HKUST BUSINESS SCHOOL 香港科大商學院

THE CENTER FOR ASIAN FAMILY BUSINESS AND ENTREPRENEURSHIP STUDIES

Explore the Uniqueness of Asian Entrepreneurs

HKUST Asian Entrepreneurship Roundtable
March 1, 2011 – Hong Kong

The HKUST Asian Entrepreneurship Roundtable

Date : March 1, 2011 (Tuesday)

Venue : HKUST Business School Central
Room 1501-02, 15/F Hong Kong Club Building
3A Chater Road, Central, Hong Kong

Contents

Organizer: HKUST Business School 香港科大商學院

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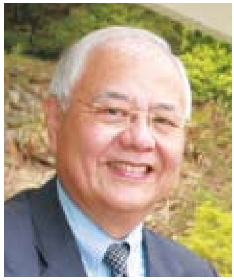


The foundation of any successful event is the contribution of various parties. The HKUST Asian Entrepreneurship Roundtable 2011 is no exception. We would like to record a special note of thanks to our generous sponsors. Many thanks also go to our keynote speakers and panelists, who gave of their time to share their wisdom and experiences. Finally, we thank all the invited guests whose presence enabled the lively exchange of ideas at the various sessions.

This roundtable is the second of what we hope would be a biannual event that brings academics and practitioners together, to freely exchange views and ideas in the spirit of collaboration and to enhance our understanding of each other's needs. The sessions and discussions were a blend of knowledge based on the rigors of academic research, and practical on-the-job experience gleaned from the corporate world.

The roundtable focused on four topics namely 1) Are Asian Entrepreneurs Really Different? 2) Financing Growth for Asian Entrepreneurs; 3) Intrapreneurship/Corporate Entrepreneurship in Asia and 4) Challenges of Globalizing Asian Entrepreneurial Businesses. We learnt that cultural and social factors differentiated Asian and Western entrepreneurs. Asian entrepreneurship is shaped by physical location and the opportunities tied to it, where future orientation rather than immediate goals are the focus. In Asia, there is often lack of official support for budding entrepreneurs, so compared to their Western counterparts, Asian entrepreneurs tend to be more self-sacrificial, giving up most of their waking hours to their businesses. This relentless schedule means that Asian family businesses struggle more with succession issues than those in the West. In terms of financing growth, a common difficulty for Asian businesses is the need to balance getting growth, getting finance and preserving control. Venture capitalism is not yet prominent in Asia, and there is a dearth of financing options. Hence, two alternative methods of gaining wealth tend to be marriage into wealth, and the formation of business groups, which is not ideal. Thankfully, promising changes are now taking place with the arrival of venture capitalists into Asia, and there is also the possibility of developing a local venture capital industry. Global growth is becoming possible for Asian entrepreneurial firms and intrapreneurship is becoming more significant. The ability to encourage creativity among employees has the potential to deliver scalable ideas that should propel Asian firms onto the global stage. The crowning difference between Asian and Western entrepreneurs is the importance of interpersonal relations. Entrepreneurs' networks are broader and deeper in Asia. While more needs to be done to nurture the entrepreneurial ecosystem in Asia, the future is full of possibilities.

For those interested in learning more about the various discussions and conclusions, this booklet provides summaries of the discussions that took place at the roundtable. It encapsulates thoughts and insights that will be helpful to anyone seeking a deeper understanding about family business and entrepreneurship.

I hope you enjoy reading it. We welcome your feedback. Feel free to contact us at afbs@ust.hk.

Roger King
Director
The Center for Asian Family Business and Entrepreneurship Studies

The **HKUST Asian Entrepreneurship Roundtable** on March 1, 2011 was organized by the Center for Asian Family Business and Entrepreneurship Studies of the Hong Kong University of Science and Technology. This invitational Roundtable aims to bring together world renowned academic researchers in the field of entrepreneurship with regional practitioners, to create an opportunity for better understanding and to explore new subjects of entrepreneurship research that have greater relevance. This event was a great opportunity for the participants to learn from each other, to network with people who are confronted with the same issues, and to compare solutions and challenges with people from different cultural backgrounds.

Roundtable Rundown

8:30 AM **Registration**

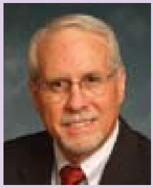
9:00 AM **Welcoming Speech**
Prof. J.T. Li, Acting Dean and Department Head of Management, School of Business and Management, The Hong Kong University of Science and Technology

J.T. Li is Chair Professor, Head of the Department of Management, Associate Dean (Faculty) of the Business School, The Hong Kong University of Science and Technology and Associate Editor for the Strategic Management Journal. His current research interests are strategic alliances, corporate governance, innovation, and entrepreneurship, with a focus on global firms and firms from emerging economies.

9:05 AM **Goals and Objectives of the Roundtable**
Prof. Roger King, Director, Center for Asian Family Business and Entrepreneurship Studies, School of Business and Management, The Hong Kong University of Science and Technology

Roger King, is Adjunct Professor of Finance; Director of the Center for Asian Family Business and Entrepreneurship Studies and Director of the Center for Business Case Studies at HKUST; and Honorary Consul of the Republic of Latvia in Hong Kong. He was the Chief Operating Officer of Orient Overseas (Holdings) Limited, Founder of ODS System-Pro Computers Limited; Chairman of Euro-Asia Shipyard Limited; Chairman of Pacific Coffee Limited; Chief Executive of Sa Sa International Holdings Limited; and an Executive member of the Zhejiang Province People's Political Consultative Conference.

9:10 AM **Keynote Talk #1: "The Importance of Strategic Entrepreneurship for Creating Long-term Value: East Versus West"**
Prof. Michael Hitt, Joe B. Foster Chair Professor of Management, Texas A&M University



Michael Hitt is Distinguished Professor of Management at Texas A&M University. A recent article listed him as one of the ten most cited authors in management over a 25-year period. The Times Higher Education in 2010 listed him among the top scholars in economics, finance and management and he is first among management scholars (tied) with the highest number of highly cited articles. He is the current co-editor of the Strategic Entrepreneurship Journal.

9:50 AM **Session 1: "Are Asian Entrepreneurs Really Different?"**
Moderator: Prof. Sanjay Goel, Associate Professor of Strategic Management and Entrepreneurship, University of Minnesota

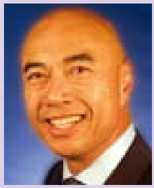
Sanjay Goel is Associate Professor of Strategic Management and Entrepreneurship at University of Minnesota Duluth; a 2008 Family Owned Business Institute Scholar; and Research Fellow at the Center for Family Enterprise and Ownership at Jönköping International Business School, Sweden. He is also the President-Elect of International Family Enterprise Research Association (IFERA), and serves on the board of the European Academy of Management (EURAM), and the Swedish-American Chambers of Commerce of USA.

Academic Panelists:
Mathew J. Manimala – *Indian Institute of Management*
Justin Craig – *Bond University*

Practitioner Panelists:
Elizabeth Thomson – *ICS TRUST*
Mingpo Cai – *Cathay Capital Private Equity*

11:00 AM Coffee Break

11:15 AM Session 2: "Financing Growth for Asian Entrepreneurs"
Moderator: Prof. Po Chi Wu, Adjunct Professor of Management, The Hong Kong University of Science and Technology



Po Chi Wu is Adjunct Professor in the School of Business & Management at HKUST; Visiting Professor and co-founder of the Global Innovation Research Center in the School of Software & Microelectronics at Peking University; co-founder and Managing Director of DragonBridge Capital, a merchant banking firm helping Chinese and US technology companies become global citizens. He has been a venture capitalist and entrepreneur for more than 25 years, having invested in early-stage high-tech and life science companies in Silicon Valley and Asia

Academic Panelists:
Kasper Nielson – *The Hong Kong University of Science and Technology*
Joseph Fan – *The Chinese University of Hong Kong*

Practitioner Panelists:
Stefan Rust – *Exicon*
Jack Lau – *Perception Digital Ltd.*

12:25 PM Buffet Lunch

1:30 PM Keynote Talk #2: "The Challenges and Opportunities of Research into Technological Entrepreneurship in Asia"
Prof. Phillip Phan, Executive Vice-Dean, Johns Hopkins University

Phillip Phan is Professor and Executive Vice-Dean at the Johns Hopkins University Carey Business School; Visiting Professor of Engineering Management at the National University of Singapore; Robert Bosch Foundation Public Policy Fellow at the American Academy in Berlin. He is Field Editor for the Journal of Business Venturing, and Associate Editor for the Journal of Financial Stability, and the Journal of Technology Transfer. His areas of research are in Technological Entrepreneurship, Innovation, and Corporate Governance.

2:10 PM **Session 3: "Intrapreneurship/Corporate Entrepreneurship in Asia"**
Moderator: Prof. Ali Beba, Associate Director, Center for Asian Family Business and Entrepreneurship Studies, The Hong Kong University of Science and Technology

Ali Beba is Adjunct Professor of Management; Associate Director of the Center for Asian Family Business and Entrepreneurship Studies and consultant at HKUST's MBA Program. In his 30+ years of career, he has worked extensively for public and private corporations and institutions (P&G, World Bank, UNEP). He was the Academic Director for the Center for Entrepreneurship of Ozyegin University in Istanbul and the coordinator for the Global 10000 Women Entrepreneurs Program.

Academic Panelists:
Michael Carney – *Concordia University*
Justin Jansen – *Erasmus University*

Practitioner Panelists:
Frank Lai – *China Resources Enterprise, Ltd.*
Gregg Li – *Aon*
Jim Thompson – *Crown Worldwide Group*

3:20 PM **Coffee Break**

3:35 PM **Keynote Talk #3: "Seizing the Service Age by the Horns"**
Mr. Po Chung, Chairman Emeritus and Co-Founder of DHL International

Po Chung co-founded DHL International, built the company into a global network and sold his interest at the age of 52. He has been involved in community service in arts, culture, philanthropy, social entrepreneurship, creativity and innovation. He also founded "Business For Art Foundation". In 2004, he created the Centre for Asian Entrepreneurship & Business Values (CASEBV) at The University of Hong Kong. Recently, Mr. Chung published his first book, "THE FIRST 10 YARDS – The 5 Dynamics of Entrepreneurship and how they made a difference at DHL and other successful startups".

4:15 PM **Session 4: "Challenges of Globalizing Asian Entrepreneurial Businesses"**
Moderator: Prof. Roger King, Director, Center for Asian Family Business and Entrepreneurship Studies, The Hong Kong University of Science and Technology

Academic Panelists:

Mary Han – *The Hong Kong University of Science and Technology*
Haiyang Li – *Rice University*

Practitioner Panelists:
Joe Tsai – *Alibaba Group*
Po Chung – *DHL International*

5:25 PM **Conclusion**
Prof. Ali Beba, Associate Director, Center for Asian Family Business and Entrepreneurship Studies, School of Business and Management, The Hong Kong University of Science and Technology

5:35 PM **Closing Remarks**
Prof. Roger King, Director, Center for Asian Family Business and Entrepreneurship Studies, School of Business and Management, The Hong Kong University of Science and Technology

6:00 PM **Cocktail Reception hosted by Mr. C. C. Tung, OOCL**
Windsor Room, The Hong Kong Club, 1 Jackson Road, Central
Special Guest Speaker: Mr. Jack Ma, Founder of Alibaba Group

HKUST Center for Asian Family Business and Entrepreneurship Studies

The Center for Asian Family Business and Entrepreneurship Studies aims to become a center of excellence and leader in generating and disseminating knowledge for understanding the burgeoning family and entrepreneurial business sector in Asia through top-quality academic research and distinctive teaching. Recognizing the multi-disciplinary nature of the field of family business, the Center draws its strength from the Departments of Accounting, Finance, Management, Marketing and Social Sciences at HKUST to achieve the following objectives:

- To promote greater understanding of the distinctive characteristics of Asian family and entrepreneurial business through top-quality multi-disciplinary academic research;
- To organize academic and industry symposiums;
- To develop and teach customized corporate, executive and MBA courses including those on the distinctive characteristics of Asian family and entrepreneurial business;
- To promote case method, case writing and teaching on Asian family and entrepreneurial business

afbs@ust.hk

Keynote Talk #1: The Importance of Strategic Entrepreneurship for Creating Long-Term Value: East Versus West

Speaker: Prof. Michael Hitt

With cut-throat competition everywhere in our globalized world, strategy should be of prime importance to the entrepreneur. Professor Michael Hitt explained this using an African parable from Thomas Friedman's *The World is Flat*. When we visualize a gazelle fleeing from a lion, we should realize that both are running to survive: the gazelle must escape and the lion must eat.

Whether in the East or the West, entrepreneurs need to understand the competitive landscape and how they can be strategic in their decision making. They must focus on survival for the long duration, understand the ways in which competitive advantage is gained, and know how to continue acting entrepreneurially.

The Competitive Landscape

The competitive landscape favors the strategic entrepreneur who is capable of creating economic value over decades rather than years. Firm age, size, and access to resources are not important. What really matters is the determination to succeed and the ability to identify opportunities that pass other entrepreneurs by. It is all about winning the race for survival.

Professor Hitt mentioned how a South Korean firm recently captured this idea well in a television advertising campaign that reversed the parable of the lion and the gazelle. Viewers first saw the gazelle running for its life and then the lion gaining speed, until the final scene showed the gazelle taking down the lion. That is a particularly good analogy for "how new firms seemingly without sufficient resources can win," he said.

Non-Strategic Entrepreneurship

The most successful entrepreneurial firms are strategic in both outlook and action. They seek to establish and sustain a competitive advantage while simultaneously trying to identify or create new business opportunities at every stage. Yet some firms cannot do this constantly and allow their entrepreneurial spirit to fade as success grows.

Polaroid and Priceline.com exemplify this sort of strategic failing according to Professor Hitt. Polaroid[1] was once one the fifty largest firms in the United States. It had the entrepreneurial drive to create instant photography but became content with what it had done. Most importantly, the firm did not pay attention to what its competitors were achieving and completely missed the advent of digital photography. Polaroid no longer exists.

Priceline.com[2] began in "an extremely entrepreneurial manner." First it developed and patented the reverse auction process in which a customer names a price for a service and firms respond to provide that service if they are interested. Only then did it find a niche market in last minute travel-related sales, especially of airline tickets. The potential income from vacant airline seats is highly perishable and rivals soon saw the value of copying the system. They offered unique travel packages that Priceline could never have matched, pushing it to the brink of bankruptcy from which it has only recently returned.

Strategic Entrepreneurship

Neither Priceline nor Polaroid began with a strategic frame of mind. In contrast to these American examples Professor Hitt described Alibaba.com and the Li Ning Company.[3] Alibaba.com "was strategic from the beginning," building on its unique offer to help Chinese small- and medium-sized businesses attract overseas customers with a universally recognizable name. As it grew and became a group, the constituent companies had clear synergies and its overseas acquisitions all fell within a strategic plan. Today Alibaba is one of the largest Internet companies in the world and a dominant presence in China.

1 The Polaroid Corporation sold cameras that printed their own photographs from 1947 to 2001, when it filed for bankruptcy protection and sold its assets to a second company. The revived Polaroid operated from late 2001 until 2009.

2 Founded by Jay Walker, the owner of a research and development laboratory, Priceline.com allows users to obtain discounted rates for airline tickets, cruises, hotel accommodation, rental cars and other travel-related services.

3 The Li Ning Company is a leading Chinese sportswear and accessories firm, selling its own brand and those of international players such as Agile and Lotto. It was founded in 1990 by gymnast Li Ning after a career in which he won 6 Olympic medals for China.

Li Ning is a sportswear firm established by the Chinese Olympic medalist of the same name. It spread from its entrepreneurial base with a focus on becoming a leading international player, manufacturing or acquiring licenses to sell multiple brands that target different market segments. Li Ning is a leading sportswear brand in the tough Chinese market and has recently entered overseas markets such as the United States.

These two firms were only founded in the 1990s but they have prospered strategically. They are flexible, innovative, have committed and patient capital, possess unique social capital and are oriented for the long term. These features tend to outweigh their limitations, such as the difficulties they encounter in succession planning, the problems they have in accessing valuable human capital, and the potential for the sort of groupthink that crippled Polaroid and Priceline.

Competitive Advantage from Networks and Innovation

Strategically entrepreneurial firms can build a substantial competitive advantage because they understand what Sun Tzu[4] wrote in the *Art of War*: "if we know ourselves and our enemy, we will win." A competitive advantage involves providing customers with a product or service that is superior to those of competitors. Small firms can do this by being entrepreneurial in the first and every instance, focusing on customer orientation, understanding their competitors' capabilities, managing their resources strategically, and using them wisely.

4 Otherwise known as Sun Wu or Sunzi, Sun Tzu was a native of what is now northeastern China around the 5th century B.C. He delineated his military philosophy in the *Art of War*, a widely renowned masterpiece on strategy.

Relationships and the meeting of technology and innovation are the two methods by which competitive advantage is most often gained. Relationships are a particular focus in Asia but are significant everywhere because they are important in all forms of business. Professor Hitt's recent study of 637 entrepreneurs and new ventures in China, France, Russia and the United States revealed that the size and diversity of networks are positively related to new-venture performance in all four countries, with the relationship stronger in Asia.

This Western deficit in networking is at least partly reversed when it comes to technology and innovation. Western firms have long used technology to their competitive advantage more effectively than their Asian counterparts, but the gap is narrowing. Innovation matters to all forms of business, and knowledge transfer within and between firms is a crucial way of continually ensuring customer satisfaction.

Continuing to Act Entrepreneurially

Markets never remain unchanged and the whole world is a dynamic place. Entrepreneurs must remain proactive and be open to unpredictable political, military, and economic change. The ability to act rapidly amid this changeable scenery is fostered when firms encourage creativity at all levels. According to Professor Hitt, strategically entrepreneurial firms understand that "an idea has a shelf life and no-one knows when it will expire." The next idea might be crucial to survival.

Ultimately, the entrepreneurial focus should be on continually creating wealth rather than protecting it.

Session 1: Are Asian Entrepreneurs Really Different?

Speakers: Mr. Mingpo Cai, Prof. Justin Craig, Prof. Mathew Manimala, Ms. Elizabeth Thomson

Moderator: Prof. Sanjay Goel

Asian entrepreneurs certainly differ from their counterparts in the West according to the panelists in the roundtable's first session. Yet the notion of what should be considered Asian is not so clear-cut, with location rather than ethnicity a defining factor from the practitioner perspective. Across the region a relatively recent shift in the dominant type of entrepreneurship has nonetheless highlighted a common focus on proactively shaping the future that is not as evident in the West. In a broader sense, cultural and social factors split Asian and Western entrepreneurs, although the full extent of the Asian difference is yet to be determined.

Asian Entrepreneurialism Broadly Defined

One of the surprisingly unsettled areas of discussion during the session was how Asian entrepreneurship might be defined. While the academic panelists implicitly accepted a definition based on ethnicity and conventional notions of Asianness, the practitioners did not. Ms. Elizabeth Thomson pointed to the "huge number of people who are not racially Asian but are contributing phenomenally to entrepreneurship in this part of the world." From this perspective, Asian entrepreneurship is shaped by physical location and the opportunities tied to it. Mr. Mingpo Cai took the concept a step further, commenting that "when I'm in France I'm a French entrepreneur, when I'm in China I'm a Chinese entrepreneur."

With the opportunities offered by location at its heart, Asian entrepreneurship is being shaped by the change in living standards across the region. According to Mr. Cai this is particularly apparent in China, with its rapidly developing economy and retreat from centrally planned socialism. At the most basic level even the ability to do business in the country is part of a generational change. Greater wealth has also led to more opportunities for education abroad, which has in turn produced a generation of entrepreneurs

who embody "the meeting of tradition and modernity." These are local entrepreneurs with global ambitions.

The academic speakers saw more general mechanisms at work behind this change. Session moderator Prof. Sanjay Goel commented that the focus of entrepreneurship throughout Asia has shifted from survival to success as the scale of aspirations has expanded. Seen from a slightly different perspective, Asian entrepreneurship is now being driven by a future orientation rather than immediate goals. Prof. Justin Craig drew on the recently published *Effectual Entrepreneurship*[1] to explain that the family-owned businesses predominant in Asia tend to "co-create to create the future" through cooperation with customers, suppliers and even competitors. They can do this because their networks are much stronger and more effective than those of their Western counterparts.

Asian and Western Entrepreneurs Compared

The academic and practitioner panelists agreed that regardless of how Asian entrepreneurship is defined it does differ from its Western counterpart in significant ways. Particular attention focused on cultural differences, the availability of official support, the need to self-sacrifice and problems of succession.

The cultural difference between the two forms of entrepreneurship is most evident in India. Drawing on Global Entrepreneurship Monitor[2] research

1 Coauthored by Stuart Read, Saras Sarasvathy, Nick Dew, Robert Wiltbank and Anne-Valérie Ohlsson, the book differentiates between effectual entrepreneurs who tend to make the most of surprises as they create their own futures and causal entrepreneurs who plan elaborately and avoid uncertainty.

2 Global Entrepreneurship Monitor is an academic research consortium that collects high-quality data on entrepreneurial activities around the world. It is currently focusing on 59 economies and makes its findings available to the public.

and a series of studies that compared British and Indian entrepreneurs, Professor Mathew Manimala argued that Indian entrepreneurs are more likely to focus on supervision and control than their British counterparts. This is to be expected when comparing a caste-based culture with a relatively more egalitarian counterpart. However, a surprising discrepancy is that Indian entrepreneurs are less responsive to new ideas than their British counterparts "because the culturally determined attitudes toward innovation are lower."

Other than cultural differences, the panelists identified a broad range of social factors that help to shape Asian and Western entrepreneurs in different ways. At the interface between government and society there is a lack of official support for budding entrepreneurs throughout the region, although this is less so in India. The Hong Kong government was singled out as particularly reluctant to support start-ups, falling behind the Canada, Europe and the United States.

One crucial result of this reticence is the need for self-sacrifice in Asia. Ms. Thomson noted that in stark contrast to their Western counterparts, Asian entrepreneurs give up most of their waking hours to their businesses. They are willing to forgo weekends, quality family life and even sleep to get ahead, whereas entrepreneurs in the United States are far more likely to work regular hours. Exacerbating this difference is the fact that American entrepreneurs also need to communicate across time zones far less frequently than their Asian counterparts.

In Asia, the entrepreneur's relentless schedule means that family businesses struggle more with succession than those in the West. The well-educated children of successful entrepreneurs often look to avoid what they see as their parents' mistakes and choose instead to work in multinationals. Only those families engaged in more 'glamorous' industries escape this talent drain, and even then not entirely.

Future Considerations

Despite these considerable differences between Asian and Western entrepreneurs the panelists were unanimous in their suggestion that the full picture is yet to be painted. While Western entrepreneurs have been studied over a long period, their Asian counterparts are still emerging and consequently less well understood. Although they clearly use networks effectively, not much is know about how Asian entrepreneurs leverage them to grasp otherwise transient opportunities. Prof. Craig made the tentative suggestion that competition is less important than cooperation in Asia, but from the academic perspective much research is still to be done.

From the practitioner perspective much of the entrepreneurship taking place in Asia stretches back three generations at the most. In China that often shrinks to one generation. In places like Hong Kong, women are just starting to emerge as entrepreneurs thanks to the employment of domestic helpers at affordable rates. Both practitioners on the panel expressed a sense of change that is still unmeasurable. Commenting on the emerging generation of Chinese entrepreneurs Mr. Cai said that "we know where we came from but we don't know how far we are going." Only when that voyage has further run its course will the full dimensions of Asian entrepreneurship be apparent.

Session 2: Financing Growth for Asian Entrepreneurs

Speakers: Prof. Joseph Fan, Prof. Jack Lau, Prof. Kasper Nielsen, Mr. Stefan Rust

Moderator: Prof. Po Chi Wu

Asian entrepreneurs face perennial difficulty in obtaining external financing to ensure that their firms grow. As the participants in the second session made clear, there is abundant capital in Asia but it is seldom available outside certain niche areas. Both the academics and the practitioners on the panel recognized the necessity of financial backing and identified factors that often held it back. They also considered the benefits and drawbacks of the currently available methods of external financing and how the situation could be changed.

As session moderator Professor Po Chi Wu put it, entrepreneurship can be discussed within a framework encompassing context, perspective, and resistance. The context under consideration during the session was not just financing but the health of the entire entrepreneurial ecosystem. The perspectives offered shifted focus from individual entrepreneurs to small startups and on to large groups. Resistance was expressed in terms of friction, or the extent to which the lack of outside financing could hamper the growth of entrepreneurial firms.

Outside Financing and its Benefits

A key point on which all panelists agreed was that entrepreneurs could not move their firms ahead without injections of capital from third parties. The practitioners saw this as a question of how rapidly market opportunities could be seized. From one perspective, the rapid globalization and integration of the world economy means that outside funding is often needed to find managers able to create teams that capture market information when it can still be monetized. "The velocity of information is driving the velocity of innovation," remarked Mr. Stefan Rust.

The push to obtain financing can also reflect the simple necessity of securing enough capital to maintain a firm after it has already begun to grow. This is a common difficulty for Asian entrepreneurs. Prof. Kasper Nielsen pointed to the "trade off between getting growth, getting finance, and preserving control". Entrepreneurs in the region are often reluctant to relinquish control, especially when they operate family-owned business. Yet if they can obtain financing from venture capitalists or other entrepreneurs they will gain access to advice, networks, and the sort of backing needed to professionalize their firms.

Why Obtaining Capital is Difficult

A significant problem entrepreneurs must overcome before gaining the benefits of outside financing is that venture capitalism is not yet prominent in Asia. There was a consensus between the academics and practitioners on the panel that without venture capital entrepreneurs face various types of friction in the finance market. These include general issues such as the lack of trust and more specific structural difficulties.

The practitioners narrowed down the problem to a simple dearth of financing options. Places like Taiwan and Hong Kong lack capital markets and have talked about but failed to create bond markets. Professor Jack Lau also noted that financial institutions were resistant to lending entrepreneurs money. He recalled his own experience with Perception Digital[1] when he needed to sign a personal guarantee to obtain

1 Perception Digital specializes in digital signal processing, mobile platform development and management services for the design supply chain. It went public on the Hong Kong Stock Exchange in 2009.

working capital from a bank. The other two partners left the business rather than risk everything they had.

Possible Business Models

Entrepreneurs clearly need to choose a specific business model to obtain the outside financing they need. A common remark during the session was that it is easier to get a loan in Asia for traditional wealth-making activities such as real estate investment than to start or maintain a business. Two alternative methods of gaining capital were put forward.

In Thailand it is common to arrange marriage into wealth when seeking external funding to grow a firm. According to Professor Fan, 80 percent of the children in Thai big business families are married into other business families, royalty, the nobility, or the families of senior bureaucrats and politicians.

An alternative to this rather drastic measure is to form a business group. In this model, the entrepreneur first establishes a holding company using existing funds, retaining a 50 percent holding and bringing in outside capital from friends and relatives. That firm is then used to establish another firm or another entrepreneur is invited to do so.

Although it is a prominent method of financing in emerging markets, the business group has crucial drawbacks. Professor Fan told of a Mr. Zhang in Shanghai who used connections he gained as the manager of a state-owned enterprise to build a highly successful firm. After overseeing a period of rapid growth he entered a business group in which the individual firms mutually guaranteed bank loans. When the government tightened monetary policy and interest rates rose, the other firms could not make their payments and Mr. Zhang was expected to pay their loans. His own guarantor demanded that he surrender 51 percent of the firm, which became a subsidiary in another pyramidal group.

Changes Needed

Changes in the whole ecosystem of Asian entrepreneurship are needed to ensure that firm growth can be financed without these alarming consequences. The panelists suggested that some promising changes are already underway. Venture capitalists have recently arrived in Shanghai and are active in Singapore, which could foreshadow a more lively presence in other parts of Asia. There is also the possibility of developing a local venture capital industry.

The academic panelists suggested that governments could play a role in encouraging venture capitalists to be more widely active. For instance, deregulation launched the venture capital industry in the United States. In an example of more direct state intervention, European governments have created their own venture capital funds. Other alternatives would need to start with Asian governments better understanding how entrepreneurship works and what limits it.

Professor Fan mentioned the necessity of governments "thinking seriously about how to help our small and medium sized companies and also help the finance intermediary industry." This could only be achieved after people are educated from the school level about the importance of entrepreneurship. The children of entrepreneurs would benefit most because they would then understand how to foster their own entrepreneurial spirit. That itself has the potential to alleviate the common problem of succession planning in Asian family-owned firms.

These changes are not fundamental. They indicate a need for adjustment rather than a radical overhaul of the entrepreneurial ecosystem. The practitioners on the panel pointed to entrepreneurial success stories around Asia, including the recently sold JobsDB[2]. Sources of financing are clearly a concern but should not be over-emphasized. Capital is crucial but how entrepreneurs take advantage of their context is always what matters the most.

2 JobsDB is a Hong Kong-based online recruitment network that covers Asia, Australia and the United States. The firm sold a 60 percent stake to Australia's SEEK Asia for HK$1,590 million in May 2011.

Keynote Talk #2: The Challenges and Opportunities of Research into Technological Entrepreneurship in Asia

Speaker: Prof. Phillip Phan

Technological innovation is the engine of growth in any economy. It promotes efficiency, productivity and the ability to do entirely new things. Yet the extent to which innovation is successful in a given country depends on the role that researchers and practitioners play in shaping the "institutional context", according to Professor Phillip Phan.

Asian researchers in particular need to ask the right questions about policy directions. Entrepreneurs and venture capitalists should also seek a more active role in influencing government regulation. With a sufficient understanding of and influence on the institutional context, researchers and practitioners alike will be closer to identifying the specific conditions under which technology-related ideas are more likely to flourish.

All Business is Societal

All business activity exists in some sort of societal context, which leads to a prominent problem in emerging economies. Entrepreneurial activities can be put to positive, zero, or negative sum gains. Professor Phan noted that positive sum gains benefit the whole of society, whereas zero sum gains or rent-seeking tend to produce no net change. Negative-sum gains take something away from society and usually involve larceny.

Russia's post-communist economy with its sale of public enterprises to private individuals at steep discounts is an example of somewhere in which negative sum gains have emerged. In contrast, Taiwan's entrepreneurial economy highlights the benefits of positive-sum gains. The predominance of Taiwanese entrepreneurship made the country more resilient than many of its East Asian counterparts during the early phase of the Asian financial crisis.

However, the type of gains made when opportunities are exploited is not the only factor that influences the emergence of new technologies. Given that there seems to be an even distribution of people predisposed to positive and negative sum gains, "there must be something else going on." That factor is what we can broadly describe as the institutional context.

The Institutional Context

At the base of the institutional context in any country are people generating ideas and doing business as a result. Entrepreneurs have a disposition to take calculated risks by identifying gaps in the marketplace that allow them to provide solutions with economic value. With this type of person in the economy, some sort of institutional conditions or rules must be established to make it interesting for them to engage in entrepreneurship. For instance, intellectual property protection is a necessary condition for the emergence of a biotechnology industry.

What a government aims for in taking such measures is to increase the odds that market participants will choose positive-sum entrepreneurship. That is why governments establish venture capital funds and national strategic initiatives such as science parks. They also need to determine the sort of rules that stabilize the exchange relationship because without those rules some version of state or private larceny will predominate.

Professor Phan suggested that researchers can play a role in this process by providing and interpreting the data that policy makers need to determine what combination of rule setting, regulation, and freedom of action will be best. In Western countries such as the United Sates the research community is relatively active in terms of influencing this process, but such is not yet the case in places like Hong Kong and Singapore. History, culture, and tradition all help determine the outcome of policy deliberations, which is another area in which differences emerge between Asia and the rest of the world.

The Role of Technological Innovation

Technological innovation is significant in this scenario according to Professor Phan because it is the direct result of opportunity-based entrepreneurship as opposed to needs-based or job-replacement entrepreneurship. Opportunity-based entrepreneurship appears most often in countries that report higher rates of economic growth such as the developing economies of Asia.

Researchers have put forward three main theories of the mechanisms that allow opportunity-based entrepreneurship to emerge. Joseph Schumpeter[1] first proposed that new

1 Joseph Schumpeter (1883-1950) was an Austrian economist who spent most of his later career in the United States. He pioneered business cycle theory and suggested exogenous waves of creative destruction as an alternative to Karl Marx's argument that capitalism would collapse from within.

ideas replace the old via externally generated waves of creative destruction that generate market discontinuities. In one such scenario, the motorcar replaced the horse-drawn cart.

A second view posits that entrepreneurship is within the control of the individual, and any waves of creative destruction come from forward-thinking entrepreneurs. Google's emergence as an Internet search giant is an example of this sort of process. The third view is that entrepreneurship is a product of how industries are structured and evolve over time. Overall, technological entrepreneurship can be seen to take place in legal, social, and cultural environments that determine what discoveries are selected for commercialization and what commercialized discoveries are eventually successful.

East-West Differences in Technology Firm Emergence

Professor Phan's recent study of technological firm emergence in South Korea and the United States shows exactly how this institutional context differed between East and West from 1968 to 1993. Firms were less likely to be formed in the United States during years with higher levels of patent applications because people exploited the patent system to extract rents, particularly through litigation. This peculiar situation indicates that as an economy changes over time the institutions that initially fostered growth could actually become deadweight.

In South Korea, patenting was less important because business conglomerates known as chaebols[2] dominated the economy, as they do today. Patenting is not needed to foster entrepreneurship simply because it is already "going on in large corporations."

Yet when considering Asia in general, it is possible that methods of financing have significant effects on technological innovation. Entrepreneurs could be avoiding certain types of businesses because financial institutions are unwilling to provide capital in non-traditional areas. For instance, it is far easier to get financing to buy property in most of Asia than to get a patent.

2 A chaebol is a multinational business group that typically owns numerous firms. Examples include Hyundai and Samsung. Chaebols dominate the South Korean economy and have presences in major markets around the world.

Unresolved Issues

Even with this broad consideration of the situation, Professor Phan admitted that only the tip of the iceberg can yet be seen. There is no way of knowing the firms that should have emerged but did not. There is also a problem inherent in all research methods. Every time researchers conduct surveys to gather data they are surveying firms that exist rather than those that have died. There is still no indication of what might have caused such firms to die, which is one of the biggest challenges in emerging economies. If governments can be told why firms die and what causes ideas to be stillborn they will know what policy directions to avoid.

From the entrepreneurial perspective, there is still the lingering question of why more emerging Asian firms that could use venture capital "don't go where the money is" in the United States and Europe. This is particularly puzzling given the increasing openness of economies around the world. Further research drawing together divergent theoretical perspectives could offer insights into why this remains the case and what might be done to change the situation.

Session 3: Intrapreneurship/Corporate Entrepreneurship in Asia

Speakers: Prof. Michael Carney, Prof. Justin Jansen, Mr. Frank Lai, Dr. Gregg Li, Mr. Jim Thompson

Moderator: Prof. Ali Beba

Corporate entrepreneurship may well seem like a contradiction in terms, but it simply involves how firms renew and renovate themselves. Yet how those processes might work and what their ultimate effects could be were points of contention between the academic and practitioner panelists during the third session. All agreed on the importance of intrapreneurship for firm growth but could not reach consensus on a number of significant points.

Key differences emerged during the session on what constitutes an intrapreneur, the extent to which the movement of ideas between companies might be beneficial, and how intrapreneurial strategy should enacted. Only the central importance of fostering creativity within firms drew agreement.

Intrapreneurship and its Intrapreneurs

Professor Justin Jansen established a clear framework for considering the importance of intrapreneurship when he noted that firms need to position themselves between mature and emerging markets in the increasingly competitive global economy. From this standpoint, firms must develop new products, services, and capabilities while continuing to develop those they already have. They can do this by fostering internal entrepreneurship, with employees encouraged to develop new ideas without being directed to do so.

Whether implicitly or explicitly, all of the panelists drew on this sort of broad definition to explain how intrapreneurship can be developed. However, an initial point of difference emerged when describing what an intrapreneur actually does. Distancing them from business managers who are reluctant to move away from defined procedures, Mr. Frank Lai suggested that "corporate entrepreneurs are willing to take more risk to pursue an idea." Dr. Gregg Li concurred with this point but suggested that intrapreneurs differed from "outside entrepreneurs" in one crucial respect.

Where entrepreneurs are driven and act as soon as they form an idea, intrapreneurs are forced to plan and submit their ideas to a firm's hierarchy. While this lessens risk from the firm's perspective, it also means that the plan has to be devised and the intrapreneur has to encourage all relevant people within the firm to follow it. By the time that has been achieved, market conditions could well have changed and the opportunity could be lost.

Creativity Within

Despite the possibility of ideas being stifled, the panelists agreed that fostering creativity was central to the success of an intrapreneurial firm. Whether deliberately or coincidentally, all firms employ creative people. The role of an astute manager should be to develop these people and their ideas, and empower them to act when inspiration strikes. This suggests that managers need to be open-minded, even to ideas that are put forward after failing previously.

Mr. Jim Thompson explained how that sort of mindset had helped him to expand Crown Worldwide Group from a small Hong Kong household removal company into a global conglomerate even while thinking that some of the ideas put to him would not succeed. In recent years the group has successfully branched out into fine art transportation, wine sales, and other areas based on the suggestions and dedicated efforts of employees.

This forbearance of creativity also works on a larger scale. Mr. Frank Lai described the abundance of ideas that he receives as Chief Financial Officer of China Resources Holdings. Rather than just benefiting from employee suggestions, the group receives almost "too many ideas" from subsidiaries, suppliers, and even business partners.

Idea Spillovers

One of the challenges generated by fostering creativity is that creative employees tend to be restless. In places where managerial capitalism is predominant such as some parts of Asia and the United States this can lead to a certain amount of disloyalty within firms. Potentially market-changing ideas can be lost as employees shift allegiance to new firms and take the results of their explorations with them.

Professor Michael Carney offered an academic perspective on this phenomenon, noting that inside innovation is subject to "spillovers" because poaching employees is just as important to some firms as direct competition. Because the elite universities that educate most of the mangers in these firms provide very generic skills, those people can easily move to more supportive firms in new roles and still develop their ideas. From this viewpoint "spillovers are inevitable and desirable" because they enhance overall progress.

Yet the darker side of this disloyalty is that it sets some firms back considerably. Mr. Thompson offered the practitioner side of the situation when he described how his senior management abandoned him during a period of inattention in the 1980s, taking with them key employees, processes, and accounts, and leaving only secretarial staff. The firm they established eventually failed but only at great cost to their former employer.

Strategic Intrapreneurship

Another area in which the academic and practitioner panelists diverged was how intrapreneurship could be developed strategically. Once sufficient creativity and scope for developing new ideas is fostered, firms need to be deliberate in the ways they maintain their competitive advantages. Professor Jansen emphasized how easy it is for intrapreneurial firms to fail strategically, pointing to the opportunity lost by Sony when Apple's iPod arrived[1]. This is a good example of the "not-invented-here syndrome" whereby firms completely miss changes in the nature of markets. Most intrapreneurship develops from exploring new ways of creating value in a market, but strategically minded firms need also to be aware of how they can better exploit their existing strengths.

One of the reasons why such a balance is not always possible is that exploitation and exploration require two different types of outlook and firm structure. Firms could also be focused on an entirely different approach to strategy. Mr. Lai highlighted an alternative method of developing strategic intrapreneurship by describing the process of consolidation that China Resources has gone through in recent years.

The group has refocused on its core investments in supermarkets, breweries, and "scalable businesses" such as Pacific Coffee. In this sense intrapreneurship has to be carefully managed and investment in new ventures should be treated with caution, at least in developing economies. It is not always advisable to explore when more exploitation could allow more sustainable growth in profitability.

1 Sony's cassette-based Walkman was the dominant portable music device until the iPod's arrival in 2001. Sony eventually produced a competing digital player but did so using a proprietary file format that failed to generate market share.

The Need for Institutionalized Innovation

From the practitioner perspective, intrapreneurship is often less a deliberate path to value creation than a reaction to circumstances. Dr. Li made the point that one of the more significant unanswered questions related to intrapreneurship is how the urge to innovate can be institutionalized within firms. The panelists highlighted the various conditions for fostering an intrapreneurial spirit, but it remains to be seen how the generation of ideas can be effectively harnessed on a broad, systematic scale by large Asian firms. Given the wealth of ideas emerging from China, an answer may not be long delayed.

Keynote Talk #3: Seizing the Service Age by the Horns

Speaker: Mr. Po Chung

Hong Kong could well lead mainland China and indeed the world into the dawning service age, according to Mr. Po Chung. With the art of service becoming a viable business model for metropolises, the city stands to benefit further from its shift away from manufacturing. Service industries currently generate over 93% of Hong Kong's GDP and employ 88% of the local population. Yet the city has lacked a service vision to date. It needs to nurture the right sort of leadership, focus on the development of character, and understand the significance of having a "maritime culture."

To seize the service age by the horns, Mr. Chung suggested that budding leaders in Hong Kong must be aware of how the service future will differ from the manufacturing past and must know the underlying attitudes that will be necessary for success on the global stage. They will need to think

of service as not just a process but as a higher goal to achieve. Then they will be able to venture properly into service entrepreneurship, which is set to become "the next big thing for business schools around the globe."

Manufacturing versus Service

The fundamental difference between manufacturing and service is that manufacturing creates and service adds value. This is also a good general description of the difference between commerce in mainland China and Hong Kong. In the mainland, products are created and shipped internationally, whereas in Hong Kong services are designed and deployed locally. The focus shifts from products competing against products to people competing against people.

With its investments in technology and extensive infrastructure, manufacturing is static and predictable. It involves linear thinking which develops a process that moves from raw materials to finished products. Manufacturers work with production lines and robotize as much as possible to reduce human error. They focus on efficiency, cost, technology, design and innovation, and quantity.

Service is very different. Service organizations engage in what Mr. Chung called "holistic thinking," which encompasses both logical and emotional thought. Service designs are dynamic and not entirely predictable. They vary according to who serves, where the service takes place, and even the time of day at which the service is given. Even in very similar circumstances, style and quality can vary because humans rather than robots perform the task. Just as we say "the media is the message", so too the service is the server.

Character is Key in Service

When we recognize the centrality of personnel in the service industries we also need to understand that the "service habitat" must be constructed with care. Service personnel need to feel at home in an organization, and will commit to the organization when they are adequately nurtured. When he co-founded DHL International, Mr. Chung cultivated his couriers by making sure they were happy, encouraging them to care about what they were delivering and working on their character.

Indeed, character is fundamental to success in the service age: it generates trust and respect among workers and their leaders. Service entrepreneurs should thus "hire for character and train for skill." They should also include more questions about character in job interviews to make it worth money for their prospective employees.

Entrepreneurs who fail to recognize the importance of character are like unwitting computer users who download viruses. People are similar to complex computers, with their skills as programs and character as a "personal operating system." A negative character is like a virus introduced into that system, undermining service quality by undermining the loyalty, respect and trust of other people. These viruses move through local area networks because we react to people who are unkind and unfair. This is particularly true of leaders in service environments, who cannot afford to push away their followers.

Continental and Maritime Mindsets

The widespread use of the soft power needed to cohere service networks places Hong Kong firmly within one of the two cultures that dominate world trade. Opposed to the local mindset are what Mr. Chung called the "continental cultures" that usually have continuous landmasses, such as China, Russia, Germany, Italy, and South Korea. Despite being an island country, Japan is also included in this group.

These places produce the best manufacturers in the world because they rely on centralized decision making, which reduces costs and ensures efficiency. There is very little scope for improvisation. Head office has all of the power in a continental firm. Its leaders have authority based on position rather than character and they rule by instruction. These bosses rather than the entire team take all of the credit for any success.

"Maritime cultures" predominate in the Anglo-American world that encompasses the U.K. and its former colonial possessions in the United States, Canada, Australia, New Zealand, Singapore, and Hong Kong. These places are more likely to send respected and trusted leaders overseas to explore possibilities. Maritime cultures also place trust in subordinates and everyone gets the credit for success. Their leaders rely on role modeling and inspiration to win hearts to causes.

While management is top-down in continental cultures, it is both top-down and bottom-up in maritime cultures. Improvisation and credit sharing are expected in places like Hong Kong, which need to be more flexible as their service industries push toward dominance. The results of that cultural inclination are tangible. Despite its small size, Hong Kong has 4 six-star hotels and hosts leading global service networks such as Cathay Pacific Airways, HSBC, and Li & Fung.[1]

1 Li & Fung is a Hong Kong based global supply chain management company that coordinates the manufacture of goods in over 40 countries throughout Asia, Africa, the Americas and Europe. Its customers include Wal-Mart, Toys 'R' Us, and Timberland, among others.

The Service Future

Hong Kong's maritime culture is the product of nurture rather than nature according to Mr. Chung. The result of British rule, it is still apparent in the city's commerce, legal system, and society. Being part of China should not mean disavowing that influence, but Hong Kong's future will depend on how effectively it can act as a service portal for the mainland. There is ample opportunity for venture capitalists to make Hong Kong the leading city of the dawning service age, leveraging the mainland's desire to be global and providing the sort of management needed to lead rather than rule.

When entrepreneurs apply the core elements of service leadership and use the appropriate management techniques to groom their personnel, there will be no need to worry about what the mainland is gaining at Hong Kong's expense. Instead, Hong Kongers will be able to "take pride in being the service quality compass that guides the motherland."

Session 4: Challenges of Globalizing Asian Entrepreneurial Businesses

Speakers: Mr. Po Chung, Dr. Mary Han, Dr. Haiyang Li, Mr. Joe Tsai

Moderator: Prof. Roger King

The lure of globalization is strong for many Asian entrepreneurial firms but the pitfalls are sobering. The panelists in the fourth session established a clear case for global strategy being an imperative while outlining the narrow set of conditions that make it possible. Although the importance of whether or not government support is available generated some disagreement, there were points of consensus. The practitioners linked successful global expansion to a people-centric focus, whereas the academics isolated factors including choice of entry mode and enhanced innovation. All cautioned that the urge to globalize is only the start and the details can be difficult.

Context Matters

In the first instance entrepreneurial firms need to be aware of how their contexts might aid or limit them. The academic panelists pointed to both market and institutional factors at play. From a market viewpoint not all firms might need to go global. Although some firms are created with a global market in mind, Dr. Mary Han commented that Chinese firms need to ask why they want to leave their huge domestic market. In small countries firms might just need the additional revenue that globalization will bring.

Once in a foreign market even the most entrepreneurial firms are likely to suffer what Dr. Haiyang Li called "the liability of origins." They may not know where to find important information, and could be further hampered by the liability of their foreignness. Domestic markets are reluctant to welcome goods and services deemed inferior because they are produced in or by less economically developed countries. However, the extent to which these two liabilities impair a firm's ability to globalize is still not certain from the academic perspective.

The institutional context of the home country is also important, but whether or not some governments are doing enough to support entrepreneurs was a point of difference between the academic and practitioner viewpoints. Dr. Li pointed to the Chinese government's "go out" imperative to local firms that led the Zhejiang Geely Holding Group[1] to purchase Volvo from Ford Motors in 2010 for US$1.5 billion. There has been no sign of such encouragement from the Hong Kong government.

From a practitioner's perspective Mr. Joe Tsai saw the Hong Kong government's role in a different light. Although it has not explicitly encouraged firm globalization, it "has already done enough to really encourage entrepreneurialism." Central to its efforts are a low tax base favorable to capital formation and the rule of law, which makes contracts enforceable. In contrast, a business culture in which employees look too often to bosses for direction might be holding back local entrepreneurs.

1 Based in Hangzhou, the privately owned Group manufactures around 300,000 vehicles per year. Aside from Volvo models it sells own-brand cars overseas through Geely International and a network of around 50 distributors.

The Right Mindset

A key point made by both practitioners on the panel is that success in foreign markets requires a focus on people rather than processes. Mr. Po Chung made a compelling case for encouraging employees to think more like entrepreneurs by training them "to be competent and independent performers with healthy self-esteem." This involves the "master and pupil method" whereby subordinates follow supervisors around for a week, watching what they do and how they do it. Then the subordinates are given independence to do the tasks on their own, with the supervisors watching how they develop skills and how their characters are revealed. This quickly weeds out employees who do not care about what a firm is trying to achieve.

When employees at all levels are more competent at making decisions and more confident about their ability to make the right decisions, an entrepreneurial spirit will grow within a firm. Managers can then be drawn from lower staff levels and there is a greater likelihood that all members of the firm are focused on the same goals. The two practitioners agreed that this focus has to be consensual and the goals well defined.

The Possibility of Professionalization

Professionalization is often seen as a further condition for global expansion, but the practitioners were less willing than the academic panelists to accept its importance. They saw it as either a last resort or an impediment to initiative. Mr. Tsai pointed to Alibaba.com being born global with registered members in 200 countries around the world from inception but

no professional managers in place. He suggested that a shared mission encompassing all of the benefits that a firm brings to the world was a much more important factor.

In contrast, Dr. Han argued from the academic perspective that the reluctance to bring outside managers into family-owned businesses could hamper any plans for global expansion. This is particularly the case because the children of entrepreneurs "often want to do something very different" than their parents and new managers are needed. A vital element of ensuring that professionalized firms are successful in the global marketplace is knowing how to maintain the initial drive to expand by having the right people in place.

Benefits of Going Global

Any success that a firm has in going global can be measured in terms of more than just revenue. The academic panelists offered two key benefits of international expansion: access to previously inaccessible markets when the right type of market entry is chosen and increased innovation. For Dr. Han, entry mode is a crucial challenge and not all firms can succeed independently. Opting for a joint venture in a new country has the potential to not only expose the firm to local practices but also offer it access to existing distribution networks.

Once market entry has been achieved a firm is greeted by increased novelty. Dr. Li maintained that "if you can go global, you get exposed to new knowledge, new customers, and new information." The objective then should be to introduce that new knowledge and information into existing R&D and production processes to innovate. There would obviously be some sort of learning curve involved and all globalizing firms have to face the fact that the benefits for innovation will taper off with time.

Nevertheless, there is evidence to suggest that Asian firms have the ability to capture what benefits there are, given the right conditions. Dr. Li's recent study of around 850 firms in China showed that globalization can help firms to innovate if they have sufficient absorptive capacity, do not reply too heavily on imported raw materials, and receive enough exposure to foreign firms. Current levels of resources seem to be crucial determinants of how far a firm can expand and what new capabilities it will develop.

The Asian Future

Despite the difficulties that Asian entrepreneurial firms meet in their push to globalize, there is already a track record of success. Session moderator Professor Roger King evoked the global reach of firms such as Sony, Toyota, and Samsung. In each new case of globalization firms will have to learn rapidly and bear the costs of any missteps. All of the panelists were confident that Asian firms could do just that and prosper on the global stage.

Special Guest

Mr. Jack Ma

There is less difference between entrepreneurs from East and West than there is between effective entrepreneurs and professional managers, according to Mr. Jack Ma. Western venture capitalists in China seem to understand the market quite well, but entrepreneurial leaders are far more dynamic than "frozen chicken" professionals. As the example of the Alibaba Group[1] shows, entrepreneurial firms should be steeped in missions, visions, and values that cohere all employees. They should also place great importance on responsibility, the development of people, and avoiding the logic of rule-bound professionalism.

1 The Alibaba Group comprises Alibaba.com, Taobao.com, Alipay.com, Alibaba Cloud Computing and Yahoo China domestically, with Alibaba U.K. and Alibaba Express prominent in its international portfolio.

Initial Considerations

The crux of any entrepreneurial firm is its CEO, who should galvanize it to action and define what it is trying to achieve. Mr. Ma expressed annoyance at professional CEOs who claim they have so well prepared for succession that they could leave today and their firms would continue to grow. "Anyone who thinks that should be fired," he said. CEOs have to make a major difference at every moment. They should push their firms ahead better than any alternative leaders and be keepers of the mission, vision and values that all employees adopt.

A firm's mission should not simply focus on success at a regional or international level. Rather, it should be targeted at redefining an important part of the firm's context. Alibaba's mission is to make small- and medium-sized Chinese business successful, principally through the business-to-business facilitation of Alibaba.com.The accompanying vision was originally to make Alibaba one of the largest Internet firms in the world, but now it is "to make the Group last 102 years." Given that Alibaba.com was founded in 1999 this would mean a lifespan crossing three centuries. In any case, success cannot possibly be measured for at least another 90 years.

Defining and Defending Values

Only with the establishment and propagation of appropriate values would such a long-term view of success be possible in any firm. Those values should be widely held, capable of drawing employees together, and driven by the CEO rather than focused on him or her. From Mr. Ma's viewpoint the values most important for entrepreneurial leaders are optimism and trust. They should be optimistic themselves, seeking opportunities where others see difficulties. Conversely they should have the trust of their employees and know that those employees can be trusted to act ethically in their own capacities. Employees should never work for their CEO. Rather, they should work for the vision and mission that everyone in the firm agrees on together.

Even in the most value-driven firms this can be a difficult balancing act. During the financial crisis of 2008 Alibaba.com hired 5,000 fresh graduates who would otherwise have been without work. The rationale was that the firm had sufficient cash reserves and China would benefit from the effort. Without enough focus on making sure that the new employees agreed with the firm's values, some conspired with disreputable manufacturers to defraud customers. The firm has now frozen hiring and is devoting more time to developing and training all recently hired employees.

The Importance of Responsibility

Taking responsibility is a key aspect of the Alibaba culture and so is being responsible, which is not always the same. The generation of wealth above a certain level has definite social implications. When a person has some money or even a million dollars it is their money alone. They should be able to do whatever they want with it. However, when a person or a firm has 500 million dollars, it is society's money according to Mr. Ma. Through purchasing goods or services society has helped to generate the money and should be paid back in some way. The firm should be asking "how can we help more people? How can we make a difference?"

From this perspective, no firm should need to create a corporate social responsibility program. It should already be attuned to what society needs and social responsibility should be embedded in its business model. For instance, 0.3% of Alibaba revenues are automatically given over to water protection in China.

Another way in which Alibaba take responsibility is through the priority it sets on people. Most firms claim that they serve their shareholders first but Alibaba prioritizes customers first, employees second, and shareholders third. If the Group serves its customers well they will pay it, and if it serves employees well they will be happy and increasingly creative. Both of these outcomes are more valuable for continued growth than the investments of shareholders. Nevertheless, being responsible means that it is crucial to be transparent with those shareholders.

Problems with Professionalization

The flip-side of this focus on people is knowing how not to treat them. Mr. Ma was forceful in his conviction that professional management is very often an impediment to creating a people-centric firm. When professional managers arrive at a firm they tend to bring arbitrary policies with them, expecting to press a magical button and watch everything come out.

Even entrepreneurial firms like Alibaba are not immune to this problem. An Alibaba manager once refused to allow a pregnant employee to have a jacket that blocked radiation from her computer monitor. The woman was entitled to one but the manager insisted on the policy that she have written proof of pregnancy from a doctor even though there was no reason for her to want one of the horrible, heavy jackets. Business should be all about viable human decisions and not rules. As Mr. Ma put it, "when a firm has too many policies it has no culture."

A healthy skepticism of professionalization is vital for any firm that wants to continue improving, and that should extend to how MBA programs are preparing young entrepreneurs. Having managers with MBAs offers a certain amount of value for a firm, but it also tends to solidify mindsets. Returning from their studies these new professionals are analytical and can tell a firm why it is successful or not. Yet this simply confirms what most managers should already know. In contrast, entrepreneurial leaders have drive. Instead of seeing a clear logic in the way their firms operate, "they just go on reaching."

The Entrepreneurial Future

The entrepreneur's job is not to analyze but to make the dream happen. Entrepreneurial leaders should spend a vast majority of their time looking ahead, thinking about what is going to happen in five to ten years. That is certainly the case at Alibaba. If Chinese e-commerce is good in a decade's time, then Alibaba will consider that it has done something worthwhile. If it is in decline, then the Group will have to take most of the blame.

Over the much longer term, Alibaba's focus is on the young people who are driving its growth. Senior people can show the way forward from the heart, but younger people do so from the brain. Their ideas are paramount to Alibaba's future success. From Mr. Ma's perspective, a firm made by young people born in the 1980s and 1990s has just the right ingredients to make a lasting difference.

Key Takeaways

What Makes Asian Entrepreneurs Different

Given the extent to which the roundtable's speakers saw entrepreneurship in Asia from divergent perspectives it is remarkable that they came to an almost unanimous decision in one area. Asian entrepreneurs really are different from their Western counterparts. Only Mr. Jack Ma dissented, and although the keynote speakers and session panelists chose different ways of expressing their thoughts they collectively highlighted key characteristics of Asian entrepreneurialism.

Aside from the more obvious cultural differences between Asian and Western entrepreneurs, there is a ecosystem developing in the region that features distinct institutional and market contexts, restricted financing options, characteristic problems with succession and a certain ambiguity about whether firms should professionalize. The type of entrepreneurialism predominant in the region has also been changing as Asian economies develop, and a people rather than process focus is emerging.

The Asian Entrepreneurial Ecosystem

A key feature of the entrepreneurial ecosystem in Asia is the intense competitiveness within it. Both session panelists and keynote speakers highlighted the importance of strategy and pointed to the decisive role that the institutional context plays in helping to foster sustainable entrepreneurship. Entrepreneurs and researchers alike can play roles in shaping that context through information given to and pressure exerted on policy makers in various countries.

Some of the speakers contended that Asian governments were already doing enough to foster entrepreneurialism, although Hong Kong drew both praise and condemnation for how it has responded to the local and

international business environments. In contrast, there was feeling expressed by all that financing options are limited for Asian firms seeking growth. Two broad changes were suggested: an expansion in the availability of venture capital and an understanding from financial institutions that entrepreneurs were worthy of support.

Both academic and practitioner speakers also noted that these difficulties force Asian entrepreneurs to be more self-sufficient and harder working than their Western counterparts. That in turn creates problems of succession, with the younger and well-educated generation increasingly reluctant to follow in their parents' footsteps.

A consequence of that reluctance is the need among Asian firms to consider who the next generation of managers will be. Two of the academic panelists suggested that professional managers could fill the role, which would be beneficial in terms of attracting outside finance and preparing the way for global growth. Yet the practitioner speakers were wary of what professionalization might do to entrepreneurial firms, especially in the crucial area of employees acting on initiative rather than orders or directions.

A New Type of Entrepreneurialism Emerging

According to the speakers there has also been a recent shift in the type of entrepreneurialism predominating within the Asian ecosystem. Where once the focus was on survival at worst or fulfilling needs at best, it has now shifted to identifying opportunities with a distinct future focus.

In rapidly developing countries such as China a new generation of entrepreneurs is emerging supported by both modern education and traditional values. At the same time global growth is becoming possible for Asian entrepreneurial firms and intrapreneurship is becoming more significant. Although not yet widespread, the encouragement of creativity among employees has the potential to deliver scalable ideas that should feature as Asian firms push further out into the world.

A People Focus

Not surprisingly, the speakers identified the importance of interpersonal relations as a crowning difference between Asian and Western entrepreneurs. Drawing on theoretical observations and empirical studies the academic speakers mentioned that entrepreneurs' networks were both broader and deeper in Asia, with a great deal more secondary and tertiary connections and an enhanced ability to actually gain benefit from associates.

The practitioner speakers highlighted this people focus in a different way, putting forward the importance of a collective belief in a firm's mission and the significance of individual character as defining concerns for Asian entrepreneurs. Yet there was also a suggestion that some elements of the people focus in Asia are influenced by Western practices. With the expectation that maritime firms would predominate in the dawning service age came the understanding that maritime cultures such as Hong Kong and Singapore still drew on a shared British heritage in developing and consolidating their service excellence.

The Continuing Asian Difference

Nevertheless, Asian and not Western firms will be leading in the service age. The speakers collectively looked to the past only for reference. They agreed that much more needs to be done to properly nurture the entrepreneurial ecosystem in Asia but that the future is full of possibilities. The unique circumstances, constraints, and qualities of Asian entrepreneurship will become even more significant as the region develops economically.

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6. Family Business Magazine: Targets thriving multi-generational North American family companies.
7. News Periodicals: Business Week, Forbes, Fortune, U. S. News and World Report, The WSJ, FT

Keynotes Speakers, Master of Ceremony, Moderators and Panelists

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