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ANATOMY OF A LIE: UNPACKING DECEIT IN THE STARTUP WORLD

BY CLAUDIA CHONG

It is late 2016 when Tony*, a venture capitalist (VC), gets a meeting request from a fintech investor he's never heard of. Over coffee, the investor and his wife subtly flaunt their wealth and offer to back Tony's business. They name-drop connections ostensibly cultivated over private dinners – Singapore's president, the Prime Minister, large real estate developers who are apparently also familial relations.

This network will help make their upcoming blockchain fund a success, the investor later tells Tony, while hinting at links to state investors Temasek and GIC. "I thought he was just a guy who exaggerates a bit," Tony recounts to *The Business Times*. But he began hearing accounts of young startup founders who never got money the investor promised. "That's what got me concerned." >>>



ILLUSTRATION: SIMON ANG

Tony dodged a bullet. Meanwhile the investor, Joe Cho Seunghyun, became a poster boy for Singapore fintech. His private investment group Marvelstone launched the "world's largest fintech hub" Lattice80, started a female-focused robo-adviser, and dabbled in artificial intelligence and cryptocurrency.

Then in mid-2019, BT reported that investors were suing Cho in South Korea. And Lattice80, despite much hype, could not pay rent and showed almost no business activity globally.

Cho was sentenced to 10 years' jail for fraud and other crimes in August, but damages of over 10 billion won (\$11.4 million) owed to investors have not been recovered.

As disgraced Theranos founder Elizabeth Holmes stands trial in the United States for deceiving the public about the company's blood-testing technology, Singapore is itself coming to terms with scandals that blemish its squeaky clean image.

Though highly regarded as a transparent and corruption-free place for business, the city-state has seen some high-profile cases in recent times.

Businessman Ng Yu Zhi allegedly executed one of the largest Ponzi schemes in Singapore's history after raising at least \$51 billion for fake nickel trades. Bellagraph Nova (BN Group), which launched a sensational bid for football club Newcastle United, saw its web of lies unravel following a doctored image of its leaders with former US president Barack Obama.

Then there's honestbee, whose founder claimed lineage to Sun Yat-sen, and teenage "entrepreneur" Harsh Dalal, who made the Forbes 30 under 30 list for a startup that might not have existed at all.

The BS meter

Singapore's startup ecosystem by and large is very principled and grounded, going by accounts of several current and former investors and startup employees.

Still, many say they have encountered their fair share of dishonesty and even fraud. The examples are diverse – from inflation of revenue to embezzlement and bribery attempts, to overstretching the truth about the potential of the company's tech.



Platforms such as LinkedIn allow people to carefully curate how they want to be presented. But having a picture-perfect profile also comes with the pressure of constantly having to conform to it, says SUTD's Lim Sun Sun. BT FILE PHOTO



The city-state has seen some high-profile cases of dishonesty and fraud in recent times, including honestbee, whose founder claimed lineage to Sun Yat-sen. BT FILE PHOTO

A clear pattern in these cases is that they often involve a large dose of what many call "bullshitting".

One of Singapore's pioneer accelerators, JFDI, is familiar with the concept. Back when it was still accepting applicants, some were asked to indicate which startup books had influenced them. On JFDI's list were classics like *The Lean Startup* by Eric Ries, and *What Every Entrepreneur Should Know* by Alan Smithee.

The catch was that so-called Alan Smithee's book was among fake books on the list. JFDI co-founder Hugh Mason often had to hold in his laughter as some people, having chosen those fake books, were pressed about the choice and forced to spin a long tale about how inspiring they were.

"We found at least 20 per cent of the applicants to JFDI were lying massively. So much so that we built special traps into the application process that they would fall into," Mason says.

An article in *The Conversation*, authored by three faculty members of Simon Fraser University, describes "bullshit" as a means to hide that which is unsupported by evidence or logic. It often takes the form of cliches, platitudes or business jargon.

Take, for instance, this excerpt from a press release last year: "The Bellagraph Nova Group since its inception, has taken the world by storm, making strategic chess moves that even the greatest Grandmasters will be proud of."

"One such brave move was the decision of the (founding) trio to embark on their landmark merger in the midst of the global pandemic crisis. The audacity to even fathom such a strategic thought by itself, is already no mean feat and the ability to pull it off was nothing short of a miracle move."

Such bombastic language was recently the subject of research by Nomura. By analysing the earnings calls of Russell 1000 large-cap companies, it found that companies whose officers used the most complex language averaged lower returns than those that used the simplest language. One

"The danger (to them) is not in being caught. The bigger danger is when they start noticing that journalists are not answering their call, or people are not talking about them. And they just end up being a has-been."

Jacob Puthenparambil, CEO of public relations agency Redhill, on the risk of hunger for public validation turning obsessive

explanation was that convoluted speakers had more to hide.

"Bullshitting" works a little differently in the startup world. In his essay *Are Founders Allowed to Lie?*, ex-Social Capital associate Alex Danco notes that VC-backed founders are uniquely allowed to "pre-tell" the truth. Most importantly, they must genuinely do so in an effort to bootstrap the future into existence.

Pre-truths can take many forms: viewership figures, the reassurance that "the tech is scaling nicely", or logos of enterprise customers on websites (despite some contracts having a questionable status).

Such reality-bending is becoming a hallmark of tech ecosystems, where select individuals are expected to conjure new worlds from scratch. Belief in the founder is everything for a successful business, but it can backfire when irrationality sets in. Small lies told in pursuit of a genuine dream can become big lies.

Danco writes: "VCs don't just give founders money, advice, and introductions. They give founders something powerful, and almost mystical: they bestow on founders a type of blessing. 'You are the founder. You stand apart. Now go make the future real.'"

Startup ego-system

So when does "bullshitting" go too far? Silicon Valley's Ozy Media was up till recently a promising company led by a charismatic and relentless founder. Then, on Sep 26, *The New York Times* ran a story about how Ozy's chief operating officer impersonated a YouTube executive, with the intention of misleading prospective investor Goldman Sachs about viewership. Ozy's future is now in question.

In some ways, Ozy succeeded in its deception for so long because Silicon Valley fed into the company's glitzy narrative.

It's an almost symbiotic relationship – society and the media embraces a founder or investor's story, the adrenaline and hubris set in, more stor-