow is another day. Today is finished. Let's go back to the factory and rebuild it again."

That was my moment in life.

I could have done the opposite, but it's just the nature of somebody like me. When you're really cornered, you look up and see what's going to happen tomorrow. It's going to be a better day. In a few hours, the sun will come up. It will be bright and shiny again.

Can you tell us the biggest mistake or challenge in your career that you've faced? How did you face it and what did you learn from it?

The biggest mistake or challenge I've had was related to when I came to Asia. I had two choices in the U.S. I had just finished wrapping up the sale of Multichip Technology to Cypress Semiconductor. That one went very well, so I had some money to found a start-up focused on flash memory. At that time, it was the big scene.

After that, I looked down and said, "Tomorrow is another day. Today is finished. Let's go back to the factory and rebuild it again."



And I was going to partner up with another guy. We had about \$20 million lined up to set up the company.

I had to walk away from all that because my father passed away, and I wanted to come to Thailand. I hadn't been back to Thailand for a long time. I left Thailand for 20 years. I hardly ever showed up here, and when I did, only for one or two days. So I never really appreciated what it's like to be in Thailand.

The funeral woke me up to the fact that life is so short. Spending too much time accumulating is not going to matter when you die.

Then I realized, well, it's time for me to come back to Asia.

So I quit my job in the U.S., sold the house and the car, got rid of the dog, kept the cat and moved back to Thailand.

I would say that that was the turning point. It was tough, when you are at the top of your game, you have money, and you have the people to back you up to set up a business. You could be big, really big. Then you walk away from all of it. That was tough.

How about a story of the proudest moment in your career?

There were many proud moments in my career when I was able to successfully turn around failing businesses.

SVI is no exception. I built up this company from a very difficult situation. The company was in poor shape. I got the investor to back me up to do the job that I needed to do. Then I found a bank to help me buy this company from its U.S. investor. And I managed to grow the business and keep the same strategy going forward.

We penetrated the Scandinavian market when no one in Asia was capable of doing it. And twelve years ago, we had nothing in Scandinavia. We were just nobody. And I managed to make a gutsy decision to shut down the U.S., U.K. and German offices and put all my money in Scandinavia and be successful with that.

Total focus! And I compete with the best of the best in Scandinavia. It was not a walk in the park.

We approached one customer, one of the biggest companies in Denmark. It's a \$5 billion company, and we're like \$65 million. There's no chance that they're going to give us business. We couldn't get in the front door, so we found a back door. We looked for a company they were going to acquire. We went to work with that little company they were about to acquire, and we got them as a customer.

The moment that little company got acquired, we went back after the parent company and said, "Hey, we've already been working with the company you just acquired."

We couldn't get in the front door, so we got in the back door. It's just to tell you that it's not easy work, and you've got to love what you do.



"We couldn't get in the front door, so we found a back door."

Can you boil down everything you've learned over the years to one short statement that sums it up? What have you learned? For a young guy when you were in his position, what would you tell him?

My first boss summed it up pretty well. He called me in his office after I'd worked for him for about two years. He said, "Poe, you have something that most people don't have. You persevere with the issue at hand. You spend a lot of time working on that issue until you get a result."

Perseverance is the key for a lot of young people to be successful. But youth today have a lack of perseverance,

because they want immediate gratification. They want to have that software application load immediately. They want to play that game in the next ten seconds. They don't have the ability to delay gratification. I'm all about delaying gratification. I'm old school. I have perseverance. I have a plan. I execute on my goal. And I succeed.

Great! Now, what's one personal trait or daily habit that you have that you think contributes to your success?

I would say that you have got to learn to love your profession. Learn to love what you do. If you don't love what you do, you don't love yourself.

Whatever trade you're in, if you don't love that trade, find something that you really think you can fall in love with and make the best out of it. If you don't love what you do, it's very difficult to get up and do that job. It's very difficult to sit in a one-hour or two-hour meeting. It's very difficult to write that note down and read it again tomorrow. So you've got to love what you do.

What's one book that has influenced you the most over the years?

I don't know if the young people would know Jim Rohn. He was the ultimate sales guy. He became a billionaire by selling vitamins.

If you have a chance to look at his website or YouTube, read Jim Rohn. Buy any book by Jim Rohn, because it's the ultimate book.

What's something about your business that has really gotten you excited, something that would have an impact on your business in the future?

I'm excited about the future of SVI mainly because we are at the point where we are big enough. We are a \$300 million company, and we're looking really solid because we have lots of cash. We have no debt. We're sitting on lots of cash and there are good opportunities from customer growth and from non-organic growth.

So I'm optimistic about the future. I'm looking into a situation where SVI can be more balanced in terms of our customer portfolio. We're very strong as a niche player. For instance, we're good at building video cameras. We're very good with industrial products.

I'm personally interested in medical devices. I'm looking for a medical acquisition. We now have a full-time in-house focus on that acquisition... in Europe, the U.S. or anywhere.

Not many businessmen have literally been under water. But you were literally under water in your factory after the 2011 flood in Thailand...

For six weeks...

Do these crises force you to change the way that you do your business or think about your business?

Absolutely!

What would be one or two things that make SVI different today because of that flood?

Before the flood, we were in pure organic growth mode. We wanted to consolidate everything in one location. We wanted to have all the suppliers in one location. We bought up many factories. We've got one right here, which is about 50 acres, and it's just huge. I've got

about a million square feet of space here where I can do a lot of stuff.

Right after the flood, we reviewed the situation. We needed a backup. So we kept one factory open that we would have otherwise closed.

More importantly, I'm now looking for inorganic growth through acquisitions. I want to have different versions of SVI in lots of places.

If we cannot succeed with the acquisition, we'll open a factory in Vietnam or in Indonesia or even in Mexico. So in one of these three places, we'll have another factory.

We have time to make that decision. Right now, we're pursuing one or two companies to do the acquisition.

The thinking is more global rather than local. Before the flood, it was purely local thinking. After the flood, it became global thinking.

"Before the flood, it was purely local thinking. After the flood, it became global thinking."

A. Stotz

BUSINESS  **DNA**
WITH ANDREW STOTZ

astotz.com