

# Blazing trails

LSE alumni are fast emerging as successful entrepreneurs in China. **Brendan Smith** follows the careers of two of them and reflects on what their rise says about modern China.

Above: Bright lights of Beijing's central business district (CBD)

'The biggest challenge facing entrepreneurs in China today is the lack of a credit environment'

Twenty years ago it would have been difficult to talk about LSE alumni as entrepreneurs in China. Even as recently as the late 1990s, LSE graduates in China were largely working for Chinese, foreign or international government agencies or hoping to gain a well paid job at one of the many multinationals entering the Chinese market.

Over the last ten years, however, there has been a marked change. China has moved towards a more transparent regulatory structure, one that has allowed small and medium-sized businesses to thrive – and with them LSE entrepreneurs. The traditions in Chinese culture of being your own boss and running your own business are finding a new expression.

## Alex Lin

Founder and CEO, Chinavalue.net



manager for Intel in China, and later vice president

at one of China's large computer manufacturers, Tsinghua Tongfang, he credits his experience at Intel as key to establishing his own business.

In 2004 Alex launched Chinavalue.net, which he describes as 'a professional, social, media network, where members exchange information, knowledge and business know-how'.

The company currently has 25 full-time employees in Beijing, and 'over 350,000 part-time employees spread across the country'. These 350,000 play a critical role in providing information content and contacts through Chinavalue.net. They are also shareholders in the company, with their share value fluctuating according to the usefulness of the information they provide – as measured in web hits, new web links and new members brought in. Alex claims that this business model has been key to the ability of Chinavalue to grow rapidly. Indeed, he envisages further growth – with 20 million members by 2012.

The biggest challenge facing him and other entrepreneurs in China today, however, is the lack of a credit environment, one where banks and investors actually judge a start-up on its commercial merits, rather than on personal relations. 'The Silicon Valley culture does not exist in China,' he says. On top of this, a weak legal basis and lack of enforcement on contracts also

presents a challenge for an emerging entrepreneur – although there have been improvements in the last four years. ‘A younger and better educated generation of government officials, bankers and investors is emerging who understand the challenges and risks for budding entrepreneurs,’ he says.

Alex speaks passionately about LSE, describing the School as a place where students have graduated and gone on to change the world. He has similar ambitions for Chinavalue.net, aiming to be one of the country's largest online societies, influencing business culture and practice and much more in China, over time.

For those keen to follow in his footsteps Alex comments: ‘A young entrepreneur faces tough challenges in China, particularly in the internet sector. While a young graduate in Silicon Valley can attract an angel investor, in China this practice does not exist yet. There is a higher mountain for an entrepreneur to climb and it can be a lonely trek, though highly rewarding over the long term.’ He advises LSE graduates keen to establish themselves as entrepreneurs in China to gain experience with a leading multinational or a large Chinese company, and to take time to develop their own business plan rather than jumping in feet first.

See [www.chinavalue.net](http://www.chinavalue.net)

## Duncan Clark

Chairman, BDA China



Duncan graduated with a BSc Economics from LSE in 1990 and went on to work for Morgan Stanley in London and Hong Kong. However, in 1994, he embarked on his remarkable adventure in China. Duncan arrived in Beijing with three suitcases and knowing three people. Fourteen years later he is chairman of one of the most influential telecommunications advisory firms

## ‘A young entrepreneur faces tough challenges in China, particularly in the internet sector’

in China and the Asia region. The company employs 50 people in Beijing, and a further 12 in New Delhi. It advises companies seeking to participate or invest in Asia's most dynamic markets, specialising in the telecommunications, media and technology sectors, as well as other high growth segments, such as education and renewable energy.

Duncan describes a successful entrepreneur as having a ‘balance between audacity and pragmatism’, adding that entrepreneurship is about ‘knowing the limits of one's own capabilities, experience or knowledge’ and then seeking ‘partnerships and alliances with those who can fill those gaps’. Like fellow entrepreneur Alex Lin, Duncan also comments on the challenge of attracting capital at an early stage of a company's development. ‘I was fortunate to have a highly ethical and supportive founding partner in a Chinese academic named Dr Bohai Zhang – the “B” in BDA, together with “D” for Duncan and “A” for Associates,’ he says. ‘The partnership with Dr Zhang, and a one year retainer to work for Morgan Stanley in China, allowed BDA the initial breathing space to get started.’

But why leave the comfort zone of working with a major multinational in Hong Kong and London for the insecurity of being an entrepreneur in the Chinese market? Duncan says he was driven by several factors. ‘In Hong Kong in the early 1990s I saw an entrepreneurial vibrancy, which London lacked. I was exposed to a culture where setting up a firm takes only an hour, costs less than a thousand dollars, and allows the choice of a grandiose name such as Splendid Fortune Limited,’ he says. ‘I no longer saw setting up a business as requiring grovelling to an all powerful bank manager for a loan.’

On telecommunications he felt China was the future and the place to be, given the anomaly that 1.2 billion Chinese were served by only one million mobile phones.

Duncan believes that for foreign entrepreneurs to make it long term in China, they need to earn respect, but not to curry favour with clients, governmental officials or business partners. He recalls one story early in BDA's existence, when he gave a presentation on China Mobile in France – noting both its achievements and anti-competitive behaviour. He was given a dressing down from a senior China Mobile executive. The following week he was quite hesitant about boarding the flight back to Beijing and attending a previously scheduled meeting with China Mobile. Yet the same senior executive stretched out his hand and welcomed him saying: ‘After fighting we become good friends!’ He subsequently recommended two clients to BDA.

For Duncan, LSE remains a ‘special place’. ‘I enjoy returning there, and gave a lecture to the China Development Society during one of my more recent visits. BDA is also involved with LSE activities in China, specifically LSE's recruitment fairs, and we consistently recruit LSE alumni.’

See [www.bdachina.com](http://www.bdachina.com) ■



### Brendan Smith

(PhD 1999) is LSE's representative to China.

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