

**15.395 Entrepreneurship Without Borders**

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**Fall 2015 (H1)**

**Section A: Tuesdays/Thursdays, 10:00 - 11:30 a.m., E51-345**

**Section B: Tuesdays/Thursdays, 1:00 - 2:30 p.m., E51-345**

Professor Simon Johnson

Office: E62-420

617-290-9618 (cell phone, for any urgent matter)

Email: [sjohnson@mit.edu](mailto:sjohnson@mit.edu)

Professor Valerie Karplus

Office: E62-482

Email: [vkarplus@mit.edu](mailto:vkarplus@mit.edu)

**Teaching Assistants:**

Olaide Olambiwonnu (section A)

Email: [laide@mit.edu](mailto:laide@mit.edu)

Anita Wu (section B)

Email: [anitawu@mit.edu](mailto:anitawu@mit.edu)

**Administrative Assistant:**

Michelle Fiorenza, E62-411

Email: [fiorenza@mit.edu](mailto:fiorenza@mit.edu)

**Course website:** [All materials are on Stellar](#)

Entrepreneurial opportunities continue to develop quickly around the world. In some instances, these foster sustained economic growth and a way in which productivity can be transformed. In other cases, setting up a business is just a way to survive when the alternatives are so dismal.

This course focuses on measuring and understanding what kinds of entrepreneurship thrive in different countries. We work with analytical diagnostic frameworks that can be used to better understand any situation. This includes applying macroeconomic financial, and microeconomic tools – as well as thinking about the role of politics, culture, and other non-economic variables. We cover relevant history, as well as the likely trajectory of countries and what kind of policies can make a difference.

We look carefully at business models in a search for both established patterns and the latest innovations. We also ask a pointed set of questions about the likely future patterns of new idea development, prosperity, and relative power:

- The US has established strong leadership in terms of developing new technology and creating new ways of organizing production, but will this advantage continue?
- Can emerging markets in any sense “take over” as growth leaders in broad economic terms and relative to the creation of new entrepreneurial ventures?
- Who is likely to benefit most from the new opportunities that will arise over the next five, 10, or 20 years?

*Entrepreneurship Without Borders* (EWB, 15.395) is a natural complement to *Global Entrepreneurship Lab* (GLAB, 15.389), in which students work with companies around the world (including an internship in IAP). During EWB we transition from thinking at the macro level about countries to focusing on the details of business creation in difficult environments – and how an outside team (e.g. of MBA students) can provide sensible and actionable advice. We interact directly with entrepreneurs, who we invite as guests into our classroom, on these and related issues.

EWB also connects strongly with 15.220 *New Models for Global Business* (NMB, 15.220), which Prof. Karplus will teach in H2 of Fall 2015. NMB focuses on analyzing decisions companies face in the course of global expansion. It will cover topics such as managing and leveraging big data, social and peer-to-peer networks, technology, and talent across national borders to develop company capabilities and enhance competitive advantage, drawing on cases from a variety of industries and locations.

At the same time, EWB is also designed to be taken as a stand-alone course by anyone who wants to think further about the fast-evolving patterns of new opportunities in all corners of the globe, especially in markets outside the U.S.

### **Course materials and readings:**

Articles, class notes, slides, and other resources related to the course are all posted on our [Stellar course web site](#).

## Requirements:

The requirements for the course and the contribution of each toward the final grade are as follows:

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|--|-----|
| 1. Two Individual Case/Reading Write-ups (10% x 2) | 20% |
| 2. Group Research Paper/Country Report             | 45% |
| 3. Class Participation                             | 35% |

These requirements are described in detail below:

### 1. Case Write-ups:

The case/reading write-ups should be brief (no more than three double-spaced single-sided pages) and focused on analyzing the required readings for two classes of your choice (but you are advised not to wait until the student organized sessions, #8, #9, and #10). Each write-up counts for 10% of the grade (i.e., 20% of the total grade is for these write-ups). You should look at all the readings for the relevant class, although you don't have to cover everything in your write-up.

**Write-ups are due at the start of class on the day the readings are to be discussed.** These write-ups should be analytical discussions of some issue central to the case and can also usefully serve as your talking points during the class discussion. Please do not write a summary of the reading or repeat facts from the reading except to bolster your argument. Based on the information provided in the case materials, please be analytically judgmental and evaluative.

You can use the Study Guide Questions to help structure your write-up, or you can take a different approach. In either case, you should propose alternate views and action plans whenever appropriate. Discuss the relevance and applicability of the frameworks proposed in the readings and lectures. In short, you should write what you think of a situation or issue, not a summary of the views presented. Be original. **These case write-ups are INDIVIDUAL assignments.**

**A helpful hint for write-ups:** Use the ideas and data discussed in class #1 and class #2 to discuss the countries and readings for other class sessions. Be creative in how you apply this material and you will do well.

## 2. Group Research Paper / Country Report

This group project is due on **Thursday, October 15 (at the beginning of the last class)**, and will count for 45% of the grade. You need to submit a written report on the entrepreneurial environment in one country as it is likely to look in January 2016. The length of the text should be 10-15 pages, single-sided and double-spaced in 12 pt. font or less; exhibits can be an additional 5-10 pages, as needed. You can be optimistic or pessimistic, but you should ground your assessment in data – and link your analysis to the themes studied in one or more of our classes. You can also flag the policies that need to change in order to make the environment in that country more favorable to the growth of new business ventures. Final papers will be graded on content as well as clarity of writing. Please follow a consistent format for citing all references used to develop your argument – and please be sure to cite clearly all sources, including those you find online. For more details, including acceptable citation formats, please see <http://libguides.mit.edu/citing>.

**This is a GROUP assignment. You can work in teams of 3-4 people on this project.**

## 3. Class Participation

Your active participation in the discussion during class is integral to the design of this course. **Class participation counts for 35% of your final grade.** Prior preparation of the cases and assigned readings is essential background for the lectures and case discussions. We want you to draw on your own experiences and perspectives as much as possible, but you need to do the reading in order to contribute effectively to the flow of the discussion.

Preparation is particularly important when we have guests. These distinguished people are expecting to be impressed by our level of preparation and discussion – please do not disappoint them.

Those of you whose native language is not English and/or who may have difficulty speaking up in class are encouraged to talk with us to discuss how your participation in class can be ensured. We are open to innovative proposals with regard to earning class participation points. For example, helping us to arrange materials for sessions #8, #9, or #10 is a very good way to earn a great deal of credit (e.g. connect us with an entrepreneur who is willing to share material and talk about his or her business/perspective outside the US). Alternatively, finding and proposing relevant newspaper or other short materials we can use in our classroom discussions is also a good way to earn participation points.

The point of the course is to engage with a wide variety of perspectives and new information on entrepreneurship around the world. Students typically have excellent

proposals for class sessions – particularly as we look for the latest developments (good or bad) around the world. The course is designed so that we will have enough time to seriously consider and discuss any ideas you want to put before us.

**Use of any electronic device in class without permission is interpreted very negatively by the instructors. Participation points will be deducted on a large-scale. If you would like to view class readings on an iPad or similar device during class, please sit in the front row.**

Similarly, arriving late, leaving early, or simply walking in and out of class is strongly discouraged. If you know you need to leave early, please tell us in advance, sit near the door, and leave quietly. Conversely, class will start and end precisely on time. You have every right to complain if we fail to meet this requirement.

Missing a class is not acceptable and will also be reflected in participation points. Legitimate emergencies do occur – so reasonable explanations should be emailed to us (with a copy to the TA) in advance of the class or at the earliest possible moment.

**Important:** We will generally provide a summary of the day's discussion and main take-away points. This will be posted on Stellar after each class. **Our classroom discussion is confidential and is not to be recorded in any fashion without express written permission.**

## Part I – The Environment for Entrepreneurship

### Thursday, September 10 (class #1): Introduction – Where are the opportunities for entrepreneurs around the world?

**Required Reading:** (We will use the following in both class #1 and class #2; the data discussed will be useful throughout the course.)

Table 6.1 from the World Bank Report *Purchasing Power Parities and Real Expenditures of World Economies: Summary of Results and Findings of the 2011 International Comparison Program* (this is an excerpt from a long report, providing detailed data across countries; this table is a useful reference guide when thinking about any country.)

World Population Publication 2012 Wallchart (This does not print out well, but you can glean a great deal of relevant information by viewing on your computer screen and zooming in on particular countries.)

Chapter 2 in Global Entrepreneurship Monitor: 2014 Global Report. Please download Chapter 2 from the link on Stellar. This is a long report, but Chapter 2 will give you the main points. For more detail on this organization and its reports see: GEM.

All readings are located on the Stellar course website.

### Study Guide Questions

1. Where in the world is there likely to be economic growth in the near term (5 years) and over the medium run (20 years or longer)?
2. How important is entrepreneurship – creating and scaling-up new businesses – in the process of economic development?
3. How does the Global Entrepreneurship Monitor help us think about these issues, and what is it missing?

### Comments

This class serves as a general introduction to the course, including both substance and style of learning.

The readings are an essential input into the class but we will typically cover more than is in that material (and this session is no exception). The discussion is designed to be open and cover a wide range of topics to allow you to learn from all the perspectives present in the classroom.

**Tuesday, September 15 (class #2): Building new businesses around the globe – What are the constraints?**

**Required Reading:** (Also, look again at the readings assigned for class #1.)

“Root causes: A historical approach to assessing the role of institutions in economic development,” by Daron Acemoglu, *Finance and Development*, June 2003.

Overview, pp.1-14, in *Doing Business 2015: Going Beyond Efficiency*. Their webpage Doing Business is also a great resource for thinking about individual countries and regions, and we will refer to that throughout the course.

Not Exactly Silicon Valley: China’s Distinct Brand of Entrepreneurship.  
Knowledge@Wharton website, December 2013.

**Study Guide Questions**

1. What factors affect the creation and strategic choices of entrepreneurial ventures? Do these factors differ across countries? What about sectors? How should we weigh these factors when identifying potential new business opportunities?
2. What are “institutions” and how do they shape the choices and options of would-be entrepreneurs? (Why do they matter for economic growth more broadly?)
3. Is it possible to tweak or otherwise adjust the restrictions on business entry so as to promote entrepreneurship and economic growth? Why don’t all countries simply adopt pro-business rules, as defined by Daron Acemoglu or by the World Bank?

**Comments**

We explore the connections between market characteristics and patterns of entrepreneurship, and discuss the barriers entrepreneurs face when raising capital, building a team, entering the market, and scaling up – as well as strategies for overcoming these barriers. Should potential entrepreneurs pay any real attention to these broader market characteristics? Or is it inherent in the nature of entrepreneurship just to face the risks in whatever form they are manifest?

## Thursday, September 17 (class #3): Is it all about capital? The case of Germany

**Guest:** Jan Kallmorgen, Partner, Head of International Business, Interel Group

### Required Reading:

How to Fund a Start-Up, by Paul Graham (of Y-Combinator).

Rocket Internet: Red Glare, *Financial Times*.

A slow climb: A vigorous start-up scene has yet to produce its first big breakthrough. (Oct. 5, 2013.) *The Economist*.

Can SoundCloud be the Facebook of Music? (July 10, 2015.) *Bloomberg*.

### Study Guide Questions

1. What are the main features of the entrepreneurial environment in Germany?
2. What are some of the challenges that explain why, despite strong human capital and rule of law, startups in Germany often struggle?
3. Is there an opportunity for US-style venture capital in Germany?

### Comments

Here's a cynical perspective. Perhaps none of our broader discussion about environments really matters that much. Perhaps the real question is much simpler – who can access capital and on what terms? Or is something else going on?

Europe is interesting in this regard because the broader institutions (think Acemoglu or *Doing Business*) look good in general. But entrepreneurs do not have the kind of success that has become more common in the US.

Without question, Germany has the human capital (engineers, managers, and workers) needed to make world-class products and to push the frontier in terms of quality. Essential institutions, such as the rule of law and the ability to enforce contracts, clearly work well.

And there are a few bright spots – we explore Berlin's bustling startup scene, the rise of Rocket Internet, and the successes of startups like SoundCloud.

But more often than not, start-ups often struggle in Germany. We need to know why.

## Part II – Helping Entrepreneurs

Part I of the course was focused on environments for entrepreneurs – taking them largely as given, unless you control policy or run the World Bank. Part II looks at ways that smaller-scale private and public initiatives can have an impact.

Can the government really help private individuals become more successful entrepreneurs? Once the government becomes involved in this process, doesn't that open the door to all kinds of "rent-seeking" (this is economics jargon for spending your time getting favors from the government, including measures that keep out other potential new entrants; think back to the Acemoglu points in class #2).

Alternatively, perhaps nothing is ever possible without government support – or at least benign neglect?

We also consider private sources of support beyond traditional startup financing, including incubators, crowdfunding, corporates, and other established or emerging models that can be in-kind as well as financial.

We will, no doubt, have a somewhat ideological discussion on this point – at least with regard to the United States. But we need to get beyond that because we are trying to consider the other 190 or so countries in the world also – most of which (with a few notable exceptions) just want to find a pragmatic and sustainable way to build a stronger private sector.

## Tuesday, September 22 (class #4): Strategies for Helping Entrepreneurs (1) – The role of the state

### Required Reading:

“Empire of the Geeks,” *The Economist*, (July 25, 2015).

Start-Up Chile website: Read the "About" section and review the "Technical and Administrative Requirements." Explore other parts of the webpage in whatever way makes sense to you.

*We will add reading on Israel's experience with venture capital (this is currently under development by Ziv Conen at MIT Sloan).*

### Study Guide Questions

1. What matters when thinking about where to build your business?
2. Chile has come up with an innovative way of helping stimulate entrepreneurship. Will it work?
3. What would you recommend as other ways to help entrepreneurs? (Feel free to draw on real world examples of the government trying to help private business in this way.)

### Comments

Silicon Valley is seen as a role model and an inspiration around the world. But what parts of this experience can be replicated elsewhere? And does it help or hurt when the government gets involved in attempting to improve the local ecosystem?

## Thursday, September 24 (class #5): Strategies for Helping Entrepreneurs (2) – The role of the private sector

**Guest:** Sia Kamalie, SwiftArc Capital

### **Required Reading:**

Interview with Sia Kamalie.

Weekend Read: What's Next for Emerging Market Entrepreneurship?

Brief article on how multinationals are helping entrepreneurs as a way to gain a foothold in emerging markets: Robins, S.J. Multinationals turn to entrepreneurs for a foothold in emerging markets. Entrepreneur Magazine, (May 31, 2013).

**Optional:** Also see interesting mini-cases and articles from McKinsey (the title of this feature on their website may seem similar to the name of this course, but we were there first): Entrepreneurship Without Boundaries.

### **Study Guide Questions**

1. What forms of private support genuinely help entrepreneurs, especially in developing countries facing resource constraints? Do investor-incubator models make sense for building management talent and connections?
2. From the investor perspective, what data, rules of thumb, or other techniques aid the selection of promising opportunities?
3. From the company perspective, how can entrepreneurs make the most of private support? Where can things go wrong?

### **Comments**

Private support for entrepreneurs can take many forms, from financing to training, networks, customers, etc. In this class, we survey the various forms of private support for entrepreneurs, and explore the pros and cons of each, especially in emerging and frontier market contexts.

We then turn to Sia Kamalie, an investor in businesses operating in frontier markets in Asia, the Middle East, and Africa, who will discuss how his firm evaluates business plans, among them investor-incubator models such as Silvertree Capital in Cape Town, South Africa. We will also discuss the role of private support in shaping a startup's scaling and exit strategies, with an eye to identifying new models and bottlenecks seen in recent years.

## Part III – New Frontiers

The goal in Part III of the course is to look at the latest developments around the world, while applying what we learned in Part I (entrepreneurial opportunities and obstacles) and Part II (who or what can really help entrepreneurs). We are interested not just in new product ideas – or ways to apply standard models and sensible thinking to new situations – but also potential new models.

In particular, we are looking for new frontiers – what is coming next in terms of ideas, models, products or anything else around the world.

## Tuesday, September 29 (class #6): Entrepreneurship in China – Is it really different?

**Guest:** Elaine Wong, Hao Capital, Beijing, China

### **Required Reading:**

Teng, B.-S. et al. (2007). Three Generations of Chinese Entrepreneurs: Will the Third Generation be as Successful? *Ivy Business Journal*.

Let a million flowers bloom. *The Economist*, (March 10, 2011)

Bradshaw, D. The rise of China's entrepreneurial spirit. *Financial Times*, (Dec. 7, 2014)

Flannery, R. How Alibaba Helped to Spawn a Generation of Young Entrepreneurs in China. *Forbes*, (May 12, 2014).

### **Optional:**

Towson, J. & Woetzel, J. (2014). *The One-Hour China Book*. (This recent book comes highly recommended by our speaker Elaine Wong).

### **Study Guide Questions**

1. How has entrepreneurship in China evolved over the past 35 years? How does the current ecosystem compare and contrast to hubs like Silicon Valley?
2. Going forward, what role will entrepreneurship play in China's economy, and its leaders' efforts to shift from export-led to innovation-driven growth?

### **Comments**

Despite recent troubles, three decades of double-digit growth through 2010 lifted many in mainland China out of poverty and modernized the economy, generating an unprecedented range of new business opportunities. Yet, China often receives low rankings on many measures of entrepreneurial activity and support. What's going on?

In this class, Elaine Wong helps us understand how entrepreneurship has played a role in different stages of China's "economic miracle," and what the future may hold. Looking ahead, as it continues to develop, China faces a range of challenges—curbing its rising pollution, upgrading education and social services, and coping with demographic shifts, among others. From web startups behind the great firewall to new models for clean energy and healthcare delivery, we look at the state of start-ups in China today and assess their prospects to deliver sustainable, innovation-driven growth.

## Thursday, October 1 (class #7): Social Entrepreneurship – Bringing profit into the value chain and scaling up

**Guest:** Sarah Bird, Co-Founder, SaafWater

### Required Readings

One-pager on SaafWater: Providing affordable clean water to the urban poor.

Huang, G.T. Bird Flies the Coop: A Startup Social Enterprise Heads From MIT To Pakistan. *Xconomy Boston*, (May 13, 2008).

Banerjee, A.B. & Duflo, E. Reluctant Entrepreneurs. *Business Standard News*, (June 11, 2011)

### Study Guide Questions

1. What was SaafWater trying to do? Would you consider the concept better suited to a for-profit or non-profit model? Why?
2. What do you think are some of the key ingredients for success in challenging “bottom-of-the-pyramid” markets? Are there particular strategies that consistently work well, or is it all just a big gamble?
3. How did SaafWater empower “necessity entrepreneurs” locally? What is the broader potential for entrepreneurs entering from the outside to tap into, and improve the conditions for, “necessity entrepreneurs”?

### Comments

Many studies suggest that huge opportunities exist at the “bottom-of-the-pyramid,” with the potential to improve lives while generating profit. In particular, we are interested in understanding under what conditions these businesses can succeed and scale.

We will talk with Sarah Bird, founder of SaafWater, a for-profit social enterprise focused on providing water purification solutions to low-income communities in Pakistan, with the aim of reducing the local burden of diarrheal disease.

Growing initially from an idea that won its seed capital in the MIT Entrepreneurship Competition into a 26-person company in Karachi, Pakistan, SaafWater closed its doors two and a half years later. In exploring why, we ask: what are the main barriers to social entrepreneurship? Is this about Doing Business type issues or a broader limitation in what social entrepreneurs can do (think back to Part II)?

**Tuesday, October 6 (class #8): Student-organized session**

**Required Readings: TBA**

**Study Questions: TBA**

**Thursday, October 8 (class #9): Student-organized session**

**Required Readings: TBA**

**Study Questions: TBA**

**Tuesday, October 13 (No Class – Monday Schedule)**

**Thursday, October 15 (class #10): Student-organized session**

**Required Readings: TBA**

**Study Questions: TBA**