

# Types Of Opportunities for Global Entrepreneurship

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# Keys of Entrepreneurial Drive- Some unique characteristics

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- Opportunistic -They seize opportunities
  - Starting from their experiences and resources they spot opportunities
- They have creative ability to develop business opportunities
  - They can organize their resources to develop the opportunity
- They are independent thinkers
  - Research indicates that entrepreneurs often chafe in hierarchical organizations.
- They are hard workers
  - They follow their instincts with persistence and resilience
- They are optimistic
  - Uncertainty that would be daunting to others is simply a challenge to them.
- They are innovators
  - They look past the usual ways of doing things to discover paths through obstacles that others have missed.
- They have the ability to be risk takers
  - Research does show that they accept risk, but it is a very calculated risk and not the risk of the gambler. They make sure the odds are in their favor.
- They are visionaries
  - They often see trends before others
- An entrepreneur is a leader
  - They are able to convince others to work with them and invest in them.

# Multinational Corporations and Global Markets

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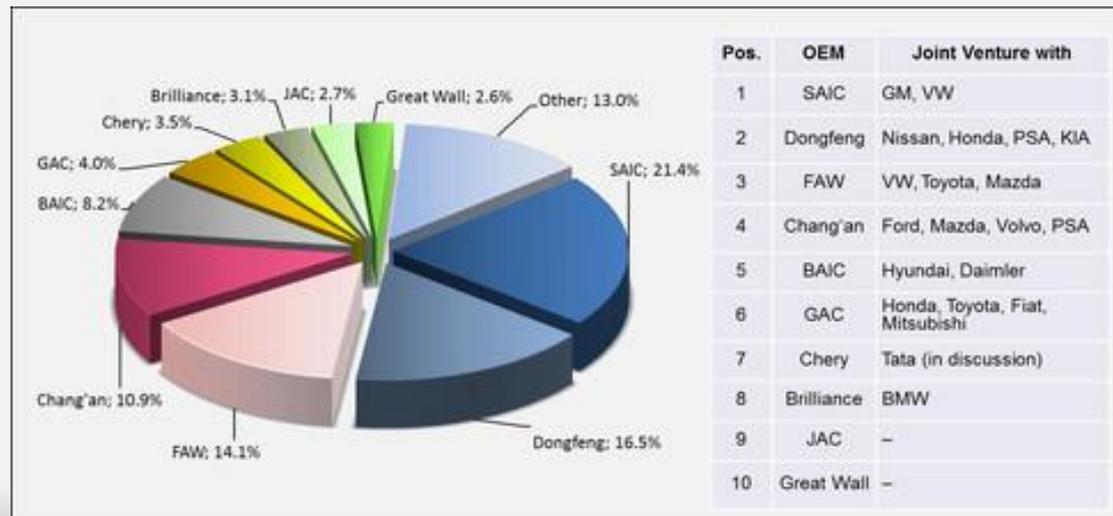
- From the 1940's to the late 1960's, multinational corporations (MNCs) from the US had little competition in global markets.
  - GM and Volkswagen-Audi were early entrants in the Chinese markets creating variations on their cars for the Chinese market.
  - AT&T was an early entrant in the market both to manufacture for the US market and to gain a foothold in the Chinese market.
  - Walmart pioneered the model of sourcing product from large and small Chinese firms to fill their US stores with inexpensive products.
- Today smaller firms have created the ability to develop opportunities in the global market through reduced operational cost with fewer resources.
  - Bugle Boy was an early example of a Chinese American Entrepreneur, William Mow, who created a manufacturing network in China to make clothing for the US market, by partnering with local Chinese manufacturing companies.
  - In 2004, I represented the National Science foundation and the American Society of Engineering Education on a delegation to China that helped formulate engineering standards as part of their entry into the WTO.
    - While there I was invited out to dinner with about 20 repatriated Chinese entrepreneurs who had studied and worked in the US and then returned to China since the opportunities were so great.

# ASEE-NSF-Chinese Academy of Science Joint WTO Planning



# Global Opportunities for Small Business

- Many multi-national corporations (MNC) have faced difficulties in working in China or forming strategic alliances in Chinese markets.
  - They are often insufficiently agile to prosper.
  - But some have been very successful and now count China as a critical portion of their business.
  - In 1997 General Motors formed a joint venture with SAIC called “SAIC General Motors Corporation Limited” and by 2003, China was GM’s second largest market. GM was still the market leader in China in 2011 selling 2,547,171 vehicles. (Ford sold 519,390). By this time China had become GM’s LARGEST market. Since 2009, China has been the worlds largest auto market.

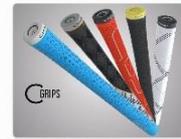


## Small Businesses in China

- Small businesses have been able to enter markets like China, with a more focused approach.
- A small firm can benefit by taking time to research a specific target market.
- One interesting example is the Massachusetts Firm Champ/MacNeill Engineering International. It had a long history of making golf spikes and other accessories and selling those to manufacturers of golf shoes and other equipment. A couple of decades ago they realized that the manufacturers had moved to China and that they had to move much of their manufacturing to China to follow their big customers. It was a case of survival.
  - <http://www.jackmwilson.net/Entrepreneurship/Cases/Case-MacNeillUSA-Champ.pdf>



GOLF



GOLF ACCESSORIES



FOOTBALL



SOCCER



TRACK



BASEBALL



LACROSSE



RUGBY



CRICKET



INDUSTRIAL

# Intrapreneurship

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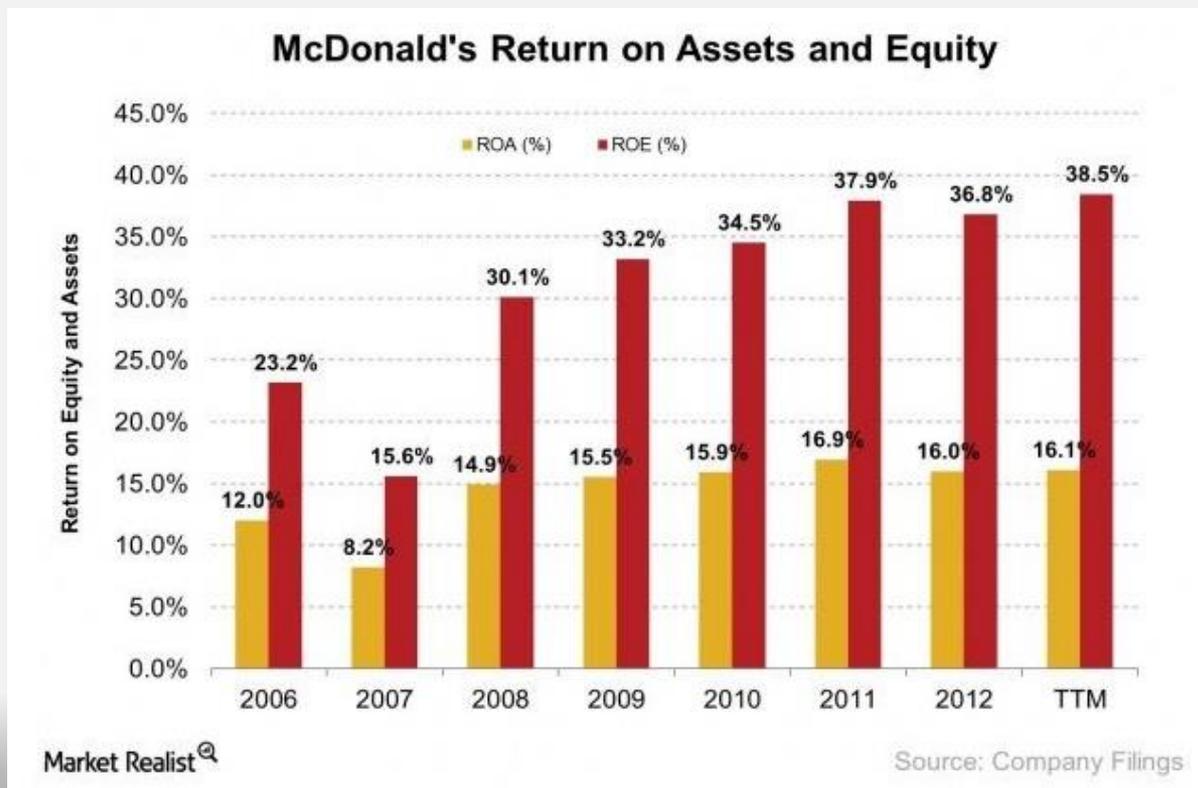
- When large firms, often MNC's, develop an internal entrepreneurial culture that allows portions of the firm to take the risks necessary to launch new ventures.
- In global settings these can often be global expansion opportunities.
- When the Walt Disney corporation wanted to open its first Asian Disneyland, it did it by striking a partnership with a local organization –the Orientland group.
  - Joint ventures like this can be structured in many ways:
    - Partnerships
    - Licensing deals
    - Subsidiaries.
  - The best approach depends upon the local legal and political constraints as well as the risk tolerance.
  - Disney wanted to minimize risk and thus did a licensing deal with 10% royalties on admissions revenues and 5% on food, drink, and merchandise.
  - When Tokyo Disneyland eventually became a great success, Disney had to be content with far less revenue than they would have had with an ownership stake. Reducing the risk meant reducing the reward.

## Other models

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- Donald Trump has taken a similar approach to many global (and domestic) ventures.
  - Rather than owning hotels and buildings, he often licenses his name to the local owners of the hotels, buildings, and other enterprises.
- Many hotel chains and most fast food chains use a franchising plan to allow for local ownership of the business but to ensure that the parent company gets its fair share of any success.

- McDonalds uses a combination of franchisees and company owned restaurants.
  - 34,000 restaurants across 119 countries
  - 2012: estimated \$27.5 billion in sales and \$5.5 billion in earnings.
  - Serving 70 million customers PER DAY!
    - <http://finance.yahoo.com/news/mcdonald-global-business-model-three-110047403.html>



# Economic challenges of International Entrepreneurship

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## Global Market Integration

- Small businesses have been one of the main drivers of global integration.
- According to the U.S. Dept. of Commerce, between 1987 and 1999, the number of small/medium US exporters tripled, to 224,000.

# Emerging Global Markets

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- 75% of the growth in world trade over the next 20 years is expected to occur in Eastern Europe, Asia, and Latin America.
- The European Union, made up of 28 countries has created a collaborative monetary unit –the Euro.
  - Only 19 of these countries have fully adopted the Euro at this time.
  - While the monetary unit is unified, fiscal policy is not and relies upon legal agreements on how taxes, budget, deficits, pensions, and other fiscal policy is managed.
    - The Greece crisis of 2012-2015 showed the limitations of such an approach.
    - 2012 European Fiscal Compact (25 countries but not the UK, Czech Rep., or Croatia
      - [https://en.wikipedia.org/wiki/European\\_Fiscal\\_Compact](https://en.wikipedia.org/wiki/European_Fiscal_Compact)
  - [https://en.wikipedia.org/wiki/European\\_Union](https://en.wikipedia.org/wiki/European_Union)
- The International Monetary Fund (IMF) and the World Bank are two institutions created to assist nations with economic viability.
  - IMF formed in Bretton Woods in 1944 and now has 188 countries participating.
  - World Bank:
    - the International Bank for Reconstruction and Development (IBRD)
    - the International Development Association (IDA)
- China has launched the Asian Infrastructure Investment Bank as an Asian focused rival to the World Bank.
  - <http://www.rt.com/business/198928-china-world-bank-rival/>

# International Entrepreneurial Political Perspective

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- The main concern of the 21st century will be the geopolitical bodies that monitor and issue policy for the exchange of goods and services in the global markets.
- As competition develops, the possibility of **protectionism** becomes a reality.

# Protectionism

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- Protectionism helps nations utilize legal barriers, exchange barriers, and psychological barriers to restrain entry of unwanted goods.
- Reasons for protectionist measures include:
  - Protecting Infant Industries
  - Protecting Home Markets
  - Keeping money in the home country
  - Encouraging capital accumulation
  - Maintaining the standard of living and real wages
  - Conserving natural resources
  - Industrializing a low wage nation
  - Maintaining employment levels
  - National Defense
  - Increasing a business size in a particular industry
  - Retaliating, bargaining, and negotiation power
- Often used by emerging economies to allow growth of the local economy without competition from large MNC's.
- In developed countries both unions and corporations will sometimes lobby for protection, but world organizations like the WTO will often discourage that.

# Regional Market Groups

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- European Union (EU)
- ASEAN Free Trade Area (AFTA) -Assn. of S. East Asian Nations
  - Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Cambodia, Laos, Myanmar (Burma), and Vietnam
- Southern Cone Free Trade Area (Mercosur)
  - Argentina, Brazil, Paraguay, Uruguay and Venezuela.
  - Associate countries: Chile, Bolivia, Peru, Colombia and Ecuador
- North American Free Trade Agreement (NAFTA)
  - Canada, Mexico, US
- Free Trade Area of America (FTAA) (outdated material in text)
  - Effort to expand NAFTA to all countries in the Americas –abandoned in 2004.
- Asia-Pacific Economic Cooperation (APEC)
  - 21 Pacific Rim countries including the US, China, Japan, and Australia
- Trans Pacific Partnership (TPP) Under contentious negotiation.
  - US, Japan, Canada, Mexico, Australia, Malaysia, Singapore, Vietnam, Brunei Darusaalam, Peru, and Chile.
  - <https://ustr.gov/tpp>
- These are examples of regional market groups that an international entrepreneur would use as resources to keep current with trade regulations.

# Why are these multinational groups created and opposed?

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- Trying to reduce protectionism and trade barriers
- Trying to increase trade and cooperation among countries
- In some case the countries are banding together to gain collective clout in regard to larger countries and economies.
- Protecting investments of multinational companies from unilateral actions by individual countries.
  - Often include arbitration requirements or other legal or quasi-legal review of disputes across borders.
- Some object to the loss of “sovereignty” -outside legal review.
  - Originally needed in agreement to prevent small countries from expropriating the property of larger countries or MNC’s without adequate compensation.
  - Some fear that this exposes local workers to competition from workers in other countries that do not share environmental policies or working condition policies of others.
  - Smaller countries also fear that their industries will be overwhelmed by more powerful MNCs.

# Entering a Global Market

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- Key areas for an entrepreneur to understand when researching opportunities in global markets:
  - Understand the balance of trade relationship between merchandise imports and exports in prospective markets.
  - Research on the political forces of the global environment.
  - Understand the development of domestic industry and how countries will protect existing industry by establishing tariffs, quotas, boycotts, monetary barriers, non-tariff barriers, and market barriers.
    - Some countries (including China) generally require some kind of a joint venture with a local company.
    - Currency controls and varying exchange rates can make it difficult to bring profits back to another country.

# Corporate Culture and Entrepreneurship

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- Corporate entrepreneurship and Intrapreneurship are driven by several forces that have been operating over the last few decades
  - Technological changes, especially the development of the internet and the widespread deployment of inexpensive networking and computing has been the largest factor.
  - The ability to develop global supply chains is another
  - Reductions in legal and political obstacles.
  - Competition can come from anywhere in the world.
- Corporate Culture can be an obstacle to entrepreneurial behavior
  - In many cases entrepreneurial employees are seen as disruptive to the status quo.
  - Hierarchical and chain of command practices can stifle innovation
  - Entrepreneurial employees often become disenchanted with bureaucratic organizations.
- The pursuit of corporate entrepreneurship as a strategy to counter these problems, however, creates a newer and potentially more complex set of challenges on both a practical and a theoretical level.
  - On a practical level, organizations need guidelines to direct or redirect resources towards establishing effective entrepreneurial strategies.
  - On a theoretical level, researchers need to continually reassess the components or dimensions that explain and shape the environment in which corporate entrepreneurship flourishes.
- Thomas Friedman's books: "The World is Flat" and the "Lexus and the Olive Tree" present his view of the forces changing the world.

# Friedman: Ten "Flatteners" -leveling the global playing field:

## #1: Collapse of the Berlin Wall – 11/9/89:

Friedman called the flattener, "When the walls came down, and the windows came up." The event not only symbolized the end of the Cold War, it allowed people from the other side of the wall to join the economic mainstream. "11/9/89" is a discussion about the Berlin Wall coming down, the "fall" of communism, and the impact that Windows powered PCs (personal computers) had on the ability of individuals to create their own content and connect to one another. At that point, the basic platform for the revolution to follow was created: IBM PC, Windows, a standardized graphical interface for word processing, dial-up modems, a standardized tool for communication, and a global **phone network**.

## #2: Netscape – 8/9/95: The Internet becomes accessible to all

Netscape went public at the price of \$28. Netscape and the Web broadened the audience for the Internet from its roots as a communications medium used primarily by "early adopters and geeks" to something that made the Internet accessible to everyone from five-year-olds to ninety-five-year-olds. The digitization that took place meant that everyday occurrences such as words, files, films, music, and pictures could be accessed and manipulated on a computer screen by all people across the world.

## #3: Workflow software: Friedman's catch-all for the standards and technologies that allowed work to flow.

The ability of machines to talk to other machines with no humans involved, as stated by Friedman. Friedman believes these first three forces have become a "crude foundation of a whole new global platform for collaboration." There was an emergence of software protocols (SMTP – simple mail transfer protocol; HTML – the language that enabled anyone to design and publish documents that could be transmitted to and read on any computer anywhere) Standards on Standards. This is what Friedman called the "Genesis moment of the flat world." The net result "is that people can work with other people on more stuff than ever before." This created a global platform for multiple forms of collaboration. The next six flatteners sprung from this platform.

## #4: Uploading: Communities uploading and collaborating on online projects.

Examples include open source software, blogs, and Wikipedia. Friedman considers the phenomenon "the most disruptive force of all."

## #5: Outsourcing:

Friedman argues that outsourcing has allowed companies to split service and manufacturing activities into components which can be subcontracted and performed in the most efficient, cost-effective way. This process became easier with the mass distribution of fiber optic cables during the introduction of the World Wide Web.

## #6: Offshoring:

The internal relocation of a company's manufacturing or other processes to a foreign land to take advantage of less costly operations there. China's entrance in the WTO (World Trade Organization) allowed for greater competition in the playing field. Now countries such as Malaysia, Mexico, Brazil must compete against China and each other to have businesses offshore to them.

## #7: Supply-chaining: Friedman compares the modern retail supply chain to a river.

points to Wal-Mart as the best example of a company using technology to streamline item sales, distribution, and shipping.

## #8: Insourcing:

Friedman uses UPS as a prime example for insourcing, in which the company's employees perform services – beyond shipping – for another company. For example, UPS **repairs Toshiba computers on behalf of Toshiba. The work is done at the UPS hub, by UPS employees.**

## #9: Informing: Google and other search engines and Wikipedia are the prime example.

"Never before in the history of the planet have so many people – on their own – had the ability to find so much information about so many things and about so many other people," writes Friedman. The growth of search engines is tremendous; for example, Friedman states that Google is "now processing roughly one billion searches per day, up from 150 million just three years ago."

## #10: "The Steroids": Wireless, Voice over Internet, and file sharing.

Personal digital devices like mobile phones, iPods, personal digital assistants, instant messaging, and voice over Internet Protocol (VoIP). Digital, Mobile, Personal and Virtual – all analog content and processes (from entertainment to photography to word processing) can be digitized and therefore shaped, manipulated and transmitted; virtual – these processes can be done at high speed with total ease; mobile – can be done anywhere, anytime by anyone; and personal – can be done by you.

# Give Peace a Chance?

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- Friedman proposes his “Dell Theory of Conflict Prevention”
  - No two countries that are both part of a major global supply chain, like Dell’s, will ever fight a war against each other as long as they are both part of the same global supply chain.” (The World is Flat)
- In an earlier book, he had suggested the “Golden Arches Theory” of World Peace.
  - no two nations with a McDonald's franchise had ever gone to war with one another (The Lexus and the Olive Tree)
- He cautioned that this is not a guarantee that it will not happen, but it does illustrate the potential harm that can come to a country that is in a conflict with an interconnected partner country.
- Today some look at the interconnections between China and the US and hope that this will encourage both to moderate their behavior toward the other.
  - China holds \$1.2237 trillion in US debt in February 2015.
    - (indirect holdings are even more)
  - Japan holds \$1.2244 trillion
  - <http://money.cnn.com/2015/04/15/news/economy/japan-china-us-debt-treasury/>

## Not everyone believes in the Flat World.

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- Most agree with his general description of the forces changing the world, but they may have substantial disagreement with his conclusions.
- Nobel Prize-winning economist Joseph Stiglitz is critical
  - In Making Globalization Work, Stiglitz writes: “Friedman is right that there have been dramatic changes in the global economy, in the global landscape; in some directions, the world is much flatter than it has ever been, with those in various parts of the world being more connected than they have ever been, but the world is not flat [...] Not only is the world not flat: in many ways it has been getting less flat.”
  - (Wilson note: here he is referring to the growing economic inequality that we are seeing in the US and the world.)
- Richard Florida expresses similar views in his 2005 Atlantic article "The World is Spiky".
- John Gray, formerly a School Professor of European Thought at the London School of Economics and Political Science, wrote another critical review of Friedman's book called "The World is Round".
  - Gray confirms Friedman's assertion that globalization is making the world more interconnected, and in some parts, richer, but disputes the notion that globalization makes the world more peaceful or free.
- [https://en.wikipedia.org/wiki/The\\_World\\_Is\\_Flat](https://en.wikipedia.org/wiki/The_World_Is_Flat)

# Workforce Diversity and Globalization

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- Organizations understand that they are no longer constrained to their natural national borders.
  - American companies receive almost 75 percent of their revenues from sales outside the United States.
  - A British firm owns Burger King, and McDonald's sells burgers in many different eastern countries. These examples illustrate that the world has become a global outlet and community.
  - Entrepreneurs have become capable of working with people from different cultures. Globalization has led many organizations to adapt to working with people of different ethnicities and to understanding the opportunities to work with managers in different markets representing different cultures.
  - To work effectively in different cultures, entrepreneurs must understand the significance of the cultures to develop customer rapport as well as adapt their management style to cultural differences.
- Workforce Diversity must be addressed among people within given countries.
  - organizations are becoming more heterogeneous in terms of gender, race, and ethnicity.
  - an issue in Canada, Australia, South Africa, Japan and Europe as well as the US.
  - Managers in the US and Canada are no longer in work groups solely representing their country's population.
  - Today, many of these countries have offices established in eastern parts of Asia and Europe, which develops an integration of different cultures working for the same purpose and mission.

# Cultural Orientation and Integration

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- Elements for an Entrepreneurial analysis :
  - Material Culture—Technology and economics.
  - Social Institutions—Social Organization, Education and Political Structures.
  - People—Belief systems and Values.
  - Aesthetics—Graphic and Plastic Arts, Folklore, Music Drama and Dance.
  - Language—Language barrier(s) and semantics.
- The history of immigration into the United States is a history of entrepreneurship.
- As rising numbers of immigrants came to the United States in the 1990s from Latin America and South Asia and started businesses, large numbers of those foreign-born entrepreneurs naturally looked to their homelands for export markets.
- In 2000, studies found that nearly one-third of all start-ups in Silicon Valley were led by a person of South Asian decent, many of whom outsourced a percentage of their companies' work to India or Pakistan.

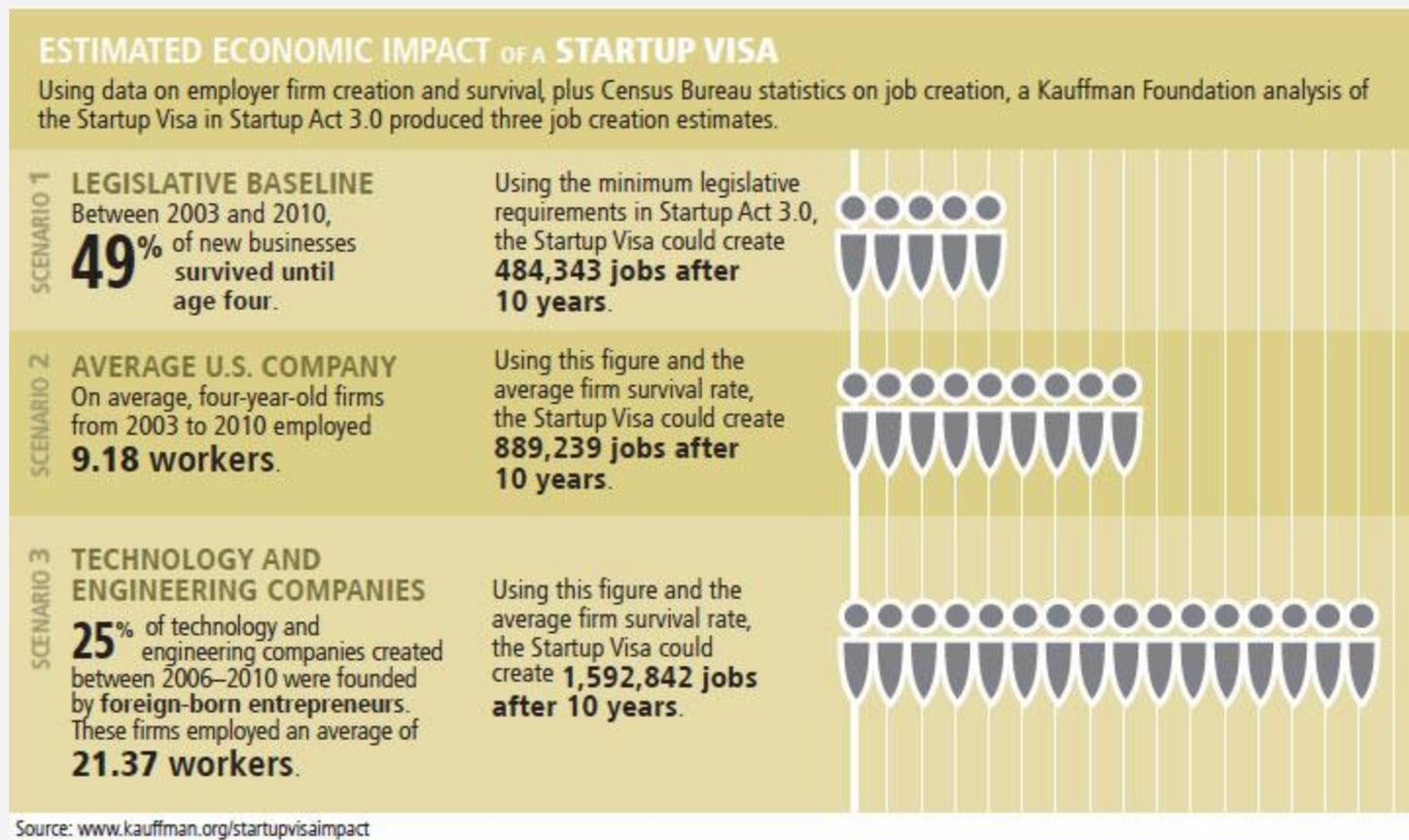
# Immigrant Entrepreneurs

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- Kauffman Foundation studies the role of immigrants
  - <http://www.kauffman.org/key-issues/immigrant-entrepreneurs>
  - <http://www.kauffman.org/what-we-do/resources/entrepreneurship-policy-digest/the-economic-case-for-welcoming-immigrant-entrepreneurs>
- Company Formation
  - Immigrants were almost twice as likely to start businesses in 2012 as native-born Americans.
  - 27.1 percent of new entrepreneurs in 2012 were immigrants, which is up from 13.7 percent in 1996.
  - About one-quarter of the engineering and technology companies started in the United States between 2006–2012 had at least one key founder who was an immigrant.
- Economic Impact
  - Immigrant founded engineering and technology firms employed approximately 560,000 workers and generated \$63 billion in sales in 2012.
  - 24 of the top 50 venture-backed companies in America in 2011 had at least one foreign-born founder.
  - Immigrant founders from top venture-backed firms have created an average of approximately 150 jobs per company in the United States.

# Kauffman Foundation gave this analysis of the potential of giving

- Kauffman Foundation gave this analysis of the potential of giving visas to those immigrants who want to start new ventures in the US.



# Incentive and Control Systems (The 5P's)

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- The **Purpose** behind the opportunity—This includes the leader's vision, mission, goals and objectives as well as strategies for achieving the mission and vision in a global market.
- The **Principles** behind entering the market – The principles, assumptions, philosophy and attitude that the entrepreneur embraces through his or her organizational community.
- The **Processes** for succession –The organizational structure and procedures to make the products or services compatible in the organizational infrastructure to support the system and international structure.
- The **Performance or Outcome** that is expected—If the leaders of the organizations have enabled all members of their organizations to buy into their mission and vision, the organizations results will maximize profitability, which will lead to additional incentives and rewards based on performance.
- The **People** behind the Idea --The people are the most crucial foundation for success. These people are committed to believing in the purpose, the principles, and the process for the organization to succeed in the 21st century as we enter the globalization era.

# Review of Key Business Factors for Success -Obstacles for a new entrant

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- **Economies of Scale—**
  - The decline of unit costs of a product or service that occurs as the absolute volume of production in a given time period increases.
- **Product Differentiation—**
  - Established organizations may enjoy strong brand identification and customer loyalties that are based on actual or perceived product and service differences.
- **Capital Requirements—**
  - The need to invest large financial resources at the outset . This could become an important factor to your organization entering the emerging global market space.
- **Switching Costs—**
  - Referring to the one-time cost that buyers of the industry's outputs incur as they switch from one company's product or service to another. These are uncontrollable barriers that must be reviewed by an entrepreneur entering a major market that is uncharted by business outside the respective country(s).
- **Access to Distribution Channels—**
  - In some countries, entering existing distribution channels or country structures requires a new firm to entice distributors through price incentives (breaks), cooperative advertising allowances or sales promotions.
- **Cost Advantage Independent of Scale—**
  - Established organizations in globalization may possess cost advantages that cannot be replicated by new ventures and the threat of competition.
- **Government Policy—**
  - The governing bodies of the respective countries will help control entry to certain types of industries that could effect the internal structures of cultures of business in the respective countries. Countries must pay close attention to policy and government regulations for aspiring entrepreneurship.

# Questions

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1. What are the reasons that nations sometimes implement protectionist policies?
2. Pick one of those protectionist policies and give me an example of how a particular country used that form of protectionism and why they did it.
3. Corporate entrepreneurship and Intrapreneurship are driven by several forces that have been operating over the last few decades. List four of these forces.
4. Pick one of these forces and give an example of a company that has been changed by those forces and how it has changed.
5. Give one example of a regional market group and a short description of what that group is trying to achieve.
6. Give a specific example of what some see as negative aspects of these regional market groups.