

Entrepreneurial Ventures in Asia

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Entrepreneurship is crucial for innovation, job creation, economic development and growth. It is a key mechanism for society-wide wealth creation, and a very effective mechanism for poverty reduction and for formalizing informal economic activities in developing countries.

Many developed economies experienced a sharp decline in new business activities from late 2008. At the same time, entrepreneurial activities in Asian countries such as China were growing rapidly. According to the Global Entrepreneurship Monitor (GEM) 2009 Executive Report, the amount of venture capital invested in China in 2008 was \$6.71 billion (adjusted for purchasing power), whereas the total amount invested in Europe in the same period was \$7.69 billion. China also recorded the largest amount of venture capital invested per company (mainly technology companies) at \$8.96 million (compared with \$1.1 million in Europe and \$3.35 million in Canada), and the highest informal investment (such as 3Fs – Family, Friends and Foolhardy strangers) of any country included in GEM 2009 at 11.3% of its GDP.

Clearly, the importance of entrepreneurship in emerging markets, including China, is on the rise. In addition, these markets, given their size and potential, are gaining importance for entrepreneurial companies outside the region as well, as many entrepreneurial companies are “born global,” or tend to internationalize early in their lifecycle thanks to technological advances and globalization.

Yet the culture and entrepreneurship-related institutional factors such as legal, financial and educational aspects in these countries are significantly different from those in Western countries. The quantity and quality of perceived entrepreneurial opportunities vary depending on national conditions such as economic development, culture and national policy. Accordingly, it is important for entrepreneurs to understand these different factor conditions if they are to start a new venture in these countries or to penetrate these markets.

The accompanying four case studies have been selected to represent many of these phenomena and issues, namely, various types of entrepreneurial ventures and entrepreneurship-related institutional factors in several Asian countries, and early internationalization of new ventures.

The **Ciputra Group** was founded by Mr. Ciputra in the 1980s as a family business. It evolved into a prominent player in the Indonesian property sector. Combining innovative technical, construction, and urban planning qualities along with the ability to understand the challenging Indonesian environment, the Ciputra Group successfully moved into areas where the government was weak (public facilities, roads, sewerage, city management, security, etc.) and became an “institutional entrepreneur” that shaped satellite cities in Indonesia and other emerging markets. However, the Asian financial crisis in 1998 exposed the serious vulnerabilities of the company’s business model. As the company was finally recovering from the aftermath of the Asian crisis and gearing up for the next spur of growth, it was hit by the global economic crisis in 2008. Mr. Ciputra, in his late 70s, needed to reassess the Ciputra Group’s strategy as well as to shift the company toward a professional second-generation family business.

Swagruha Foods was started in 1990 as an outlet selling Indian traditional sweets and snacks in a southern Indian city. The main motivation for this venture was cultural – to make new generations aware of and enjoy traditional sweets -- rather than commercial. Nonetheless, Swagruha Foods had enjoyed considerable success thanks to the dedication and commitment of the Chagarlamudi family, as well as to the changing socio-economic situation in India. They had built up a stable base of loyal customers and a reputation for good quality. Yet they were unable to grow beyond a certain point, and faced with increasing competition in the Indian snack foods and sweets market, Chagarlamudi Madhu had to figure out a growth strategy to further expand the scale of his company.

Everbright Technology Limited was a software producer based in Guangzhou, China. Founded by three computer science graduates from Fudan University in 1995, Everbright was experiencing rapid growth requiring substantial funding as of 2001. Several large Chinese software manufacturers and venture capital firms had approached Everbright to discuss an alliance or an acquisition of part of the company. Frank Geng, Everbright’s general manager, was considering several alternatives for financing future expansion including an initial public offering or the sale of equity to a venture capitalist. In particular, he was concerned about the value of the business. The case provides a good perspective of the Chinese IT industry and IPO markets.

Canadian Solar is a solar cell and module manufacturer founded by Dr. Shawn Qu in 2001 in Markham, Ontario. A production facility, registered as CSI Solartronics, was set up as a wholly owned subsidiary in Changshu, China. The company had experienced impressive growth at a compound annual growth rate of 135.7% in the past five years mainly thanks to government incentive schemes to install solar photovoltaic (PV) technology in Europe, where almost 90% of its revenues were earned. In 2006, the

company listed on the Nasdaq, raising \$115.5 million. By 2009, the company had established sale offices in South Korea, Japan, China, Italy, Spain, Germany, the United States and Canada. Facing the credit crunch, changes in government incentive programs, and increasingly fierce competition from diverse types of players, Canadian Solar had to make an important strategic decision whether to make any changes to its international strategy.