

Building A Startup As A Global Business

BY KIM GIRARD

Thanks to the Internet, entrepreneurs are no longer confined to a local geography when building a new business—the world can be their market from day one.

But building a startup as a global business requires managers with skills and strategy much different from their predecessors of even a generation ago. If you are a global entrepreneur, says Harvard Business School Associate Professor William R. Kerr, “you have to think much earlier and much faster.”

The new MBA second-year course Launching Global Ventures (LGV), developed by Kerr and taught for the first time last winter, teaches students just those skills.

When Kerr started drafting a syllabus for the course, he knew fresh business cases were needed—much of the academic research and course materials on global entrepreneurship he reviewed were dated. For example, earlier HBS courses on international ventures typically focused mainly on the challenges of starting a company in a specific country—such as Argentina or Thailand—instead of launching internationally from the get-go, as many entrepreneurs do today.

Kerr says he wanted LGV to “go straight to global,” helping students understand at early points in the business life cycle how these fledgling ventures can operate across multiple countries. The course would also identify advantages and liabilities of starting an international company, how to manage it locally and globally, and building partnerships and personal networks—an area of continuing interest for the researcher.

Kerr didn't have to look far for material, with several recent HBS grads—and a then second-year MBA student—starting global companies, the perfect subjects for about half of the dozen case studies used in the course. After many interviews, Kerr was able to glean powerful details on the challenges that these entrepreneurs took on as they built companies operating in multiple geographies. Eighteen months later, he was ready to launch the new course, which puts an up-to-the-minute spin on an ancient form of trade.

'BORN GLOBAL' NOT NEW

Forming global companies is nothing new, Kerr says. Phoenicians served as the middlemen for trade across the Mediterranean region, for instance, and Europeans built nation-spanning operations as they explored and colonized, exploiting valuable resources along the way.

Throughout history, Kerr argues, global ventures have been governed by two common forces. First, there must be an advantage to connecting two different places—Christopher Columbus's desire to link European markets to Chinese silks, say, or Silicon Valley's desire for cheaper programming talent in India. Second, a global company needs methods and tools to enable the venture, such as long-haul ships for Columbus or the Internet and telecom infrastructure for Skype.

During his research and course development, Kerr focused on three key pieces for LGV cases: identifying case examples of larger trends and phenomena being uncovered by research; describing the most recent questions entrepreneurs are facing, even if the answers are far from

certain; and identifying areas where previous HBS students felt underprepared for handling the challenges.

As an example, one case discussed in LGV was EverTrue Mobile Technology Development, which centers on Brent Grinna (HBS MBA 2010), who founded the company when he was a second-year student at HBS. In the case, EverTrue is creating a mobile application that would allow schools to connect more easily to their alumni networks. Grinna was asked to build a prototype of the application for Brown University's Alumni Association board in two months. Trouble was, Grinna lacked a technical background.

In class discussion, students consider whether Grinna should hire local programmers or a CTO to do the work; outsource the work using a global labor platform like oDesk; or partner with Dashfire, a new venture that takes equity in startups in exchange for development work in India. They also evaluate the managerial challenges that Grinna will face if his team becomes spread across two countries at such an early stage. And there is an opportunity to discuss various online outsourcing models, which represent a major trend in global labor markets.

In the end, students grapple with a very recent phenomenon for entrepreneurial companies—they may start global for the first phases of development and then consolidate into a single location, the opposite of traditional patterns where international operations commence with company growth and maturity.

IN THE CLASSROOM

The LGV cases represent a range of businesses. Kerr kicked off the first class with the story of Celtel International, a Pan-African cellular provider that at the time was operating in 13 countries. He began the discussion by questioning what the venture had gained by operating in multiple countries and spreading its talent across the locations. He then asked when does a global startup become more than the sum of its parts. As an example, the company's operations in contiguous countries had greatly boosted its product design potential (e.g., cross-border roaming), but it had also lowered the potential diversification benefits that many students highlighted as a key Celtel advantage when operating in Africa.

Another LGV case centers on 2011 HBS alum Rebeca Minguela's model for Blink Booking, a website based in Spain for last-minute travelers that she cofounded and modeled on the US company Hotel Tonight. Blink offers a mobile application that provides same-day booking of boutique hotels across Europe, taking advantage of market price differentiations to determine the "best last-minute price" for users. Minguela's larger goal, Kerr says, is to create a global replication platform that will encourage more entrepreneurship in Spain.

Blink Booking served as a springboard for the class to discuss what makes a good candidate for international replication, along with the structure and ethics of these platforms. Students also discussed German incubator Rocket Internet, which clones successful business models and sites like eBay and Groupon **GRPN +9.09%** around the world. Rocket Internet, a buzz company on campus that has attracted a number of HBS students as employees, is "the quintessential LGV company," Kerr says.

Kerr expected to see many entrepreneurs on the first day of class but was surprised by the students' diversity. Although about 60 percent had an active business idea they were working on, a substantial portion came from private equity or consulting backgrounds (e.g., McKinsey or The Boston Consulting Group) and had worked or were planning to work with clients engaged in global ventures. "This was a way for them to develop skills to help with their international client work or when evaluating investment candidates," Kerr says.

Many signs indicate that the global venture model has become a mainstream option for entrepreneurial companies, which was highlighted during a panel discussion in class that included a local venture capital investor and recent HBS entrepreneurs. Several students inquired how the VC viewed and evaluated founders of domestic-based companies compared with those starting global ventures.

“The VC quickly replied that there is no distinction anymore,” Kerr says. “Even if the startup is based solely in Boston, the world and competition move so fast that founders need to think globally from the start.”

About the author

Kim Girard is a writer in Brookline, Massachusetts.