

15.389A G-Lab Asia-Pacific

15.389 G-Lab

Agenda

- Introductions
- Course Goals
- What Is a "Good" Entrepreneurial Environment?
- Course Overview
- Course Requirements and Logistics
- Questions

Introducing the Teaching Team

- Kara Blackburn
- Sharmila Chatterjee
- Michelle Fiorenza
- Laura Gay
- Yasheng Huang
- Rebbie Hughes
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- Scott Keating
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The Goals of G-Lab

1. Familiarize you with **issues and challenges** facing global entrepreneurs.
2. Provide you with an **intensive internship** experience working in a global startup.
3. Familiarize you with the power of leveraging informal, MIT-related, and other **networks** while working globally.
4. Offer **high-quality advice** for global companies, making MIT Sloan the first place that global startups look for advice and help.

*What is a “good”
entrepreneurial environment?*

Transition economies lack many of the
"good environment" conditions.

And yet entrepreneurs succeed.

How?

**Adversity Breeds Opportunity:
Our Approach to Global
Entrepreneurship**

Roadmap

- 1) The Key Question: Why Does Entrepreneurship Develop in Some Places and Not in Others?
- 2) Standard Answers: Culture, Key Institutions
- 3) The Limits of This View
- 4) An Alternative Perspective

Culture Matters

- Some cultures are more “entrepreneurial” than others
 - Overseas Chinese vs. Japanese
 - Northern Italians vs. Southern Italians
 - United States vs. Scandinavia

Problems with Cultural Analysis

- Cultures, people who supposedly were not entrepreneurial (e.g., Scandinavians, Germans, Southern Italians) today are.
- Since cultures do not change quickly, what else is going on?

The Importance of Institutions

Checklist of institutions

- Human capital
- Legal rules
- Financial system
- Source organizations
- Labor market

The Limits of This View

- “**Conventional wisdom**” is a stylized description of the US system
 - If this view is the answer, then entrepreneurs – and student teams – are helpless
- **Reality**: Entrepreneurship is developing throughout the world, despite *or because* “essential” institutions are lacking
- Examples: China
Poland
Vietnam

An Alternative Perspective

- Adversity breeds opportunity & innovation
- Common problems, local answers
- Importance of networks: local, national, and cross-national
- New role for government

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Course Overview

What is entrepreneurship?

- Entrepreneurship: Various definitions
 - Legal definition: Self-employment used in the economic census in many countries.
 - Size definition: SMEs, start-ups, etc.
 - World Bank cutoff point (Batra, Kaufmann, and Stone 2003): Firms employing less than 500 employees in LDCs
 - Behavioral definition: Nimble and completely market driven (Knight 1921)
 - Effects: "Creative destruction" (Schumpeter 1976, 5th edition)

G-Lab encompasses all definitions of entrepreneurship

- G-Lab:
 - Focus on SMEs and startups (i.e., size definition)
 - Help inject knowhow and expertise to nimble firms (behavioral definition)
 - Hope that your projects can achieve “creative destruction” (effect definition)
 - All the G-Lab teams: Stay out of legal troubles in the host countries (legal definition, sort of)

Why study entrepreneurship?

- Developed countries: Techno-entrepreneurship, such as Silicon Valley
- Developing countries: Technology, but also
 - Employment
 - Economic growth
- “Innovative” vis-à-vis “replicative” entrepreneurship (Baumol et al. 2007)
 - G-Lab projects span technology and non-technology projects

Entrepreneurship in transition economies

- The power of entrepreneurship most evident in transition economies:
 - Lacking other mechanisms for growth, such as investment, consumption and FDI
 - Severe fiscal and financing constraints
 - Political instability
 - Sharp output falls
 - Psychological deficit and pessimism: Animal instinct is missing (Keynes)

Entrepreneurship=The only source of growth

- McMillan and Woodruff (2002):
 - Vietnam: Private sector=>10 million jobs; public sector=>negative job creation
 - Romania and Slovakia: New private firms outperformed *privatized* SOEs
 - A positive correlation between GDP growth and new entrepreneurship
- Economic evidence is clear:
 - Countries with a higher level and rate of entrepreneurship activities outperform those countries that only relied on privatization of SOEs.

Why China succeeded?

- New private sector is large and growing
 - 70% of GDP by some measures
 - Urban employment (2006): 69.7 million
 - Compared with 64 million in the state sector and only 14 million in the foreign sector
 - Strong source of growth: added 46.4 million jobs between 1996 and 2006 while the state sector shed 48 million jobs

The role of the government?

- Deng Xiaoping in 1987:
 - “In the rural reform our greatest success—and it is one we had by no means anticipated—has been the emergence of a large number of enterprises run by villages and townships. They were like a new force that just came into being spontaneously....The Central Committee [of the Communist Party] takes no credit for this.
- Will revisit this issue of governmental role in G-Lab

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Course Design

A brief tour of the classroom work of G-Lab

- The classroom work:
 - Knowledge about host countries and macro conditions
 - A high-level discussions on the conditions and experience of entrepreneurship in host countries
 - Prepare you for the internship portion of G-Lab
 - Provide a macro background to situate your client firms

G-Lab classroom sessions

- Two types of sessions:
 - “Issues” sessions: *What* are the political, economic and business issues in the host countries?
 - “Projects” sessions: *How* to perform team work, line up necessary resources, leverage MIT and non-MIT network, communicate to host companies, etc.?
 - Faculty advising: Covering both what and how

The design of “issues” sessions

- To the extent possible, we try to present and combine macro and micro issues/cases
- For example:
 - A macro case on China is followed by a G-Lab company/micro case on PPS.tv
 - A case on business environment in Vietnam is followed by a G-Lab case on PeaceSoft Solutions

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Course Requirements and Logistics

Course Requirements

Individual (45%)

- Class Participation (20%)
- Case Write-up(s) (10%)
- Peer Review (5%)
- After Action Review (10%)

Team (55%)

- Project Workplan (10%)
- Remote Research Report (15%)
- Company Deliverables, Poster, Final Internship Report (25%)
- Host Company Feedback (5%)

Course Standards

- Sloan Professional Standards
 - On time
 - Respectful of faculty, guests, and classmates
 - No cellphones, laptops, or other electronics

Course Expectations

- Attendance Is **Mandatory**
 - One unexcused absence = grade reduced by 5%
 - Three unexcused absences = fail the course

Class Participation

- Class participation is 20% of grade
- Why?
 - G-Lab is a collaboration
 - Learn from each other
 - Not contributing = free riding

Travel

- Allowed itineraries:
 - Boston-Project Site-Boston
 - Derivations allowed but you pay the difference in airfare
 - **Work at least three consecutive weeks** between Jan. 5 and Jan. 30
 - Arrive up to 48 hrs before start work date, depart up to 24 hrs after end date
 - You can stay longer, but you'll pay the extra hotel days
 - Must be on campus Jan 31
- Tickets purchased by Session 17
 - Ensures lower fare
 - Allows enough time to get visa(s)

Travel

- Trip is required
- Team's eligibility for travel is not guaranteed
- Field work and classroom work are complementary
- Go-No Go Decision will be made by the Teaching Team by Session 21

Covered Expenses

- What expenses are covered by MIT/Host?
 - Economy Airfare Boston-Project Site-Boston for working dates (+/- 2 days)
 - Reasonable (safe & clean) Lodging for working dates (+/- 2 days)
- What expenses do I cover?
 - Airfare itinerary different than above
 - Additional nights of lodging
 - Visa(s)
 - Ground transit (commuting, roundtrip airport-lodging)
 - SIM card, internet charges
 - Meals
 - Vaccination(s), medications
 - Laundry & personal items

Teams

- 4 students per team
- Team mixer on Session 3
- Teams submit applications on Session 5

Projects: Exceptional Diversity

- Size
- Stage
- Industry
- Project
- Location
 - BONUS – Middle East and Africa regions now available in this section

Projects: Schedule

- Bids due Session 5
- Matches announced Session 6
- Remote internship October-December
- On-site internship in January
 - **At least three consecutive weeks** between Jan. 5 and Jan. 30
 - Confirm dates with host company by Session 12
- Debrief, poster session, and final report in February

Don't Take This Course If ...

1. Only one project can make you happy
2. You haven't told your significant other that you'll be away for three weeks in January
3. You just want a cheap vacation
4. You can't afford to spend ~\$1000
5. You desperately want an A, but you don't like to talk in class
6. You're looking for an easy 12 credits
7. You have prior commitments in January

Next Steps

Today: Sign attendance sheet.

ASAP: Contact TAs if you want to drop or swap

Watch for email: Begin browsing projects on g-lab.mit.edu

Session 3 : Team mixer

Most waitlist and swap requests will be resolved by the next day

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<http://g-lab.mit.edu/>

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