ENTREPRENEURSHIP: THE RISING TIGERS IN THE WEST

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ABSTRACT

The longstanding concept of entrepreneurship has received increasing interest, given the significant growth of Silicon Valley. In this economic region of the Bay Area, companies work toward IPOs and generate an average of $15 billion in market capitalization. Immigrants in the West often work on the world’s “the next big thing.” This research notes that entrepreneurs are increasing in the West, contributing to the Western economy, and conducts a comprehensive qualitative analysis on how the Western economy, work environment, and investors succeed together.

Keywords: Innovation, Entrepreneurship, Information technology, Initial public offering, Investment.

INTRODUCTION

The purpose of this paper is to discuss the brain drain in the East and, most importantly, how entrepreneurs grow and succeed in the West, impact the world and play a vital role in the economy.

The objective is very broad because entrepreneurs in the West are not employed only in major companies; every company in the West is growing and contributing to economic growth. In addition, the West attracts investment, and this study will examine how and why investors in the West are unique not only in the way they make great companies but also in the way that major Silicon Valley companies transform entrepreneurs into notable investors.

To understand the entire Western ecosystem with regard to entrepreneurship, startups, bootstrapping, and economic growth, among other relevant topics, we will examine why entrepreneurs such as Steve Jobs are “rising tigers” in the West.

Significance

This study is critical to the topic of growth in financial markets. Many countries are not experiencing economic growth and/or are in debt. Countries such as Pakistan, India, Philippines, Malaysia, and Taiwan may adopt a Western approach to entrepreneurship to help bolster their economies. In the East, a different approach prevails, and entrepreneurship is not approached in a way that facilitates the growth of these economies. For this reason, companies such as Google,
Facebook, Microsoft, Apple, PayPal and others cannot exist in the East due to their weak ecosystems and laws that are not strong enough to support entrepreneurial companies.

One can see the potential for entrepreneurship in Malaysia, Japan, China, Vietnam and Singapore, while countries such as Thailand, Iran and Indonesia are still developing an environment for entrepreneurial startups. In Myanmar, risk taking and venturing into new businesses has not yet been developed (Leong, 2012). Although countries such as Korea, Japan, India and Pakistan have talented young professionals, few investors finance their businesses. The first challenge currently being faced by Asian entrepreneurs who wish to advance and expand their talent and business operations at large is the lack of funding/investment in the region. The reason is clear: investors avoid taking risks on small, new enterprises that may not be able to grow and create an impact in the current market or may go overseas if they cannot generate revenue. The East can understand the Western system and approach in terms of how they have become the hub of the most successful companies in the world.

**LITERATURE REVIEW**

Entrepreneurship has no boundaries and is limited only by one’s own capabilities and aptitude to foster innovation. Entrepreneurs possess many innovative notions, ideas and accomplishments. Much has been discussed about entrepreneurship in West, providing positive input and food for thought for all. Entrepreneurship has become an extremely popular topic in recent years and has inspired more people to become entrepreneurs and have a global impact. However, this process is occurring only in the West. With the macro- and micro-environmental doldrums and tragedies occurring in Asia, businesses and individuals push themselves to stabilize and continue as normal. Entrepreneurs in the West are indeed “rising tigers,” as demonstrated by their audacious spirit and visions of a better tomorrow. An entrepreneur has a number of risks to manage and must simultaneously deliver the best innovations in his/her field to sustain himself and succeed together with others. The basic bottleneck, which can create hurdles in creating or introducing innovation, is a socio-cultural aspect of Asia that causes entrepreneurs to limit their thinking and decision-making.

Notable game-changing companies from 20 years ago currently define the way we work and live. It is very interesting to see how so few companies not only dominate the world today but also encourage other founders of companies to challenge them and become game changers. Companies such as Apple, Microsoft, Google, Yahoo!, HP, Dell, Facebook, Dropbox, Boxee, Zynga, Paypal, Twitter and more not only contribute to the Western economy but also create jobs and expand the existing industry. Acs (2006) outlined the success rate of entrepreneurial ventures, which is equal to the increase in economic growth. He further explained that the potential for such ventures creates jobs and aggressive competition that eventually increases productivity through technological and economic changes.

All entrepreneurs in the West have generally different experiences than those in the East. Countries such as China, India, Pakistan, Korea, Japan, Russia and others are now beginning to follow Western countries, especially the United States. Such rising tigers have reshaped and impacted the world and can have begun their ventures mostly in America and/or the West.

The purpose of this study is to understand why increasing numbers of entrepreneurs are finding success in the West and not in the East. Why can entrepreneurs find success only in the
West? Who are these notable personalities that encourage such activity and/or how are established companies participating in this ecosystem?

This study will explore all aspects that contribute to the large number of entrepreneurs among Westerners in addition to understanding their mindsets towards economic challenges they face or have faced during their quest to become entrepreneurs.

Apple was founded by Steve Jobs and Steve Wozniak and incorporated as Apple Computers, Inc. in 1977. One of the most interesting aspects of Apple is the way the company was started and how it was run. Many icons in Silicon Valley, including investors, stated that “Apple is the only company that can happen in the United States and nowhere else” in ‘One Last Thing,’ a PBS documentary. This documentary helped explain, first, why Apple could exist only in United States, and second, why such companies exist mostly in the West.

The answer to the first question is that entrepreneurs are supported better in the United States than in any other country people such as Steve Jobs, who left university and was drug-addicted, created a company that is soon to be estimated at up to $1 trillion in market valuation. This massive number will make Apple the “Most Valuable Company in the World.” The environment around Steve Jobs was very different than those in other countries in that, rather than being dejected when he left his studies, he was encouraged to look for something that he loved to do. He found Buddhism, which offered him fulfillment. He wanted a simple Zen life where the things around him were simple, and he wanted to make them more beautiful while maintaining their simplicity. While he received criticism for dropping out of university and living a simple life, the environment around him was balanced he was encouraged and discouraged at the same time, and this did not stop him from achieving what he had achieved. During this time, he met Steve Wozniak, who loved computers. Afterward, all the pieces fell into place, and they went on to make Apple.

Regarding the second question raised earlier, it is important to understand that Western society is very different from Eastern society; they are polar opposites. In the West, rising tigers are raised to stand up for what they believe in and ask questions to understand the purpose of life. Parents make their young children sleep in alone in their rooms; the idea is that if the child cannot tolerate sleeping alone, then he/she cannot survive in the world. A child’s upbringing is focused on individualism in the West, unlike the collectivist philosophy that prevails in the East. When the child turns 18, he/she is told to move out of the house and experience the world and survive; by this age, the child is ready to confront and experience the world.

The above arguments illustrate why entrepreneurs are growing in the West more than in the East: they explore life and are in search of what they love. They are not concerned with what others think because they do not live according to a dogma unlike the East, where people live according to other people’s beliefs. In other words, they are “living in dogma.” For this reason, entrepreneurship is seen only in the West: people are surrounded by a more conducive environment and by people who understand entrepreneurship and can support budding entrepreneurs. The entrepreneur community is stronger in the West than in Eastern society in regard to a support system for entrepreneurs. Western investors play a very large role, as they are more active in providing venture capital, angel investments and debt financing to entrepreneurs.

Investors encourage entrepreneurs to do what they love. One of the best ways investors support entrepreneurs is by investing an average of $250,000 in each startup, which helps the team to work in better conditions. Investors receive a small minority stake, such as 10-15%, in
the company; when the company makes an IPO offering, these investors will receive at least 3 times the return on the investment.

Investors have developed an ecosystem for entrepreneurs from all over the world that is so strong that even immigrants are encouraged to start their own businesses and become successful entrepreneurs. Startup investments have been made in entrepreneurs who have only an idea and no existing product or prototype. When a typical person is surrounded by such options, why would he not opt to work on his own venture? This active community is taking bigger risks and initiatives to offer entrepreneurs the ideal platform and support them with adequate backing for legal costs, funding, office space, etc. Such activities are common only in America, Europe and Canada. Every 11 seconds, a new company is created in the West, which also indicates how strong the community is with regard to starting a new business and the way in which they have become the leaders in most industries in the world and come first in innovation.

Another related issue is the lack of an ideal management team in Asia. One can see a comparison between Silicon Valley and Asia: the people who would ideally serve as mentors (former employees of large companies) to extend knowledge and ideas to new entrepreneurs in the same fields are rare in Asia, and most new ventures cannot afford to compensate these mentors. Entities that are in a position to fund entrepreneurs overlook business orientation issues because of the skill set found in funding bodies they are financial analysts rather than business operations directors. The types of investments made in Facebook are rare in Asia; however, this attitude can be improved by bringing investors from the West to the East or by encouraging Asian investors to fund Asian entrepreneurs, which would bolster the prosperity of the country by increasing economic growth. Asian entrepreneurs who are willing to work on cutting-edge innovation are not recognized because of conservative views, i.e., that the trend in entrepreneurial ventures will slow economic growth due to the presence of bureaucratic barriers to establishing new businesses and the lack of conventional employment opportunities. These investors tend to remain aligned with conventional business operations (Acs, 2006).

Aside from the investment and cultural aspects that limit the mindset of Asian society, other apparent factors discourage entrepreneurs, such as the local acceptance of a new local brand (product/service); countries such as Pakistan, India, Bangladesh, Nepal, and others believe that international brands are far more trustworthy and better quality than local brands. This notion is correct to a certain extent but should not be applied entrepreneurial ventures. An expression of entrepreneurial movement via educational institutions should be directed to give proper knowledge and advice on discernment to students to hone their entrepreneurial aptitude so that they can accomplish what they believe in. In Asia, social entrepreneurship can be the key to success in economic and corporate social responsibility.

This background is meant to help explain why so many variables are involved in becoming an entrepreneur and starting a business; these variables are powerfully connected in helping to establish notable companies.

The significance of the study is to analyze how entrepreneurs are encouraged in the West, including many kinds of external and internal forces that help them become owners of startup businesses in addition to entrepreneurship in the West.

According to Mueller (2007), the increase in startup activity is due to exponential economic growth that has been observed since the dawn of companies such as Apple and the dot-com bubble. Knowledge creation and entrepreneurial activity have a stronger impact on the economy of a region with regard to growth, as increasing numbers of companies are focusing on
research and development to compete with new startups and appropriate their market share. Mueller (2007) indirectly referred to a monopoly shift: IBM in the early 1970s to the early 1980s held a monopoly in computer technology before Apple was created. During this time, there was less research and development compared to the time when Apple was founded and reached a valuation of $1 billion. The break in the monopoly forced IBM to take notice. IBM began competing with Apple in terms of greater innovation and invested more aggressively in retaking its market share. Mueller (2007) emphasized that the increase in research and development not only created more jobs but also ushered in an era of innovation that defines the industry today. This environment of innovation encouraged more people to become interested in startup activity, which increased knowledge and encouragement among greater numbers of entrepreneurs to challenge major companies.

Mueller (2007) believed that the government must realize that the economy will be driven by entrepreneurial activity and should encourage the number of entrepreneurs. He argued that there is a direct relationship between entrepreneurship and economic growth; if the economy grows, entrepreneurship will also grow. Thus, it is the responsibility of the government to understand that policy must support entrepreneurial activity.

Saxenian (2000) offered arguments that later supported Mueller’s (2007) research, which stated that entrepreneurship encourages growth in the economy by creating new jobs and wealth along with new industry. However, he believed that mostly immigrants in the United States that contributed to greater entrepreneurial activity to increase economic growth in America; these immigrants would then transfer this growth to their home countries by making investments after creating major firms. As discussed previously about the promotion of entrepreneurship activity, Saxenian (2000) also stated that H1-B visas are given mostly by the government so that highly skilled engineers come to America to encourage growth in the economy through entrepreneurship. Saxenian (2000) also mentioned that Silicon Valley is currently composed mostly of workers from mainland China and India who have immigrated to the United States and exploited the opportunities available to create a market within the technology industry. This kind of relationship is expanding, as greater numbers of immigrants are currently entering the United States. These immigrants are employed mostly by well-known tech companies or are operating their own startups. However, many companies have been started by immigrants, such as Google, Oracle, Facebook, Microsoft, Yahoo! and more. All these companies are currently trading at an average $100 billion market cap and have collectively employed more than 200,000 workers worldwide. Therefore, Saxenian’s (2000) research is correct with regard to immigrants creating more jobs and markets. Entrepreneurs, regardless of whether they are immigrants, grow mostly in the West due to the available support system.

Another study by Wennekers and Thurik (1999) discussed the same issues about entrepreneurship and economic growth. However, Wennekers and Thurik (1999) believed that there are two kinds of entrepreneurs: those who are self-employed and run small companies and “real” entrepreneurs who start small companies that grow into multi-billion-dollar companies. Wennekers and Thurik (1999) stated that real entrepreneurs contribute more to economic growth than self-employed entrepreneurs.

However, Wennekers and Thurik (1999) said that in a modern, open economy, entrepreneurship at any level whether the individual, firm or macro level — contribute to economic growth in every way. Competition creates healthier competition, as all entrepreneurs
strive for innovation and greater growth by reaching overseas, which grows their businesses and their countries’ economies.

Bergmann and Sternberg (2006) stated that individual and regional variables influence the decision to become self-employed entrepreneurs. Bergmann and Sternberg (2006) stated that there are two kinds of entrepreneurs in Germany: one type exploits business opportunities to start a business, whereas the other sees a need to be addressed and creates a business based on filling this need. Unlike entrepreneurs in the United States, German entrepreneurs have different patterns for creating businesses, while simultaneously being part of the West, which exhibits growth in entrepreneurial activities. Bergmann and Sternberg (2006) stated that the German government has implemented laws that are adequate for supporting entrepreneurs and encouraging them to start their own businesses. Since 2003, during which the unemployment rate increased in Germany, most unemployed people moved towards entrepreneurship to support themselves, which shows that society and laws support entrepreneurship activity. Bergmann and Sternberg (2006) noticed that the number of startups is increasing, mostly due to necessity, and stated that this phenomenon will result in an increase of entrepreneurship experience and awareness in the region, which will have a positive result in the coming years.

These three studies have noted that entrepreneurship is treated not only as an activity but also as a support system for economies. Building a support system for entrepreneurs is similar to building a support system to strengthen the economy. In addition, communities and lawmakers tend more toward facilitating the creation of startups, thus creating jobs indirectly instead of directly.

Zoltan and Szerb (2006) stated that entrepreneurship needs support from public policy makers to strengthen the system and to allow entrepreneurs to contribute to growing the economy along the startups themselves. Zoltan and Szerb (2006) believed that public policy must focus on creating more enticing immigration policies to attract highly qualified immigrants, which has produced an increase in entrepreneurship. Zoltan and Szerb (2006) discussed policy improvements that allow entrepreneurs to start their own businesses, which Mueller (2007), Wennekers and Thurik (1999), Saxenian (2000) and Bergmann and Sternberg (2006) analyzed with regard to policy improvements to attract more immigrant entrepreneurs.

However, Arend (1999) discussed this topic from a different perspective, focusing on the technological side, in which innovation encourages people to engage in more entrepreneurial activity. Young computer “whizzes” represent most entrepreneurs driving industry today with regard to entrepreneurship and technology. Arend (1999) stated that entrepreneurs emerge mostly from classical economies and that there should be a competition policy for technology companies to stop collusion between tech companies; the result would be a decrease in social welfare with regard to innovation in the technology industry.

Sarachek (1980) studied the Jewish-American view of entrepreneurship. This perspective has very little relation to this study, but it is worthwhile to discuss the Jewish entrepreneurship experience. In the Jewish community, which exists in the West, some families run family businesses, while others may become entrepreneurs, run their own businesses and choose to hire mostly Jewish employees? Although not specifically relevant to this study, this direction of research, including Sarachek’s (1980) study, shows that the Jewish community adds to economic growth, including some growth from entrepreneurship. The cycle is such that if a Jewish-American family has its own business, then a future family member will try to expand, become an intrapreneur (as executive officers) and run the family business or create a startup.
Gianni de Fraja (1996) stated that entrepreneurial firms have less account profit than managerial firms. He also stated that entrepreneurs work harder in difficult times and work less when the company is stable, unlike managerial firms, in which managers tend to work less in difficult times than in stale periods. De Fraja noted the differences between entrepreneurial firms and managerial firms by studying what makes them different.

Cohen (1998) discussed social investment and returns on investment in Silicon Valley, stating that it is very important to have social networks and social contacts individually or collectively to benefit from capital gains, similar to when all companies are competing side-by-side; however, from a big picture perspective, these companies attempt to increase capital and growth in the industry. Cohen maintained that Silicon Valley is an area for specialized industries where one can find technology-based or other industry-based companies that all specialize in one industry. For example, Facebook specializes in social networking, whereas Oracle specializes in the database industry. Cohen’s (1998) idea remains relevant even after 15 years, and more companies have been founded with specialization. These companies are all derived from social capital, in which each company specializes within its domain and then works with others to propel the economy. These companies all use each other’s services to support their industries, which is what makes the company’s strong and what has shaped Silicon Valley into a region in which many companies are being started. Cohen (1998) shed some light on entrepreneurship and stated in an indirect and relevant way for this study that social capital is boosting entrepreneurship in the West (Silicon Valley).

Nath (2000) researched entrepreneurship in the East, and this study helps one understand why the West is prevailing over the East with regard to entrepreneurship: most businesses in India are related to conventional business, such as commodities and trading. There are fewer industries related to technology, mobile communications, startups and other related domains in the East than in the West because most young people migrate to foreign countries (mostly to the West), where more entrepreneurial activity is based. However, lawmakers are enticing citizens from other countries to migrate to the West to embrace entrepreneurship opportunities. Second, entrepreneurs in India (the East) work in family businesses or conventional businesses but do not receive the support to establish their own businesses. However, Nath (2000) stated that more entrepreneurs have begun to appear in India; a small example covering the East gives us a glimpse of what is to come.

Romer (1986) and Lucas (1988) have both perceived that this technological knowledge is in direct relation to economic growth. According to Romer (1986) and Lucas (1988), new shared knowledge actually increases innovation, as entrepreneurs have been able to exploit the opportunity and create new startups. A major example is Google, which was known as Backrub while under development in a research facility at Stanford University by two PhD students, Larry Page and Sergey Brin (the founders of Google). Stanford supported these students’ work both when it was initiated at the university facility and later when the technology they developed based on their research not only became groundbreaking but also served as the basis of one of the world’s most valuable internet companies in history, which has market cap of above $250 billion. Clearly, support is available in the West for entrepreneurs who want to create the next great innovation.

Therefore, the cited literature has discussed how entrepreneurship is becoming increasingly popular in the West. In brief, the West contains support systems, policies,
communities and technological advancements that encourage people to become entrepreneurs and bolster the economy.

A number of authors have discussed economic growth in relation to entrepreneurial activity. Schumpeter (1911); Baumol, Panzar, and Willig (1988); Fritsch and Mueller (2004); and Audretsch, Keilbach and Lehmann (2006) showed that when entrepreneurial activity increases, economic growth results, regardless of whether this growth is game changing. The fact that economic growth exists further validates my research on the impact of entrepreneurship on economic growth.

Saxenian (2000) believed that companies that were established on entrepreneurial activity work on more innovative and creative ideas than companies such as IBM and Oracle. Along the same lines, Franco and Filson (2000) stated that companies work on innovative ideas to train future entrepreneurs. Technically, both studies stated that the entrepreneurial activity cycle will continue growing due to the domino effect. For example, Apple created a strong ecosystem for its operating system, and more developers are encouraged to work on its platform to advance and earn revenue. The same applies to Microsoft Windows and Google’s Android OS. These companies are creating new technology to grow their products, while also allowing other companies such as Rovio to grow. Rovio developed the Angry Birds game, which not only went viral but also became one of the most famous games ever created for mobile operating systems. The game was first designed for iOS (the operating system for the iPhone), and over time, Rovio made the game for various operating systems, charging $1 for each download. Today, Angry Birds is one of the most creative and highest-grossing games, with up to $500 million worth of downloads, that is, 500 million users each paying $1.

Companies allow other companies to grow, and entrepreneurs allow other entrepreneurs to grow on their platforms, which represents a kind of an automatically created ecosystem that is now growing. Every 11 seconds, a company is born in the United States, and we know the reason why. With regard to immigrant entrepreneurs, Mathews (1997), Miller (1997), Naughton (1997), and Tang (1993) discussed how the economy and innovation have been boosted and industries developed in the West, especially in Silicon Valley. Parthasarathy (1999) showed that Indian immigrants are the driving force in Silicon Valley and the West with regard to innovation and the economy. One of the many examples is the creator of Hotmail. Hotmail was created by an Indian developer and was sold to Microsoft for $350 million. Indians hold key positions and function as CEOs in many reputable companies.

Wong (1998) discussed the idea of Chinese people making Silicon Valley into an entrepreneurial hub. I do not agree, but I would say that Chinese people engage in entrepreneurial activity in technical capacities, i.e., serving as technical cofounders with business cofounders in companies and/or startups. I have observed very few entrepreneurial Chinese people creating significant upcoming innovations, but many Chinese people have participated in the “next big thing.”

CONCLUSION AND IMPLICATIONS – WILLPOWER IS THE KEY TO ENTREPRENEURSHIP

An important takeaway is that if you are an entrepreneur and believe in yourself, it is essential to never give up on your dreams and settle for secondary aspirations in life. Do not live your life according to other people’s opinions. Be determined and focused if you remain focused,
one thing is certain. This comprehensive paper on platforms for successful Western entrepreneurs tells us consistently that if you are an entrepreneur from the heart, then your background does not matter; all that matters is that you make a difference in the world. Drucker (1998) explained that a commitment to the systematic search for imaginative and useful ideas is what successful entrepreneurs have in common. Entrepreneurship can occur in a business of any size or age because it is concerned with innovation, the disciplined effort to improve a business’s potential based on a conscious, purposeful search for opportunities within the company, industry and the larger social and intellectual environment. Entrepreneurship involves integrating various strands of knowledge, recognizing an underlying theme in public perception, or extracting new insights from failure. The key is to know where to look.

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