MOB 7553-01
MBA International Elective Course, March 2020
Hong Kong/Shenzhen Start-up Strategy

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Course Description

The purpose of this three credit course is to provide students with an opportunity to understand the entrepreneurial ecosystem (EE) of two Asian startup cities – Hong Kong and Shenzhen — which are physically nearby – but exemplify the economic differences between a formerly independent country and a large startup city in mainland China

Through direct interaction with entrepreneurs, capital providers, educators, and government officials in these countries, the students should come away with a new perspective on startup's opportunities and challenges and get experience consulting to local startups while applying concepts from three books:

- *Capital Rising: How Capital Flows Are Changing Business Systems All Over the World, co-authored with Srini Rangan, and my latest book*
- *Hungry Start-up Strategy: Creating New Ventures with Limited Resources and Unlimited Vision (November 2012) by Peter Cohan; and*
- *Startup Cities: Why Only a Few Cities Dominate the Global Startup Scene and What the Rest Should Do About It (February 2018) by Peter Cohan.*

Hong Kong and Shenzhen have very different roles in Asia. Hone Kong has taken affirmative steps to try to encourage entrepreneurship within its borders. Yet there is a strong cultural bias for the graduates of elite schools in Hong Kong to work for large companies, banks, or the government. By contrast, with help from the Chinese government, Shenzhen has become home to one of the largest publicly-traded technology company in the world – Ten Cent Holdings.

Hence one of the goals of the course is to explore how this tension between strong cultural values Hong Kong vie for attention with its need to encourage entrepreneurship in order to avoid the economic stagnation that often results from being too dependent on the largest companies. And by visiting Shenzhen, students will experience the power of China's government and local entrepreneurs to create powerful pillar companies.

The Hong Kong/Shenzhen Start-up Strategy offshore elective is intended to provide students with the following benefits:

- To understand how Hong Kong and Shenzhen try to spur startups

- To get a deeper understanding of the business culture of Hong Kong and Shenzhen
- To meet entrepreneurs, business educators, government officials, and capital providers in Hong Kong and Shenzhen
- To get experience consulting to these startups using concepts and tools from these books

Babson Learning Goals

The Hong Kong/Shenzhen Start-up Strategy offshore elective will contribute in varying ways to each of Babson's learning goals, as follows:

- **Entrepreneurial Thinking and Acting:** The course's consulting project will give students an opportunity to identify, assess, and shape opportunities in a variety of contexts and use creative and innovative approaches to develop and act on opportunities to create value for stakeholders and society.
- **Social, Environmental, and Economic Responsibility:** By working with start-ups in Hong Kong and Shenzhen that work on issues of sustainability, the course will reinforce students' ability to make decisions based on an awareness of relevant stakeholders, ethical considerations, and an attempt to create and sustain social, environmental, and economic value.
- **Self and Contextual Awareness:** By enabling them to consult with start-ups in Hong Kong and Shenzhen, the course will help students to understand how business people from different cultures perceive their value – and in so doing it will broaden students' sense of purpose, identity, and context, and let them use this understanding to inform their decisions on how to help these start-ups.
- **Functional Depth with Integrative Ability:** The course's perspective on the firm's environment and strategy and the consulting project will help students take an integrated, holistic approach to learning and decision making while strengthening specific functional skills such as analyzing where to locate a start-up and strategy analysis.
- **Managing in a Global Environment:** The course will broaden students' global and multicultural perspectives – giving them direct exposure to the historical and cultural contexts of Hong Kong and Shenzhen and helping them to live, operate, and meet the challenges presented by a world characterized by diverse cultures and ways of knowing.
- **Leadership and Teamwork:** In-class participation and consulting project work in the course will help make students more adept at leading and functioning effectively in teams.

Course Organization

The course is organized around three modules:

- The *on-campus pre-departure module* is the foundation of the course and focuses on three main elements: understanding the concept of the

Entrepreneurial Ecosystem, from *Capital Rising*; exploring the specific elements of Hong Kong and Shenzhen's EEs, and an overview of the course requirements; describing the concept of Start-up Strategy; forming student teams that will partner with a startup in either Hong Kong or Shenzhen on a consulting project. This module also presents the practical aspects of the trip to Hong Kong and Shenzhen.

- *The Hong Kong/Shenzhen module* is organized around visits that give students an opportunity to listen to the startup stories of entrepreneurs, the investment decisions of capital providers, the policy choices of government leaders, and the human capital perspectives of educators. In addition to the visits, the trip to Hong Kong and Shenzhen also includes a chance to visit cultural sites, enjoy fine restaurants, and walk around these pedestrian-friendly cities. Teams will take charge of daily de-briefs and each student will complete a journal to connect the concepts presented in the pre-departure sessions with what they observe in the two countries.

- The *on-campus post-visit module* wraps up the course. In addition to a wrap-up discussion, students are asked, during this module, to present recommendations to startups they're paired with during the trip. The presentations are graded jointly by the instructor and the companies.

Overall, we will address some of the following topics during the course:

- The *Entrepreneurial Ecosystem* is a foundational concept of the course. Specifically, the EE consists of four elements:

  - Corporate governance;
  - Financial markets;
  - Human Capital; and
  - Intellectual Property Protection.

- The *Capital Receptivity Index (CRI)* is a measure – ranging from 0 to 100 – that quantifies the effectiveness of a country's EE by scoring the country on 24 specific factors. During the pre-trip module, we will calculate the CRI for selected countries using data from EE experts.

- The *Startup Common* -- a way to assess a city's ability and potential to sustain ever-higher levels of local startup activity -- consists of six key elements:

  - Pillar companies
  - Universities
  - Human Capital
  - Investment Capital
  - Mentor Networks
  - Startup-Friendly Values

- The student teams working with Hong Kong and Shenzhen startups will use the *Start-up Strategy Framework*. Team will use this framework based on issues identified during their meetings with the startups, to advise the companies on key choices that might include how best to

    o Set goals;
    o Raise capital;
    o Pick markets;
    o Build the management team;
    o Gain market share; and
    o Adapt to change.

Course structure

The course is organized around three modules, which, together, provide the conceptual bases to understand the role of business in poverty alleviation, as well as knowledge of the Hong Kong and Shenzhen EEs; visits illustrating the different concepts in Hong Kong and Shenzhen; and a consulting project for start-ups in those countries.

- *On-campus pre-departure module* (Two days)
    o Day 1: Overall introduction
        - Introduction to the overall schedule of the program
    o Day 1: The Entrepreneurial Ecosystem concept
    o Day 1: Calculating the Capital Receptivity Index (CRI)
    o Day 2: The Startup Common and Start-up Strategy Frameworks
        - Introduction to Startup Common framework
        - Introduction to startup strategy framework
        - Team presentations that apply startup strategy framework
    o Day 2: Introduction to the cultural background and logistics of the trip
        - Discussion of the logistics of the trip
        - Introduction to Hong Kong and Shenzhen culture and history
        - Explanation of consulting projects and engagement contracts

- *Hong Kong/Shenzhen module. Visits with local start-ups, capital providers, and experts on entrepreneurship. Key graded activities:*
    o Student teams will lead daily debrief sessions;
    o Each student will complete a daily trip journal intended to encourage reflection on how the concepts introduced in the pre-departure session apply to the companies visited; and
    o Student teams will meet with their client startup companies in Hong Kong/Shenzhen to identify business issues and draft engagement contracts.
- *Post-departure consulting projects*
    o Students develop weekly work plan and communicate weekly with client and professor on progress completing the work-plan described in the engagement contracts

o Students deliver presentations – either via Skype, teleconference, or Brainshark -- providing strategic recommendations to local startups roughly six weeks after returning to Boston

Required Reading

First Pre-Departure Session

Students must purchase *Capital Rising*, *Hungry Start-up Strategy,* and *Startup Cities* (they will be available in the Babson bookstore or online). Other readings are available at no charge online.

- *Capital Rising*, Introduction, Chapters One and Two
- Isenberg, Dan, "How to Start an Entrepreneurial Revolution," *Harvard Business Review*, June 2010.
- Dan Levin, "Smaller Overseas Entrepreneurs Find China Too Frustrating," *New York Times*, November 4, 2015 http://www.nytimes.com/2015/11/04/business/smaller-overseas-entrepreneurs-find-china-too-frustrating.html
- Sawyer Research (*Capital Rising*, pages 191-196)
- Tutor Vista (*Capital Rising*, pages 178-182)
- Peter Cohan, "Critical Software Shows Portugal Can Grow," *Forbes*, June 6, 2011, http://www.forbes.com/sites/petercohan/2011/06/03/critical-software-shows-portugal-can-grow/
- Focus Media (*Capital Rising*, pages 199-202)
- Peter Cohan, "Cloudera Finds Insight In a Haystack of Data," *Forbes*, August 4, 2011, http://www.forbes.com/sites/petercohan/2011/08/04/cloudera-finds-insight-in-a-haystack-of-data/

Second Pre-Departure Session

- *Startup Cities,* Chapters One through Three
- *Hungry Start-up Strategy*, Introduction, Chapters One through Six
- Noam Wasserman, "The Founder's Dilemmas: Anticipating and Avoiding the Pitfalls That Can Sink a Startup ," *Princeton University Press* (March 31, 2013)
- Peter Cohan, "Why Does Location Matter?" *MIT Entrepreneurship Review*, September 20, 2013, http://miter.mit.edu/why-does-location-matter/
- Peter Cohan, "ASSIA Creates Billions in Value for DSL Providers, Forbes, November 7, 2011, http://www.forbes.com/sites/petercohan/2011/11/07/assia-creates-billions-in-value-for-dsl-providers/
- Peter Cohan, "Rebtel Poised to Upend Global Communication," *Forbes*, October 10, 2011, http://www.forbes.com/sites/petercohan/2011/10/13/rebtel-poised-to-upend-global-communication/
- Peter Cohan, "iZettle Lets Europe's Mom-and-Pops Take Chip-Cards," Forbes, October 19, 2011, http://www.forbes.com/sites/petercohan/2011/10/19/izettle-lets-europes-mom-and-pops-take-chip-cards/

- Peter Cohan, "XL Hybrids Growing 10-Fold By Cutting Fleet Fuel Consumption," *Forbes*, September 25, 2013, http://www.forbes.com/sites/petercohan/2013/09/25/xl-hybrids-growing-10-fold-by-cutting-fleet-fuel-consumption
- Peter Cohan, "Pure Storage Targets EMC, Streaks To IPO With $150 Million Capital Infusion," *Forbes*, August 29, 2013, http://www.forbes.com/sites/petercohan/2013/08/29/pure-storage-targets-emc-streaks-to-ipo-with-150-million-capital-infusion/

Grading and deliverables

There are three major grading points in this course:

- Presentations during pre-departure sessions (group)   20%
- On-campus participation and professionalism (individual)   10%
- On-site participation and professionalism (individual)   15%
- On-site daily journals (individual)   20%
- Post-trip presentations (group)*   35%

Details of the major deliverables are as follows:

- **Presentations during pre-departure sessions (group).** Teams of students work together for two hours at each of the two pre-departure sessions. They prepare and present 15-minute presentations at each session on topics pertaining to the material covered in the reading and the interactive class discussion.
- **On-site daily journals (individual).** Every day in-country, each student must prepare at least one page of a journal that relates the day's visit to the concepts discussed in the pre-departure sessions. The professor will provide a series of questions that the students must address in the daily journal entries.
- **On-site participation and professionalism (individual)**. During the in-country visits, students will be judged on their professionalism and the quality of their questions in meetings with companies and others. In addition, each student will participate in daily post-visit wrap-ups in which they will summarize the key learning from the day and how it relates to the core concepts of the course.
- **Post-trip presentations (group).** The consulting projects with companies in Hong Kong and Shenzhen will include two key deliverables: the engagement contract that sets out the key objectives and deliverables of the project and the final presentation on which the team's work will be judged. Presentations are typically 30 to 45 minutes in length and either use Brainshark or are delivered through a video conference to the client. Clients review final presentations and provide their feedback to the professor who incorporates it into the final grade.

Accommodations/Disabilities

Any student who feels he or she may need an accommodation based on the impact of a disability should contact me privately and in a timely fashion to discuss his or her

specific needs. Students must also contact the Director of Disability Services at 781-239-5509 or in Hollister Hall 122 to coordinate reasonable academic accommodations.

Religious Observances

Any student who faces a conflict between the requirements of a course and the observance of his or her religious faith should contact the instructor as early in the semester as possible. In such event, the instructor will provide reasonable accommodations that do not unduly disadvantage the student.