

BRITISH ENTREPRENEURS – GLOBAL VISIONS

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Abstract

Business leaders are inventing new forms of entrepreneurship that create businesses by integrating resources across multiple countries. **We** explain how some UK entrepreneurs combine a deep knowledge of their industry with a visionary perspective of the global economy to develop new business models.

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British Entrepreneurs – Global Visions

Many entrepreneurs think of their businesses as global because, from the outset, they pursued markets outside their home country. However, the pursuit of global markets is only one way to exploit opportunities of globalisation. Some ambitious entrepreneurs, especially in high-tech ventures, push further and create business models that explore and exploit resources in multiple countries. Their businesses do not aim for international operations; they start from international operations. The essence of their business idea involves to identify, attract, transform and apply resources in different countries, and to implement their idea from day one.

A famous example is Genmab, a biotechnology firm established by US entrepreneur Lisa Drakeman in 1999. Genmab was formally registered in Denmark (and listed on the Copenhagen stock exchange in 2000) because Danish venture capitalists initially backed her project. At the same time, the firm's main research laboratory was in the Netherlands, where the lead scientist was based and where researchers with the required specialisation were available. Thus, Genmab from the outset drew on resources from multiple countries: the United States for entrepreneurial skills, Denmark for venture capital and the Netherlands for technology and research capabilities.

We have investigated British high-tech start-ups that, like Genmab, began by combining resources from multiple countries. To protect their confidentiality, they shall remain anonymous. They include:

- A London-based clean energy start-up combining technology developed in the UK with a Hong Kong-based venture capital fund, manufacturing in China and selling to literally the entire world, with major orders from places such as South Africa, Chile and Haiti — and all with just nine employees

- A semiconductor design start-up in the 'Silicon Southwest' cluster bringing together engineering teams in the UK and Belgium, while building customer relationships in Japan and the US
- A pharmaceutical entrepreneur in Oxfordshire buying, in quick succession, small companies in France, the UK and the US, and who is now developing commercial infrastructure to be shared across multiple countries and approval authorities

Operating in a variety of technology-oriented industries, these UK entrepreneurs share one thing: their start-up wouldn't exist if they could not tap into resources around the world to build their business model.

New Opportunities

Globalisation is creating many new opportunities for businesses. Large multinationals with established international operations have often been first to pursue these opportunities, yet entrepreneurs with the right sorts of capabilities and networks are also able to pursue them. Three globalisation trends stand out in creating opportunities for global entrepreneurs.

Global value chain fine-slicing Multinationals are fine-slicing their global value chains by locating different tasks in different countries and selectively outsourcing some of these tasks. Beyond manufacturing and back-office services, these include research collaboration in systems of open innovation or buying in of innovations from independent technology firms either through licensing or other contractual arrangements. This creates opportunities for entrepreneurs to tap into a value chain by developing a specialised component or service targeted at major players in an industry.

Entrepreneurs we studied, for example, design semiconductors that enable faster data transmission in certain types of mobile devices or generate biochemical ingredients that reduce energy use in a particular manufacturing process. Their target customers may be as few as half a dozen manufacturers worldwide (based in places such as Japan, Korea or the USA — but rarely in the UK). As one founder/CEO stated, “Our company is what we call a fab-less semiconductor company. That is, we design technology, silicon chips and the software that is used to drive those. We will subcontract the manufacture of silicon chips to Taiwan. And from that point, we will then sell the technology to a manufacturer of mobile phones. It is a bit more complicated than that, because there are some modifications to that model; but that is the classical fab-less semiconductor company’s business model.”

Global communities of practice In many fields of specialisation — be they technical, scholarly or even artistic — close communities have evolved between people who, despite geographic distances, frequently meet, exchange ideas and best practices and establish (informal) rules of conduct in the community. We regularly participate in scholarly conferences that take place in a different country every year, yet we continue to meet many of the same colleagues. Such repeated meetings allow members of the community to form close professional and personal bonds.

Industry-based researchers similarly participate in conferences in which they not only exchange ideas on new technologies but also establish networks that are virtually global. The more specialised the area, the more likely a handful of specialists are known in their community. These conferences allow researchers to create personal relationships with the experts, no matter the country in which they are based. Entrepreneurs can build on these ties when creating their own ventures, hiring or contracting the best — independent of their geographic locations.

Some of these communities have a geographic hub. For example, in semiconductor design, software engineering and biotechnology, Silicon Valley is not only a breeding ground for start-ups but also a point of reference for start-ups operating in other parts of the world. Many of the key people in our semiconductor cases have spent substantial amounts of time in California before returning to the UK. A company founder and chief technology officer described how this worked: "In semiconductors, I suppose the common reference point is to Silicon Valley because most people have been to Silicon Valley at some stage." He added that his own background was much like that of others he meets in Silicon Valley. He had worked for one company based in the US and another based in Japan; however, his present company had clients in "Japan, Germany and Spain and all over the place. So, you end up knowing lots of people in different countries."

Global communication technologies The revolution in communication technologies not only makes interpersonal exchanges across large distances feasible, it has also vastly reduced the set-up costs of such systems and thus enables small businesses to use them. Videoconferencing facilities are widely available, though not as flexible as web-based technologies for communication (for example, Skype), data-sharing (for example, Dropbox, Google Docs) and networking (for example, LinkedIn, Twitter, Facebook, Xing).

Similarly, falling costs of long-distance travel facilitate face-to-face meetings. Many entrepreneurs thus prefer to combine occasional intensive face-to-face meetings with frequent, but shorter, virtual meetings. Hence, coordination between members of a geographically dispersed team has become an everyday routine for some. One CEO and investor in a green energy start-up mentioned how frequently he travels. But he is not alone; so do the chiefs of technology and finance. Yet, he adds that the key players hold weekly management or other important meetings wherever each may be located. "We easily spend two or three hours one morning every week ... using Skype. Why bother with video; we know what each other look like. We do that and have a

very structured agenda. Once a month, we also have a board meeting; that is all done virtually, and it works very, very effectively.”

Worldwide Resources

Entrepreneurs can take advantage of these opportunities by designing their business models so as to combine and exploit talent from around the world, in any field. The challenge, of course, is integrating people with diverse backgrounds who live in different countries.

Integrating technology globally In high-tech ventures, the technologies and specialist skills employed are often highly specific. Developing new, leading-edge technologies requires working with the best available existing technologies. The entrepreneurs we talked with thus collaborated extensively with individuals, firms and research institutes both within the UK and beyond. They found their partners mostly in their specialist communities or through their investor network. However, somewhat counter-intuitively, some of the key relationships started with a Google search: the need for specific complementary competencies made such an approach both necessary and feasible.

One entrepreneurial CEO in Bristol used Google to search for a partner. The search, he said, “came up with an organisation in Belgium. So I jumped, sending them a couple of emails. We kind of guessed what they might want to do. It was clear that they have radio technology, but it wasn’t absolutely clear in what direction they are moving. So I sent them an email saying we were interested in integrating the technology into silicon discs — it was quiet for about a week, suddenly there was a flush of emails from them, so obviously it splashed in to the right place.”

Recruiting managerial talent globally Coordinating people and resources from different places around the world is a key challenge for global entrepreneurs. The development of complex business models across borders and time zones requires extensive coordination of people and activities. Start-up ventures thus need leaders who can coordinate resources (whether individuals or teams), work with distributors — and update, reassure or seek additional support from investors. At the same time, such leaders must not lose sight of the big picture; they must ensure that all the pieces of the entrepreneurial ‘jigsaw’ actually work together.

The founders of global-from-the-start firms thus have to find people with leadership experience on the international stage who share their vision and their global outlook to build a multinational management team. The founders may even need to hire a CEO to run the company for them. Recruiting people with that combination of skills can be especially challenging, because people tend to be attached to their current locations.

With international experience and networks so important, ‘returnee expatriates’ are often a more obvious choice than recruiting someone based in another country. The founder and chairman of a biochemical start-up (someone who was a serial entrepreneur) shared with us why he sought to hire a leader who had roots in the UK for his new British-based business. “The issue is: will a guy in Silicon Valley who’s 45 years old, who’s at the peak of his career earnings, uproot himself with his wife and his family for a start-up in the UK? Is he going to do that? I don’t think so. He’ll say he will, but.... So, you have to look for people who’ve been in the US but have come back.” He added that the reasons for someone to return may be tied to an unhappy spouse tired of living abroad or for some other personal reasons. Yet, there are many business advantages for trying to identify and hire a returning ex-pat. To begin with, such returnees could be easier to engage than someone who has to be pried out of his home country and who has to give up share options or other compensation hurdles as well as a family that’s reluctant to give up their family roots.

Raising capital globally Raising capital is a pivotal concern for many entrepreneurs. Why not raise it from angels or venture capital firms (VCs) overseas? Our set of entrepreneurs urged us to advise others that it is important in a start-up to be as thrifty as possible and to avoid bringing investors — angels or VCs — on board before such outside funds are critically needed. They noted that the constraints that accompany such outside investors reduce the flexibility of entrepreneurs to move at will later on. Our entrepreneurs cautioned that outside investors too often look for a quick return on their investments and thus too rapid an exit.

Most of the capital raised by our interviewees, despite their generally high international orientation, came from UK sources. Exceptions were business angels that had a long-standing prior relationship with the entrepreneur and US-based VCs that were operating out of a UK-based office, raising money in Europe to be invested in Europe. Although capital flows freely, VCs actually face difficulties investing in other countries because the due diligence of start-ups involves local activities that rely heavily on local networks and on understanding the local business community.

Several of the most ambitious entrepreneurs whom we interviewed addressed the issue upfront by setting up their legal registrations outside their own countries to facilitate access to capital. Some registered their business in the US because, firstly, it facilitates attracting VCs and, secondly, allows for a higher market valuation should the entrepreneur decide to sell the company. Also, the availability of government grants for research and corporate taxes sometimes influenced this location decision, but only as a secondary consideration.

For example, a pharmaceutical company operating from Oxfordshire is actually registered in the US state of Delaware. The CEO revealed why: “As you may know, the US pharmaceutical market is the biggest in the world, and companies get a much better valuation in the US than almost anywhere else....

Secondly, if you were to go public with an IPO, the US is usually a better market — not always, but mostly. And the third thing is ... if we were to sell to a strategic player, selling to a US company is often easier than selling to a European company.”

Building distribution globally Most of our interviewees operate in specific business-to-business industries, developing technologies targeted at specific corporate customers. Their main marketing-related activity was thus based on networking and building a reputation within the specific community, for example, by liaising with potential customers and potential users further down the value chain. They also marketed by building a community around a website or Twitter account or by participating in industry conventions. The focus on key customers reduces the need for local knowledge that, for many, is an obstacle to reaching customers overseas.

However, others sell to customers in a wide range of locations; for them, establishment of product approvals and distribution channels is often the most critical element of their business model. A good example we found is a late-stage pharmaceuticals company aimed at selling its products across Europe and North America. The core of its business model is an organisational infrastructure to take medicines through the market introduction process, closely working with regulatory authorities, medical associations and pharmacies in each location.

In another example, a provider of a clean energy device is building a distribution network of independent agents, often identified via its web-based community. To illustrate the point, the CEO noted how his company built a common database of likely customer queries; the database was started by the company’s London team, then reformatted so all partners could access it. “So,” he added, “if a customer, say, in Malaysia, has bought a unit from a Malaysian distributor and needs help, he should call the distributor first and generally

people do. The distributor will run through his knowledge base and generally find an answer. If they can't find the answer, the distributor will ask us.”

Global Entrepreneurs

Who are the people who engage in this sort of entrepreneurship? Most of the entrepreneurs we have met are mature individuals who have achieved professional success before — mostly in business, but occasionally in academia. Two of them have a PhD and a string of oft-cited publications to their names. Yet, at some stage, they strike out to pursue their own ideas, ones they could not implement in their previous jobs.

Developing a business model that integrates resources at different locations requires a combination of experiences often developed in an industry with an international scope of activity and responsibility. This experience provided our entrepreneurs' competencies and networks with global breadth and industry depth. Such entrepreneurs have four crucial capabilities.

First, they possess a global mindset. The entrepreneurs we interviewed were comfortable acting on an international stage, dealing on a daily basis with people around the world, crossing political borders and accommodating diverse national idiosyncrasies. In other words, they had a cosmopolitan view of the world and were at ease with cultural differences. Their cross-cultural competence and their ability to deal with the complexity and uncertainty of the global economy provide a foundation for developing a global vision for their business. This global mindset enables entrepreneurs to operate where 'mono-cultural' people fear to go. These entrepreneurs can adapt smoothly to new customs and traditions while simultaneously keeping a firm focus on their own objectives and values. One VP of marketing in Bath confided that such skills can become second nature. “You know,” he offered, “I am so used to this. I actually had more problems cross-culturally when I worked ... with a Scottish

management than ... when I go to China.... When I am dealing with Chinese customers or Korean customers, I am expecting and prepared that there's going to be some give and take. I am dealing with people who are very experienced international businessmen who also are expecting some give and take. I am sure it would be different if I were dealing with someone who has never met a foreigner before.”

Second, they have deep industry expertise. Aiming for global leadership in their particular niche, the entrepreneurs in our study combine leading-edge technologies with business acumen to stand up to the best globally. Their potential customers and competitors are worldwide; so, they have to understand the industry on that scale. Developing a global vision requires a combination of knowledge of the technology and the specific markets — and hence downstream industries. Personal experience in the industry and the ability to envisage the future competitive landscape of the industry help global entrepreneurs to identify the gap they aim to fill, their ‘billion dollar market opportunity’.

Hence, successful technology entrepreneurs understand not only the technology but also the marketplace. Explains the CEO of a pharmaceutical start-up: “Technology is just the first step in building a company, in building products.... The second generation of my leadership team is all about building products but not the technology; that’s a big difference. Many start-up companies fail because they’re so hung up on their technology and they are so much dominated by the technologists which tend to be part of the start-up field that they never go beyond that. Because their focus is the technology, they keep on saying, ‘Well, we have to make the technology better and refine it.’ At some point, you have to make that transition to focus on the outcome of the technology but not the technology itself. That transition is key in developing a business; and, if you can’t make that, you will fail.”

Third, they utilise global networks. The entrepreneurs we met have built networks to connect with the best in their industry and technological fields around the world. They use their networks to identify and attract the most appropriate people and resources while also establishing relationships with new customers. Some of these networks cluster around geographies, such as California for software, semiconductors, biotechnology or green energy. Others meet in professional associations and conventions.

Entrepreneurs at the core of professional networks can spot new trends in markets and technologies early and join initiatives such as the creation of new international standards. Moreover, the networks help entrepreneurs identify and recruit key individuals, as the chairman of a biotech start-up explained: “How do you know that the people you’re talking to and investing in are genuine? They will tell you all sorts of stuff. How do you find out what the back story is? You find that out through local networks. You find out who the charlatans are, who the crooks are — all the things that people won’t tell you. But, you have to use special techniques when networking. If you ask somebody ‘Is this guy a crook?’, he won’t tell you, not formally, because they dare not. He won’t write it too. He won’t write a bad reference. People don’t. The secret is in the things they don’t say. How do you find out? The way you find out is to talk to people and listen, when they go, you know, ‘I wouldn’t do that if I were you.’ That’s what they do. Or they go, ‘Well, I’m not sure about this.’ Lots of that is around; but, unless you’re in a network, you don’t know — and then you make big mistakes.”

Lastly, they jump on global opportunities. Entrepreneurs who see the global economy as a stage on which they are free to act can do things that few others imagine to be possible. The opportunities of globalisation appear (almost) limitless. However, to succeed with a global business model, entrepreneurs readily deploy their cross-cultural and industry-specific competencies. Moreover, they reinforce all this with a lot of persistence. Often, it is not the first entrepreneurial venture that succeeds; but every entrepreneurial venture is an

experience that helps with the next. Having an MBA helps, but it is not enough. All our entrepreneurs had hands-on experience in their industry in multiple locations around the world. Those aiming to join the elite of entrepreneurs should thus systematically build an adequate capability portfolio and augment that with a set of relationships to prepare for taking the big step. Then, when the right opportunity presents itself, jump on it.