



Entrepreneurship in a Global Setting

- Moderator: **Toby E. Stuart**, *Charles Edward Wilson Professor of Business Administration*
- Panelists: **Donna L. Dubinsky**, *Cofounder, CEO, and Board Chair, Numenta Inc.*
Robert F. Higgins, *General Partner and Founder, Highland Capital Partners; Senior Lecturer, HBS*
Hiroshi Mikitani, *Chairman and CEO, Rakuten Inc.*

Overview

In the past, entrepreneurial firms started by focusing locally and then expanded internationally as they matured. But startups today are thinking globally from inception. They conduct R&D globally, source and manufacture globally, and think of labor globally. And, they see the world as one big opportunity and are pursuing this opportunity by selling and marketing around the world from their earliest stages.

Context

The panel, with two serial entrepreneurs and a leading venture capitalist, discussed how entrepreneurs today are thinking about globalizing their businesses.

Key Takeaways

- **There has been an evolution in how entrepreneurs and venture capitalists think about globalization.**

Mr. Higgins described an evolution in the weighting of globalization in entrepreneurs' business plans and how globalization has affected the venture capital business model. The evolution for entrepreneurs has been:

- *1980s.* Entrepreneurs had no plans to go global. In fact, VCs advised their portfolio companies not to even think of the international market. The focus was purely on the U.S. domestic market. The mindset of VCs was that the company would get acquired or do an IPO, and only then go international.
- *1990s.* Entrepreneurs began to discuss going global as a step in the long-term business plan; it was a consideration but far from an early priority.
- *Now.* Companies today in their earliest "seed" stages are expected to be global in nature and to think in terms of global markets and global supply/value chains.

During this time, the venture capital business model has also evolved as venture capital firms have gone global.

- *1980s.* Most venture capital firms consisted of three or four partners who could sit around a table in Boston, San Francisco, or New York. Their portfolio companies were usually within 30 miles.
- *1990s.* During this decade, the trend among VC firms was to go "bicoastal" with offices in both the Northeast and the San Francisco Bay area.
- *Now.* VCs have gone global, retaining their bicoastal presence in the United States while opening offices in places such as Europe, China, India, and Israel. Mr. Higgins is not certain that this quickly adopted global VC model is better than the local model of the 1980s.

Ms. Dubinsky's experience is consistent with the evolution outlined by Mr. Higgins. Early in her career at Apple, international sales were largely an afterthought and were managed separately. A few years later, at Claris, the company set up organizations in specific countries, one after another. Handspring, in the late 1990s, looked at regional markets, such as Europe and Asia-Pacific. And now at her latest company, founded just three years ago, the company was "born global." With just 12 engineers, 6 of which are foreign born, the company has registered users in 157 different countries.

- **For most entrepreneurial ventures today, globalization has a significant effect on both supply and demand.**

Professor Stuart pointed out that many startups today think and act globally from the moment they are born. Companies think globally in how they produce their products and services, and view the entire world as a marketplace. Specific areas of thinking globally include:

- *R&D.* With the United States not producing enough science and engineering talent—and not allowing talent from other parts of the world to enter the country—firms are scouring the world for R&D expertise. Prime sources include India and China; one of Mr. Higgins's portfolio companies is performing R&D in Argentina.
- *Manufacturing.* The desire to manufacture around the globe is driven not just by low cost, but by expertise and speed to market. For example, many medical devices such as stents are now manufactured in Ireland, due to Ireland's expertise in this area.
- *Labor.* Due to information and communication technologies, the market for all sorts of labor is now global. Ms. Dubinsky described how her firm found and contracted with specialized resources in Eastern Europe and in Canada—without ever meeting these individuals in person.

"Labor today is totally global."

— Donna L. Dubinsky

- *Sales and service.* In addition to developing and producing products around the globe, entrepreneurs are selling and marketing their products globally. Mr. Higgins described a small Massachusetts company where just 5% of its engineers are in Massachusetts and 95% are in India. The majority of the firm's revenues currently come from China, which is where the company's sales and service operations are located. Welcome to today's global entrepreneur. He also noted that some companies are initiating sales and marketing activities outside the United States because other countries are often earlier adopters of certain technologies.



Global Business Summit

"I don't know if globalization will change the success rate of startups, but it does allow bigger ideas to be pursued and faster growth to occur."

— Robert F. Higgins

▪ **All entrepreneurial ventures today are focused on going global. The decisions are *how* and *when*.**

In response to a question about whether some types of businesses and business models are more suited to go global than others, Mr. Mikitani responded that he believes all businesses have the potential to go global; it is a just a matter of how to do it.

"The question today is not if you go global, but how you do it."

— Hiroshi Mikitani

His own company of various Internet properties has chosen to delay expanding globally while building up a very strong presence in the Japanese market. His company is now primed to expand globally. Mr. Mikitani has learned lessons about global expansion, having observed the approaches of various firms entering the Japanese market. For example, Yahoo! has built a very strong presence in Japan by leveraging the company's core U.S. assets while tailoring them to the Japanese market. Decisions have been made in Japan. In contrast, eBay has done a poor job in Japan. This is because the company attempted to force-fit the U.S. model into Japan without modifying it and without providing real authority to the company's Japanese subsidiary.

Ms. Dubinsky agrees that all firms must think about and plan to go global, but she views the decision on when to go global as a crucial one. Expanding globally can dilute focus and resources. It is important to have a long-term vision for the company, which includes a global presence, but to manage the execution carefully in steps and stages.

▪ **The current financial crisis is likely to have a significant impact on entrepreneurial ventures.**

The financial markets will certainly have a ripple effect on entrepreneurs. In addition to slowing demand, due to tight financial markets and a closed IPO market, it will be extremely difficult for entrepreneurs to raise capital. Mr. Higgins said that early in his career he was told that there

is an IPO window once per decade. However, in the 1990s, once per decade became once per year. Maybe now we'll go back to once per decade. For those that have raised capital, they will need to hunker down and preserve their capital.

Mr. Higgins equated the situation to "crossing a desert." He encouraged entrepreneurs to pack adequate water before they head out and to conserve their water because they don't know how long the journey will be.

Other Important Points

- **Foreign expertise.** In Silicon Valley, 53% of engineers are foreign born and last year in the United States 63% of all Ph.D. candidates were born overseas. In addition, more than 50% of all filings for patents in the United States named foreign nationals.
- **Entrepreneurial motivation.** The serial entrepreneurs on the panel stated that their ongoing motivation is to have a big impact on the world. Mr. Mikitani is very focused on helping Japan and Ms. Dubinsky aims to create a new global computing platform.
- **OK to fail.** The panelists concurred on the learning that is gained from failure. Ms. Dubinsky noted that many successful entrepreneurs first experienced failure before having a success. Mr. Mikitani encourages his people to take risk and fail.
- **Entrepreneurship for all.** Professor Stuart conveyed that all HBS first-year students now take a mandatory entrepreneurship course.
- **Social entrepreneurship.** Mr. Higgins is seeing enormous interest from young people today in the area of social entrepreneurship.
- **The breakfast rule.** In the early days of venture capital, venture capitalists wanted their portfolio companies close enough so that if they received a late-night call from the CEO of a portfolio company, they could make a breakfast meeting the next day.



Speaker Biographies

Toby E. Stuart (Moderator)

Charles Edward Wilson Professor of Business Administration

Toby Stuart is the Charles Edward Wilson Professor of Business Administration at HBS. Previously he was the Arthur J. Samberg Professor of Organizations & Strategy and academic director of the Eugene M. Lang Entrepreneurship Center at Columbia Business School. From 1995 to 2003, he was on the faculty at the University of Chicago's Graduate School of Business, where he was the Fred G. Steingraber–A.T. Kearney Professor of Organizations & Strategy. He received his Ph.D. from Stanford University and his BA summa cum laude in economics from Carleton College. Before earning his Ph.D., Stuart was a research associate at HBS.

His research has examined the formulation of firm strategies in a number of industries; the formation, governance, and consequences of strategic alliances; organizational design and new venture formation in established firms; and venture capital networks and their role in the creation of new firms. In a recent project, he is examining the circumstances surrounding academic life scientists' technology commercialization initiatives, including starting and advising firms. He has published numerous articles in refereed management, strategy, and general field journals, including *Administrative Science Quarterly*, the *American Journal of Sociology*, *Science*, the *Strategic Management Journal*, *Management Science*, *Research Policy*, and *Industrial and Corporate Change*. He has served as an associate editor of the *American Journal of Sociology* and is a member of the editorial boards of *Administrative Science Quarterly*, *Management Science*, the *Strategic Management Journal*, *Research Policy*, and *Industrial and Corporate Change*.

Stuart is the recipient of the 2007 Kauffman Prize Medal for Distinguished Research in Entrepreneurship, which is granted every other year to recognize one individual's contributions to entrepreneurship research. He has also received the *Administrative Science Quarterly's* Scholarly Contribution (best paper) award, as well as the Columbia Business School's Dean's Award for Teaching Excellence.

Stuart teaches MBA and Executive Education courses in corporate strategy, M&A, technology strategy, and entrepreneurship. He has served as a consultant and executive educator to many companies.

Donna L. Dubinsky, MBA 1981

Cofounder, CEO, and Board Chair, Numenta Inc.

Donna Dubinsky is the cofounder of Numenta Inc. and serves as CEO and board chair. Numenta is the third venture in which Dubinsky has teamed with Jeff Hawkins. She first joined Hawkins in 1992 to become president and CEO of Palm Computing, where they introduced the first successful PDA, the PalmPilot. She held that position through Palm's acquisition by U.S. Robotics and later 3Com Corporation. In 1998, Dubinsky and Hawkins founded Handspring, creator of

the category-defining Treo smartphone. In October 2003, Handspring merged with the Palm hardware group to create a new company, palmOne Inc. (now called Palm Inc.). Previously, Dubinsky spent 10 years in a variety of sales, sales support, and logistics functions at both Apple and Claris, Apple's software subsidiary.

Dubinsky holds a BA in history from Yale University and an MBA from HBS. She serves as a director of Palm Inc. and is a trustee of the Computer History Museum and Yale University.

Robert F. Higgins, MBA 1970

*General Partner and Founder, Highland Capital Partners
Senior Lecturer, Harvard Business School*

Bob Higgins is a senior lecturer at HBS and a general partner and founder of Highland Capital Partners in Boston. Higgins co-created and currently teaches the MBA elective course called Entrepreneurship and Venture Capital in Healthcare. For several years, he taught the required course The Entrepreneurial Manager. He is a member of the HBS Healthcare Initiative, the HBS Social Enterprise Initiative, and the Harvard Faculty Committee for the MD/MBA program.

In 1988, Higgins founded Highland Capital Partners, a venture capital firm managing over \$3 billion in assets from university endowments, pension funds, families, and corporations. Highland has backed such companies as Lycos, Avid Technology, Sybase, MapQuest, Praecis, Renal Treatment Centers, Ask Jeeves, Continental Cable, Staples.com, and New York Times Digital. His medical technology investments include AVEO Pharmaceuticals, Codon Devices, Conor Medsystems (IPO/acquired), Helicos BioSciences, Magen BioSciences, Mitotix (Neuer Market: GPC Biotech AG), Origin Medsystems (acquired), PerSeptive Biosystems (IPO/acquired), Pervasis Therapeutics, and Praecis Pharmaceuticals (Nasdaq: PRCS). He has served on the boards of SmartBargains, Staples.com, and WordWave (acquired by Merrill Corporation). In addition, Higgins has served as a director of the National Venture Capital Association and as president of the New England Venture Capital Association.

Higgins has been an investor in venture capital for over 25 years. Earlier, he was the executive director of the John A. Hartford Foundation in New York, a private foundation that supports programs in medical research and health care management. He previously managed two other New York foundations: the Robert Sterling Clark Foundation and the Florence Vanderbilt Burden Foundation. While in New York, he cofounded the New York Regional Association of Grantmakers.

From 1971 to 1973, Higgins served in Washington as the assistant to the head of the International Division of the Treasury and as assistant to the Secretary of Commerce. Prior to his work in Washington, he was on active duty in the



Army as an officer at the United States Military Academy at West Point.

Higgins graduated from HBS and Harvard College.

Hiroshi Mikitani, MBA 1993

Chairman and CEO, Rakuten Inc.

Hiroshi Mikitani is chairman and CEO of Rakuten Inc., a full-line Internet services company. Guided by the key phrase “more than Web,” the Rakuten Group is taking on the challenge of creating new value by driving convergence between the Internet and traditional “bricks and mortar” businesses.

In 1996, Mikitani left a promising career as an investment banker at the Industrial Bank of Japan to set up his own Internet consulting firm, the Crimson Group. Then in 1997, he founded MDM Inc. (renamed Rakuten in 1999) and launched Rakuten Ichiba, the largest online shopping mall in Japan. Under Mikitani’s leadership, the Rakuten Group has expanded its business into online travel reservation, consumer finance, online security brokerage, and professional sports, mainly in Japan.

Mikitani received his MBA from HBS and his bachelor of commerce degree from Hitotsubashi University. He was named one of *BusinessWeek*’s top entrepreneurs of the year in 2002 and one of *Fortune* magazine’s 25 rising stars in 2001.