

Creating a Culture of Innovation

Throughout Asia experts are looking for ways to spur entrepreneurship.



looking for a challenge in Japan. "The problem is, would-be entrepreneurs are lazier and not aware of their choices. If they are given more options, they may be far more willing to take risks," he said.

By 2010, the Asian region is poised to represent 45% of global GDP and 32% of world trade, noted Nobuyuki Imai, a former Sony chief and now head of the

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out of us take for granted electronic miniaturization and the benefits it has brought in terms of mobile communications and affordable computing power. It's easy to forget that, with our key innovations in the application of quantum mechanics, we could very well still be funding for change while queuing up for public telephones.

Nobel Prize-winning physicist Leo Esaki was pivotal in paving the way for many quantum leaps in electronics seen over the last few decades, both as a theoretician and experimentalist. The theoretical physicist was a key speaker at the Asia Innovation Initiative (AII) conference, June 6-7 in Fukuoka, Japan, which was attended by representatives from technology companies. Of all the speakers, Esaki's message was best-positioned to provide insight into how to spur innovation. "Innovation takes you from vacuum tube to the transistor, later he offered the audience a lesson, referring to the unlikely predecessor of today's microchips. "There is a view, particularly in stable societies, that the future flows smoothly from the past. But progress is not smooth; it occurs in steps, driven by innovation."

Esaki emphasized the importance of failure as a path to success. "Sony, then called Tokyo Telecon, took on transistor as a serious business, only 30% of vacuum tubes were envisioned to be replaced with these new devices in the United States. So this reconceived a big bet by Sony at the time," he said. The opportunity costs of an invention to take proved a key theme for the remainder of the conference.

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business consultancy Gannan League Corporation and one of the conference's organizers. But how the region can prepare for this growth in terms of providing necessary support for innovation and entrepreneurial creation at a regional level was left far from clear. "Asia happens to be a very heterogeneous region," said Morris Cheng, founder and chairman of Taiwan Semiconductor Manufacturing Company Ltd.

a year later," he pointed out. In comparison, he noted a trend of startups in the U.S. setting up camp within 30 minutes of their financing source—a kind of self-incubation, as they know they may need to hold meetings up to three times a week. Masatoshi Go, president of Tairanet Network Partners, a venture support organization with the aim of creating a Silicon Valley-type ecosystem in Japan, noted that there is no shortage of people

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"No amount of research and improvement takes you from the vacuum tube to the transistor," he offered the auditorium, referring to the unwieldy predecessors of today's microchips. "There is a view, particularly in stable societies, that the future flows smoothly from the past. But progress is not smooth; it occurs in steps, driven by innovation."

Esaki emphasized the importance of failure as a path to success. "Sony, then called Tokyo Telecom, took on transistors as a serious business, only 20% of vacuum tubes were envisioned to be replaced with these new devices in the United States. So this represented a big risk by Sony at the time," he said. The opportunity costs of an aversion to risk proved a key theme for the remainder of the conference.

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Tazan International Inc., noted: "Despite being the world's second-largest economy, Japan has only 10% of the venture capital found in the United States. New technologies simply may not be realized with such low investment."

It was a sentiment echoed by Deepak Bangalore, CEO and president of U.S.-based software company Samixa Inc. "In Japan, a venture capital firm may give you some money and check up on you

looking for a challenge in Japan. "The problem is, would-be entrepreneurs are fearful and not aware of their choices. If they are given more options, they may be far more willing to take risks," he said.

Fostering Creativity

By 2020, the Asian region is poised to represent 45% of global GDP and 35% of world trade, noted Nobuyuki Idei, a former Sony chief and now head of the



Brainstorming 101: Hundreds of representatives from technology companies across Asia discuss the future of the global economy at the Asia Innovation Initiative conference held in June in Fukuoka, Japan.

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"Asia happens to be a very heterogeneous region," said Morris Chang, founder and chairman of Taiwan Semiconductor Manufacturing Company Ltd.

(TSMC). "Every country has its own characteristics, and there are different demands for innovation. Given this, I believe we should first seek out the common points in the region."

Yet, developments across the region have retained the hallmarks of this heterogeneity. South Korea appears to be setting the pace in developing a stronger risk appetite. Dong-Sung Cho, a professor of strategy, international business, and management design at Seoul National University, noted that the trend of regional economies transcending national economies is having a profound impact on his country.

"There is a consensus that the government is bumping up the status of entrepreneurs and gaining momentum over the chaebol, or Korean conglomerates," he said, referring to the family-run groups that have historically been necessary to concentrate limited resources.

"Perhaps in the next five years or so, we'll see a drastic change in the way chaebol groups do business," he noted, alluding to the likelihood of breakups among the groups and noting that at least one recently dissolved chaebol's individual companies are now more highly valued than any of the other still immensely powerful groups.

Cho also predicted that the high value Koreans put on education would increase South Korea's profile and role in the region. The statistics are startling: Almost 100% of high school students go to college, and many venture abroad for language studies or graduate school.

Against the Odds

In communist China, the passion of homegrown entrepreneurs cannot be squelched. The country's sizzling economy and market reforms have unleashed the power of private enterprise. As a result, 59% of the country's GDP doesn't come from the state-owned sector, according to the Organization

for Economic Cooperation and Development. Where is the entrepreneurial talent coming from? According to Weiyang Zhang, dean and professor at the Guanghua School of Management at Peking University, most entrepreneurs are engineers and tech people who often get training and capital from abroad.

One good example is Internet mogul Robin Li. In just seven years, the 37-year-old has amassed a fortune of more than \$500 million after co-founding the Chinese search engine Baidu.com. After getting his master's degree in the U.S., Li raised funding from American investors who saw the enormous potential of his business plan. Today his company is not only a major online information service provider; its stock is listed on NASDAQ. In the future, Baidu.com plans to expand business in Asia, first in Japan.

Struggling Giants

While the focus of the All conference was on how to nurture entrepreneurship, there was also some discussion on how big businesses had to rethink their innovation strategies. "Most innovations come from large companies," said TSMC's Chang. "I believe, therefore, that encouraging more innovation in these organizations is of primary importance."

The advice wasn't lost on Japan's semiconductor makers, the once-undisputed leaders of innovative applications, since many are looking for ways to reposition their businesses to remain competitive in the global economy.

"One way is through consolidation, but this is not always the answer," noted Quantum Leaps' Idei. "Technology is the other. And this represents a great challenge. Developing product breakthroughs requires quantum-leap thinking. I think this is the underlying agenda of this conference's mission."

—Kai Ruthrof