Understanding
ENTREPRENEURS
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Video: the winners
Hugo Greenhalgh reports from the Ernst & Young World Entrepreneur of the Year awards
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'Look favourably to African frontier'

Banker James Mwangi says the continent's biggest problem is perception, write **Liz Bolshaw** and **Hugo Greenhalgh**

Ernst & Young World Entrepreneur of the Year 2012: James Mwangi's humble background informs his entrepreneurial activities Sebastien Nogier

In an age when the reputation of bankers in the west is at a historic low, it is easy to forget that in the developing world they can still act as instruments for change on a massive scale.

Such is the story of James Mwangi, chief executive of Kenya's Equity Bank, and the 2012 winner of the Ernst & Young World Entrepreneur of the Year award.

When Mr Mwangi joined as Equity Bank's finance director in 1994, it was, he says, "technically insolvent", and rated "number 66 of 66 financial service providers" in the country. Then a struggling building society, today the bank manages more than 7m bank accounts – over half of all bank accounts in Kenya.

Born on "the eve of independence" in 1963, Mr Mwangi says he came from "a very humble family". One of eight siblings brought up by his widowed, uneducated mother, "I really understand the needs... and challenges of [those at] the base of the pyramid", he says.

He initially embarked on a career in law, but changed course to banking "to try and influence that industry to [change] communities".

After reading commerce at the University of Nairobi, he qualified as a certified public accountant and gained several years' experience at Ernst & Young and Trust Bank before joining Equity with the "desire to try and democratise financial services", he recalls.

At the time "only 4 per cent of the population had bank accounts... now 26 per cent [do]", he says. "For every 10 accounts that were opened in Kenya, seven were opened at Equity Bank and the other three were shared by 53 banks." He became chief executive in 2004 and listed the bank on the Nairobi Stock Exchange in 2006.

Mr Mwangi's transformation of Equity brought innovation to the fore. He persuaded his customers, he says, to convert some of their deposits into equity and his staff to receive 25 per cent of their salaries in share capital. Having exhausted internal sources of funding, Mr Mwangi began to attract external investment.

He set out his vision to be east Africa's leading financial institution, but one focused on the "unbanked" poor – in short, a microfinance superpower that would transform the economy of a region, not just itself.

Through Equity Bank's Foundation, the bank now funds 10,000 scholarships to educate orphaned and needy children, and 1,300 university scholarships.

A parallel programme "provides healthcare to 1.8m Kenyans", says Mr Mwangi, relating these philanthropic initiatives to his own childhood experiences by "trying to do something for people with similar conditions".

Mr Mwangi attributes his success to two important skills. First is "the ability to delicately balance both an economic and a social mission", and the second "is the ability to mobilise support and partnerships in a very rewarding way, using my integrity and honesty as a partner", he says.

Early investors included George Soros, the billionaire hedge fund investor, as well as the International Finance Corporation.

Today, Helios Investment Partners is the bank's largest of 25,000 shareholders. Equity Bank operates subsidiaries in Tanzania, Rwanda and Uganda.

"The biggest challenge that confronts Africa is perception," says Mr Mwangi.

"If we could change that perception, then Africa could be seriously integrated into the world. It is not that bad on the ground," he adds.

"I would like to appeal," continues Mr Mwangi, "to the 50-plus entrepreneurs who were contesting this competition, to look favourably to Africa as their next frontier."

Inside this issue

Women need more help to stay part of the workforce

Guest Column
YOSHIKO SHINOHARA

When I first started in business in the 1970s, it was unusual for a Japanese woman to do paid work, let alone set up their own company. There were hardly any women entrepreneurs at that point.

The situation for women has improved since then, but when I go to gatherings of industry leaders, the vast majority of those attending these events are men in dark suits. At times, I am the only woman present.

In recent years there have been a growing number of women who run online companies and beauty-related businesses, but it is still rare for larger companies to be run by female presidents.

According to Teikoku Databank, the proportion of female presidents in Japan is a tiny 5.94 per cent (73,225 individuals) of the overall number. But while this remains low, it does represent a 13 per cent increase from 2001 (64,803 individuals). However, many of these are small firms and, of companies listed on the main Japanese stock markets, Tokyo Business Research lists only 0.7 per cent of businesses (24 out of 3,500) with female presidents.

Compared with 39 years ago when I was starting out, the number of female presidents has increased and the number of women looking to set up their own firms has grown.

Starting a business in Japan remains difficult. The business environment – in terms of raising funds, dealing with tax, etc – is not conducive to start-ups. Also, female entrepreneurs are rare because women bear much of the burden of housework and child rearing in line with Japan's business customs and culture and, as a result, many women are simply not in the workforce. It is not just women entrepreneurs who are scarce: the proportion of women in management roles is also low.

When Yoshiko Shinohara first started out, it was unusual for a Japanese woman to do paid work

The 2010 census reveals that the Japanese workforce ratio between men and women was split 78.8 per cent of males were in work, but just 49.6 per cent of females held jobs.

However, this is set to change. The number of women in Japan wanting to work in paid jobs is increasing, which means the situation is improving.

Women now have greater options and flexibility when it comes to working hours, and support and backing for women looking to start their own firms is also increasing.

The nature of work itself is evolving, which now means it is possible to do business without having to have shares and an office. In the temporary labour market in which I operate, the internet has revolutionised how we organise placements, for example. As such, the web has contributed to an expansion of new business possibilities for budding women entrepreneurs.

Ultimately, though, the Japanese government has to do more.

Many more women should make their voices heard in government, business and academic circles. In Japan, women control the day-to-day purchasing decisions for many products and services. Yet, in contrast, currently, men account for over 90 per cent of participants in many of the meetings and consultative committees that I attend. Women's opinions do not get heard – something that the government must work to change.

The key element in any plan to ensure the situation improves is to address the low ratio of women in their 30s and 40s who actually work.

At present, many women cannot work due to the dual burden of childcare and housework. Childcare arrangements in Japan urgently need to be addressed.

On the other hand, however, there are cases of women setting up businesses at home and via the web because of their ongoing childcare commitments and the inability to work full time.

If there is an increase in the number of women working under flexible arrangements

> 'If there is an increase in the number of women working under flexible arrangements then there will be an associated growth in the number of female entrepreneurs'

then there will be an associated growth in the number of female entrepreneurs and women in the workforce overall.

Organisations for women entrepreneurs need to be established.

Budding businesswomen need to have a community through which they can gather and exchange information not obtainable via the usual business channels.

The management approach I have applied to date has been "start small, grow it large". Women have the knack of steadily building a businesses as well as being able to give form to ideas that are close at hand.

The government needs to put measures in place to encourage more women back to work – with an option of starting their own business.

For Japan to grow, we need to mobilise an army of female entrepreneurs.

Yoshiko Shinohara is chief executive of Temp Holdings

Founders using own resources to fund ventures

Finance

Jonathan Moules finds that access to money remains a global problem

Gan Te-Shen is not an entrepreneur with a funding issue. The Megawisra Group, the Malaysian investment firm he co-founded in 2005, manages more than $300m in telecommunications-related businesses and assets, has a presence in five countries and over 800 employees. However, Mr Gan Te-Shen also knows how difficult it is for those starting out in his sector in this part of the world to raise money.

"When we started out, nobody wanted to finance us," he recalls. "By a stroke of luck we managed to do our first leveraged buy-out with a collateralised debt obligation, and since then we have expanded ourselves with our own capital."

The financial crisis has not had the devastating effect on businesses in south-east Asia that it has wreaked on those in the developed nations of Europe and the US. However, the problems that small businesses, and particularly young companies, face raising capital appear to be remarkably similar wherever entrepreneurs try to launch ventures.

"If you are talking about guys like us now, who have slightly larger balance sheets and are hungry for capital to do acquisitions, there is capital available," Mr Gan Te-Shen says.

"However, if you are a growth company or a start-up or a guy whose business is in the services and information technology space, and so does not necessarily really need a lot of assets to grow, you have got challenges."

Delta Economics, a London-based research business, recently conducted a study of more than 2,000 founders of growth-orientated businesses, spread across Brazil, China, South Africa, India, Russia, the US, France, Germany, Spain, Italy, Belgium, the Netherlands and the UK.

Regional differences were slight compared with the number of similarities between founders in different countries, according to Rebecca Harding, Delta's chief executive.

Words from the top
A way of life

Entrepreneurship is a conscious choice of lifestyle, a way of living.

To succeed, you need to attract and motivate people who are smarter than you and share your success with them.

Priit Alamäe, chief executive, AS Webmedia Group, Estonia

"You have got some remarkable similarities in the ways they are financing themselves and that is important," she says, noting that a common factor is the high percentage of founders who use their own resources as seed funding.

"The message across the world is if you are going to set up your own business, you are going to have to be prepared to take a lot of the risk yourself," Ms Harding says.

In all countries, entrepreneurs are predominantly looking for bank overdraft finance. More than three-quarters of those asked say they have sought money this way. Bank term loans are also popular, with disparities occurring within continents rather than between them.

India has by far and away the largest number of entrepreneurs who are funded partially at start-up by family and friends. The figures are also high for Brazil, China, and similar in Russia, the US and South Africa.

The biggest differences are not necessarily in access to finance but in the attitudes of founders to accessing it, Ms Harding says. "In China, if you set up a business there will be someone who can set you on the right tracks; if you set up a business in India, there will be a family member who will put money in; and if you set up in the UK or elsewhere in Europe, there will be someone who tells you that you cannot do it and will scratch your car if you succeed."

Perhaps the biggest change in recent years has been the movement of people and capital. This has helped founders to find capital abroad, but has also served to emphasise the importance of start-up clusters where the availability of capital is best.

Peter Cohan, adjunct lecturer at Babson College, a leading research centre for global entrepreneurship based in the US, recently interviewed start-ups from Norway, Portugal, India and Israel – countries where the availability of financing for start-ups lags behind the US by some distance.

The Israeli firms sourced financing through a combination of homegrown and Silicon Valley-based investors. One of the Indian entrepreneurs, who had started and then sold an IT consulting firm for $75m, used his proceeds to bootstrap an online tutoring service until he could prove to a US venture capitalist that the business was a good investment.

"Companies are being born global in that they are starting a company without VC (venture capital) money and then going to Silicon Valley," Mr Cohan says. Indian and Israeli start-ups were the ones that most commonly came to the Californian technology cluster, from the people Mr Cohan spoke to, although he also found French examples.

"The reason they come to the US is that it has the world's best entrepreneurial ecosystem," he explains. "It is easier in the US but [it is] still difficult. The typical venture fund looks at 1,000 companies a year and invests in two, and to be among those lucky few a start-up must be attacking a market that's small now but will grow fast to get big."

Access to finance is likely to remain a struggle for founders. Those that get funded will tend to be those with the resources to do so, rather than those based in a particular location.

Contributors

Liz Bolshaw
Freelance journalist
Yoshiko Shinohara
Chief executive of Temp Holdings
Jonathan Moules
FT's enterprise correspondent
Borzou Daragahi
FT's north Africa correspondent
Kanupriya Kapoor
India editor, FT.com
Rachel Morarjee
Freelance journalist
Chris Nuttall
FT's technology correspondent
Maria Pinelli
Global vice-chairwoman for strategic growth markets at Ernst & Young

Special reports editor
Michael Skapinker
Editor
Hugo Greenhalgh
Designer
Steven Bird
Picture editors
Michael Crabtree, John Wellings

Advertising
Robert Grange
Tel: +44 020 7873 4418
robert.grange@ft.com

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Climate change: it has become progressively more difficult to start a business in Russia, where the economy is dominated by large, state-owned conglomerates

Small business not fazed by government's cold shoulder

Russia

Rachel Morarjee discovers an enterprising spirit that is flourishing despite a hostile bureaucracy

Brad Garine gestures at the piles of burger buns in his walk-in flash-freezer and explains they are for emergencies. "Our clients will sometimes run out, and so we keep a stake of buns on hand, but we prefer to bake them fresh," says the 44-year-old US entrepreneur behind the New York Bakery, situated in the bowels of an old Soviet hotel in the outer reaches of Moscow.

Mr Garine and his wife Julia thought about making mozzarella for the Russian market before they settled on baked goods, but found themselves defeated by a mountain of bureaucracy.

"We wanted to buy a kilo of rennet, but found that we could only buy by the tonne, and the companies selling it wanted to see our corporate status, paperwork and bank accounts before they would even consider selling us the raw materials to make cheese. We didn't even get off the drawing board," says Mr Garine.

Now he and Julia bake cheesecakes, bagels, buns and bread for clients ranging from Marriot Hotels to US diners and Russian cafés, and are striving to expand the business they started 18 months ago fast enough to keep pace with rising demand. They employ 18 staff members, running two shifts a day.

"We've never advertised. We just give chefs what they want. We started with small orders and have expanded as demand grew," says Mr Garine.

For Bernard Sucher, one of the investors behind New York Bakery and co-founder of Troika Dialog, Moscow's first private investment bank (now owned by Sberbank), the bakery is an example of how entrepreneurial opportunities still abound in Russia, despite the country's problems.

"It's not high tech. It's not innovative. Our little bakery simply offers better quality and better service than the competition for the same price and it's going gangbusters," says Mr Sucher, who came to Moscow in the mid-1990s, having left his job at Goldman Sachs, the investment bank. He has launched businesses ranging from banks to burger bars.

In the 1990s, starting a business was easy in Russia, but since 2007 the climate for entrepreneurs has grown ever chillier, Mr Sucher says.

"The big picture is broadly the same, but the detail is a lot less encouraging, especially for foreign entrepreneurs. It really is tough now, dealing with an aggressive, corrupt and predatory Russian bureaucracy; dealing with competitors who leverage administrative resources to hammer new entrants," the serial entrepreneur adds.

Russia's economy is dominated by vast state-owned conglomerates involved in extracting and exporting the country's huge oil, gas, metals and mineral wealth. The Kremlin, however, is trying to wean the country off its dependency on natural resources. Only 22 per cent of the country's gross domestic product is generated by small and medium-sized enterprises (SMEs), compared with more than 70 per cent in many developed economies.

President Vladimir Putin has pledged to raise SMEs' share of the economy to 50 per cent by 2020 and has put banks, investment funds and government ministries to work raising money and providing support to the country's entrepreneurs.

Olesya Teploukhava is head of the government-backed Russian Bank for SME Support, which has a loan book of $6bn. She says her staff are on the look-out for innovative projects.

"Our task is to provide resources and capital to entrepreneurs across Russia and give them administrative support," she says.

Tellingly, however, Russia's SME bank deals in far larger sums than the average start-up needs to get off the ground, with average loans to small business clients ranging between $300,000 and $1.5m.

While the Russia Direct Investment Fund, which has $10bn under management, aims to partner with foreign investors and open up new lines of funding for Russian business, it does not do deals under $100m, which means that the Russian stock exchange and a power plant have been the fund's only two deals so far.

One private equity specialist who has worked in Russia and China, says that the country has far fewer opportunities for investors in sectors ranging from consumer goods, restaurants and manufacturing to information technology than there are available in China, Brazil or India.

"It's much easier to start a business in China than in Russia. There is far less red tape, and, unless you get really big, the government leaves you alone. Here, officials are trying to stamp down on small businesses so that their cronies in big companies can carve out a bigger slice of the pie," says the investor who did not want to be identified in case his comments affect his business.

Russia ranks 124th out of 183 countries in the World Bank's ease of doing business survey, which measures issues such as access to electricity and credit, as well as paying taxes, dealing with permits and starting a business.

An example of the government's hostility to small business is the drive to close small street-side kiosks by ruling that beer and cigarettes, the sources of most of their profits, can only be bought in larger stores. It was a bone of contention for the hundreds of thousands of protesters who came on to the streets to demonstrate against Mr Putin earlier this year.

"The government says they want to support entrepreneurs, but what could be an easier way of getting started in business than opening a kiosk – and [yet] it's an avenue they are trying to close," says the private equity consultant.

With Mr Putin back in power and meaningful reform likely to be off the agenda as he seeks to keep vested interests happy in Russia, entrepreneurs will continue to succeed in the country despite the state's best efforts to stop them, rather than because of any government drive to boost private enterprise.

Case study Russian techies doing it for themselves

Russian entrepreneurs have thrived in the high-tech sector, and Ruslan Fazlyev, founder of X-Cart, an ecommerce software company, is an example of how innovative domestic programmers have been able to conquer world markets from remote parts of the country.

Hailing from Lenin's birthplace, Ulyanovsk, Mr Fazlyev and two friends dropped out of university in 2000 and began doing freelance programming. Their first job was designing an ecommerce store for a European client.

"We worked through the night to build a dummy website so that he would think we had done it before, and he was pleased, so we got the job," says Mr Fazlyev.

A few months building online stores gave the trio the idea of creating a platform where people with very little technical knowledge could customise their own ecommerce website with a few clicks of the mouse. "We didn't need outside investment. We started with three people, and in five years we had 150 staff," Mr Fazlyev says.

With investment from Runa Capital, a private equity firm, in 2009 he launched a new business that allows users to add an online store to their business in five minutes using widgets. "It means that if you have spent time and money building your own website, you can add an online store easily to your existing site," he explains.

He says the government has become more interested in the high-tech sector in the last year or two and the local governor of Ulyanovsk is helping the city's information technology companies work with universities to train students.

He believes the success of the sector is largely due to the fact that there were no large state-owned competitors jostling for a share of the market. He is sceptical of the government's bid to build a Russian Silicon Valley.

"The government is offering cash for IT start-ups but they are raising the money by squeezing more taxes from existing businesses and throwing [it] at untried ventures that are likely to fail. It's not a good plan," he says.

Ruslan Fazlyev: local IT companies can be globally successful

Words from the top
Creating meaning

Entrepreneurship is bold risk-taking combined with a passion to excel and the ability to build a strong team with the power to turn dreams into reality. There is nothing more rewarding than being able to make a difference in the lives of others.

Liew Kee Sin, president and CEO, SP Setia Berhad, Malaysia

Online potential remains alluring

India

As the economy liberalises and expands, the country has no shortage of start-up ideas, writes **Kanupriya Kapoor** in Mumbai

Growth industry: information technology in India does not suffer from the bureaucracy often associated with the country's more traditional sectors Reuters

When Kunal Bahl quit his job at Microsoft, the technology company, to start his own deals website in India, salesmanship was the last thing on his mind. But in the face of a relatively conservative financial and cultural environment, Mr Bahl found himself quickly becoming an expert.

"I was constantly selling as an entrepreneur," he says. "First, to your parents why you quit your job; then co-founders selling to each other to keep confidence up; selling to employees why it's a good thing [to join a start-up]; selling to investors to get funding; and then finally to the public."

He now runs Snapdeal.com, India's largest ecommerce website, with a following of more than 15 per cent of the country's 100m internet users and logging about 30,000 transactions a day. Mr Bahl, 30, is set on furthering the exponential growth the company has seen over the past two years.

A decade ago, Mr Bahl's story may have been an anomaly in a society that traditionally favours those who choose a "sensible", stable career path to become a doctor, engineer or civil servant. But as India's economy liberalises and integrates with fast-changing global markets, some of the country's youth are choosing to seek their own success. And while the number of entrepreneurs is increasing rapidly – 2011 saw a total investment of nearly $1.2bn in start-ups, up from $300m the year before – the sector remains young and evolving.

Amid India's slowing growth story, the allure of its untapped potential remains intact, and nowhere more so than among technology start-ups. Unlike other sectors mired in the country's notorious bureaucracy, information technology's history of innovation and minimal regulation continues to attract both talent and investment.

Nearly all technology entrepreneurs' confidence lies in India's impending internet boom as more people go online via cheap broadband and smartphones in mid-tier cities across the country.

Though trailing well behind China's 500m internet users, India's connected community is set to triple to 300m by 2015, an irresistible opportunity for those looking to tap into both rising connectivity and disposable incomes. Online retail is already a $5bn industry and it is set to grow tenfold over the next decade, according to Avendus Capital, a global financial services firm.

Entrepreneurship in its modern form is still new to many Indian investors, who, though not necessarily risk averse, still expect quicker and higher returns on their investments, even from start-ups.

Many entrepreneurs who have experience in more developed financial markets may still find it difficult to raise the crucial initial capital, and often have to rely on personal savings.

"There is a lack of investment infrastructure and sophistication in India," says Devneet Bajaj, founder and chief executive of Mobile Mandi, a technology start-up for rural India. "We have raised seed capital as we dug deep to find good international angels who have experience of investing in our sector, but it is much harder to raise early stage capital here. There is a certain type or group of investors who only want to invest in things that are creating a buzz right now. But I believe in investing in something that creates opportunity and long-term wealth so... we have to re-educate investors about sectors outside ecommerce."

Praveen Chakravarty, a founding member of Mumbai Angels, India's first angel investing network, says investors' attitudes to entrepreneurship have come a long way since the organisation was set up in 2006.

"There still is a tenuous ecosystem between investors and owners," he says, "but the culture and attitude has changed dramatically in recent years. When we set up [Mumbai Angels] we told investors to be prepared to lose on 24 out of 25 investments. It was not at all a popular concept in India before that."

While young risk-takers and investors have led the way in boosting the number of start-ups, both groups admit there is a need for greater support from the government.

In its March budget, the government proposed a 30 per cent tax on companies that receive angel investments. After persistent opposition from stakeholders, who stressed its potentially detrimental effect on start-ups, the tax was deferred for further debate.

Instead, stakeholders have called on the government to open up the country to more foreign investment and offer tax incentives.

"I would like to see the government give tax incentives to start-ups and to give seed-stage capital as it is not an easy process for us," Mr Bajaj says. "They should remove all foreign direct investment restrictions in start-ups; they should be encouraging all this."

With such heady levels of activity, India's entrepreneurs are under pressure to produce the next revolutionary product or service. But while enthusiasm is high, industry members are optimistically managing expectations when it comes to true innovation, rather than simply replicating an existing business model.

Snapdeal, for instance, had to adapt its products and searches quickly to a demanding audience. As he recruits what he terms "outsourced innovators" – those who started out working for western companies – Mr Bahl believes homegrown innovation "will happen but it will take time".

"It used to be about aping the western business models," adds Mr Chakravarty of Mumbai Angels. "But, of late, innovation for India's domestic markets has been indigenous, like mobile phones that provide a platform for frugal innovation. India may have an implementation deficit, but by no means an ideas deficit."

Building support for cars of the future

Profile
Shai Agassi

Developer of electric 'service stations' talks to **Liz Bolshaw**

Shai Agassi had long proved himself capable of building profitable software businesses before he launched Better Place. "It's more of a mission than a career," he says as he explains the vision behind the electric car network operator.

"Look outside your window. Gasoline is £1.60 per litre, €2 per litre," says Mr Agassi. He talks about estimates that will add 130m cars in the next five years to Chinese roads alone.

Born in Israel in 1968, Mr Agassi's family moved to Argentina when he was 14 and "I was exposed to the world for the first time", he says.

Later, after a brief spell in Israeli army intelligence, he started co-founding companies with his father.

In 1995, one of them, TopTier, was invited to write a piece of software for Apple, the technology company, and Mr Agassi moved to Cupertino, California, with a core team to work at its headquarters. "We were told that we were using a new technology that would take people too long to adopt. You might have heard of it – it was called [an] internet browser," he recalls. Working here taught Mr Agassi some valuable lessons: "work for yourself; control your destiny; [and] stop writing software for other people", he says.

Two weeks from bankruptcy, TopTier raised $800,000. Eighteen months later, "I found myself selling my company for $118m. Even better, we went on to sell the company again for $400m to SAP [the software group]," he says. Mr Agassi stayed with the company, as he had done before. "For me selling a company is not an exit: it is a financing event," he explains.

Shai Agassi is passionate about creating infrastructure needed for a future that does not require oil

"At SAP I had a bigger sandbox and had an opportunity to do something more meaningful and more influential," he says. Widely tipped for the top job at SAP, when Henning Kagermann's contract was unexpectedly extended in 2007, Mr Agassi resigned. He was not yet 40.

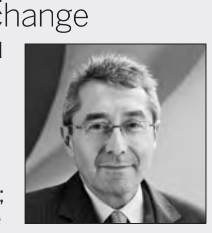
The first funding round for Better Place completed just as Lehman Brothers closed its doors and banks around the world began to falter. "By the time we did our second round, there were no more banks to collapse. By early 2009, there was no market. Nobody was raising capital. We raised $350m. In the last round, when it looked as though the euro [was collapsing] we raised some more. We've got nearly a billion dollars into the company," he says, "all because [it] brings to an end an industry that consumes $2tn a year in gasoline".

Better Place is built on two premises: first, the future is a world without oil; second, past attempts to get electric cars adopted on a mass scale have failed due to a lack of supporting infrastructure.

Better Place's business model is integrative, working with governments, battery and car manufacturers, and battery switch station operators.

Mr Agassi is a passionate proselytiser and, far from being competitor-averse, he is keen to see more entrants into his field. "If there were four Better Places and we split the market, we would still be the largest companies on earth."

Words from the top
Driving change



Passion and dynamism to drive energies from first to last collaborator; to persuade clients, suppliers and bankers of your overwhelming enthusiasm to develop your company and prepare its transmission to the next generation in the best of conditions – that is the meaning of entrepreneurship.

Jean Mane, chief executive, V. Mane Fils, France

'I get kind of bored when things are going well'

Profile
Steven Pan

The Taiwanese luxury-hotel owner relishes challenging circumstances, writes **Liz Bolshaw**

Steven Pan: 'uniqueness is easier said than done'

Steven Pan, chairman of Formosa International, the luxury hotel group, believes everybody is born with an entrepreneurial spirit, "but by the time they leave college, most of it has been taken away. There's a reason that a lot of our most successful entrepreneurs are dropouts."

His own education rather contradicts this view, however. With a BA in economics from the University of California, Berkeley and an MBA from Columbia Business School, Mr Pan was only 22 when he joined First Boston [now Credit Suisse First Boston], the investment bank. He recalls, "I was following a predictable path – going to good schools and getting a good job up to this point."

He might well have remained on this path had his father, who had spent a decade assembling the land to build a hotel in Taipei, not encountered financial difficulties that led him to sell a majority stake to a partner. As fate would have it, Mr Pan advised the new partner at First Boston.

As soon as the connection was discovered, the partner invited Mr Pan to return to Taiwan to run the hotel. "The Chinese like to align interests," he says.

The Regent Taipei opened in 1991 and more hotels followed. The company went public in 1997 and then in 2000, "it was my boss's turn to get into financial difficulty. This time I bought him out. The wheel of fortune had come full circle," says Mr Pan.

The Pan family were able to use some Californian real estate they had acquired, including the headquarters of Chevron, the oil company, to help complete the management buyout.

Financial crises have been good for Mr Pan. In 2010 he was able to acquire the distressed Regent hotel group – hotels that in their heyday were a byword for luxury hotels worldwide.

"If it hadn't been for the financial crisis, we would never have been able to buy Regent," says Mr Pan.

Formosa's recipe for riding out recession has been its unusual "mixed-use model that incorporates retail and residential developments", says Mr Pan. "We pioneered the luxury mall 22 years ago."

While a typical hotel development "takes a long time to return the investment", he says, by developing luxury flats alongside the hotel, "we get our equity back before the hotel opens".

Differentiating luxury hotels is a challenge. "The only thing we specialise in is luxury. Uniqueness is easier said than done," says Mr Pan. The group tries to work with designers who do not routinely do hotels. "We work with people who are not boxed in by hotels. The danger is it takes a lot longer to create a unique product, because it is unique," he explains.

All of his staff members are bilingual and the management team is European, American and Asian. "For foreign travellers to a local destination [our hotel] feels local, but for local residents going to the same hotel it should feel international," he says.

His favourite hotels not owned by him are Hong Kong's Upper House and the Shanghai PuLi "and I love the Lalu hotel in Taiwan", he adds.

The successful expansion of Formosa has made Mr Pan a wealthy man – Forbes estimates his family to be worth $825m – "but I don't want fancy things", he says. He has a strong commitment to philanthropic causes that support the education of girls in the developing world. "I won't spend a dime on a guy – but getting rid of illiteracy for young girls, that's an investment that really pays off," he says.

Financial intuition, the ability to manage risk and develop a team have all been important to Mr Pan's success, but perhaps his composure is the most significant factor.

"I come alive in crisis. I like to deal in new problems. I get kind of bored when things are going well," he says.

Entrepreneurs' courage is what sets them apart

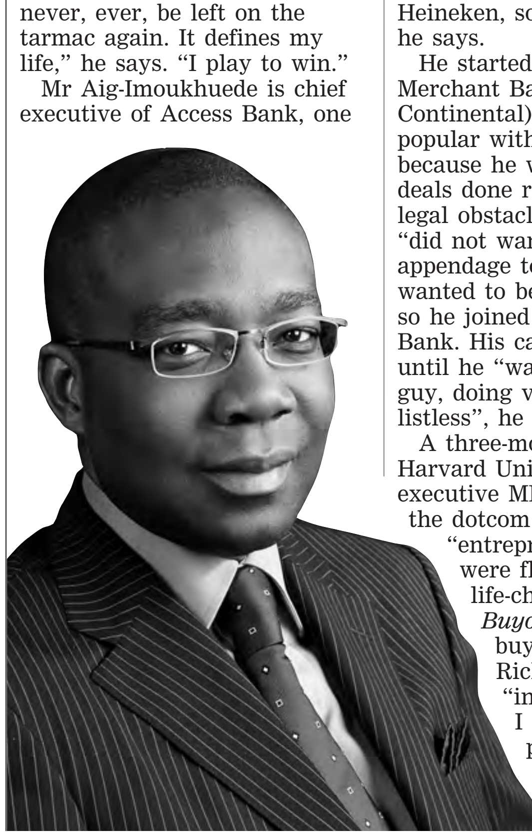
Profile
Aigboje Aig-Imoukhuede

Banker always wanted 'to be part of the deal', finds **Liz Bolshaw**

In 1976, a group of schoolboys from one of Nigeria's elite Union schools waits on the tarmac of Kaduna airport in northern Nigeria for a single-propeller aircraft to fly them home to Lagos for Christmas. There is a fight to get on and some do not make it.

The 10-year-old Aigboje Aig-Imoukhuede is one of those left watching the aircraft take off without him. He is sobbing, "not because of worrying about getting home... but from the pain of having lost. I would never, ever, be left on the tarmac again. It defines my life," he says. "I play to win."

Mr Aig-Imoukhuede is chief executive of Access Bank, one of Nigeria's top-10 financial institutions, with eight subsidiaries across Africa and one in the UK.



Born the child of "strict, middle-class – I avoid the term upper middle-class – parents", his mother was the first curator of the National Museum of Nigeria and his father became the minister for culture. They were part of the first generation of civil servants following Nigerian independence. Mr Aig-Imoukhuede says "a great sense of independence was driven into me".

After a degree in law from Nigeria Law School and an advanced law degree from the University of Benin, he was admitted to the Bar, but was not destined to be a barrister. "At that time my ambition was to be chief executive of a multinational – Unilever, Heineken, something like that," he says.

He started working at Chase Merchant Bank (now Continental), where he proved popular with dealmakers because he was keen to see deals done rather than put up legal obstacles. However, he "did not want to be an appendage to the deal: I wanted to be part of the deal", so he joined Guaranty Trust Bank. His career flourished until he "was the number-three guy, doing very well, but I felt listless", he says.

A three-month stint at Harvard University doing an executive MBA at the "peak of the dotcom era", when "entrepreneurial juices were flowing" was to be life-changing. He read *Buyout*, corporate buyout specialist Rick Rickertsen's book, "in two hours flat. I knew what the path was and why I was feeling incomplete," he says. "I had spent 10 years blanking these thoughts, but I was an entrepreneur."

He returned to Nigeria intent on buying a bank. In 2002, he and a small team of trusted peers bought Access Bank. Plagued by boardroom squabbles and undercapitalised, it was not rated highly.

"I was betting my financial future and that of my family on this move," he says, "but I had a burning desire to transform our bank into a world-class financial services provider."

The 13-point plan he and his colleagues prepared was immediately put into action. "We work harder than any other bank in the world," he says. "If you work harder, smarter and faster than all your competition, you will beat them. It's not rocket science."

When asked what the difference is between a highly successful executive and a highly successful entrepreneur, he does not hesitate: "Fundamentally, courage. Before we bought Access Bank, we didn't do any due diligence beyond the prospectus. We borrowed and bet our lives on a leap of faith." It is not advice he gives others, but, he says, being a successful entrepreneur is "about instincts, and risk-managing them with skill sets".

Earlier this year, Mr Aig-Imoukhuede announced he would leave the bank by the end of 2013. While "the entrepreneur bug remains very strong in me" he is also drawn to philanthropic opportunities.

However, leaving banking may prove difficult. "When you put the word 'bank' on top of a building, that means that people will walk into that building, open an account and trust you to hold their money – just from the word 'bank'. There is no other business that confers that degree of trust and credibility," he says.

State acts to boost start-ups through 'funding portals'

US

Legislation makes it easier to find finance, writes **Chris Nuttall**

In April, entrepreneur Eric Migicovsky turned to Kickstarter, the crowdfunding website, hoping to raise $100,000 to make 1,000 customisable watches that connect to iPhone and Android smartphones.

In less than a week he had broken the site's record, with $3.4m raised. Most of the contributors chose to receive the Pebble watch, which can load apps, in return for their sponsorship. With a week to go of the month-long fundraising, Mr Migicovsky and his 10-strong team decided to stop taking money (at $10.1m), instead preferring to focus on making the 85,000 watches that had been ordered.

"It won't work for all hardware companies and it definitely won't work for all start-ups," he says of the Kickstarter route to funding. "But it's definitely something people should keep in their arsenal to raise money."

The Jumpstart Our Business Startups, or Jobs Act, which was passed into law in April in the US, allows registered internet "funding portals". Many more small and medium-sized businesses trying to get ideas off the ground may turn to crowdfunding as an option when angel or venture capital finance is hard to attract.

Scott Steinberg, author of *The Crowdfunding Bible*, a book about the phenomenon, says the legislation will mean tremendous growth in the number of platforms through which small business owners can tap financial support.

Kickstarter and others of its ilk, such as RocketHub and Indiegogo, have tended to feature creative projects involving filmmakers, authors and artists, or gadgets thought up by hobbyists, but Mr Steinberg says the new portals will include those catering for the smaller widget makers and business-to-business companies.

"In the past, a crowdfunding campaign has been a consumer marketing effort, but with the Jobs Act, there will be sites and solutions focused on actual sustainable businesses, and small businesses in particular," he says.

Individuals – perhaps wealthy professionals looking for an alternative to a mutual fund – will be able to invest up to $10,000 a year in crowdfunding projects under the system. Successful projects should be in a better position to access second-round funding from venture capitalists, according to Mr Steinberg.

"Crowdfunding is about proving demand and right-sizing the market, so it can be used as a proof of concept – currently companies have to align with what [venture capitalists] feel will connect with the market,

The legislation will lead to big growth in different finance options, says Scott Steinberg

but this is flipping that on its head and saying: 'We've got the best focus group, the general public, and they've voted with their wallet.'"

However, there are concerns about possible fraud by project creators, or even the services hosting them, if there is inadequate vetting of this area. There are also grey areas: unintentional fraud is possible, where delivery dates might slip and products not be produced as first advertised.

Bob Litan, vice-president of research and policy at the Kauffman Foundation, the world's largest foundation devoted to entrepreneurship, says the act includes several other provisions of at least equal importance in terms of helping start-ups and small businesses.

Companies can now raise up to $50m, rather than $5m, before they have to comply with onerous financial reporting on stock offerings and they do not have to comply with Sarbanes-Oxley Act accounting requirements if their annual revenues are under $1bn. They can no longer be forced into going public prematurely, with the number of shareholders triggering a public company registration being raised from 500 to 2,000.

The Kauffman Foundation believes the government can do even more. Its studies show three disturbing trends since the recession – the number of start-ups has dropped from an average of 500,000-600,000 a year, to around 400,000; the five-year survival rate for new companies has fallen by 5 percentage points; and the average number of employees in a start-up has dropped from seven to five.

It has advocated a Start-up Act, an idea it says is gaining traction in the Senate. Its provisions would include an expanded visa programme for immigrant entrepreneurs. "Immigration is the easiest low or no-cost way to get more entrepreneurship," says Mr Litan, quoting the statistic that 25 per cent of high-tech businesses are started by immigrants – double their share of the population.

A start-up act would also exclude investments in new companies from capital gains tax, make it easier for academics to commercialise their innovations, cut red tape and introduce rankings for states according to their start-up friendliness.

"It's easy to raise money in Silicon Valley or Massachusetts, but there really is a capital access problem in the flyover states [in between]," he says.

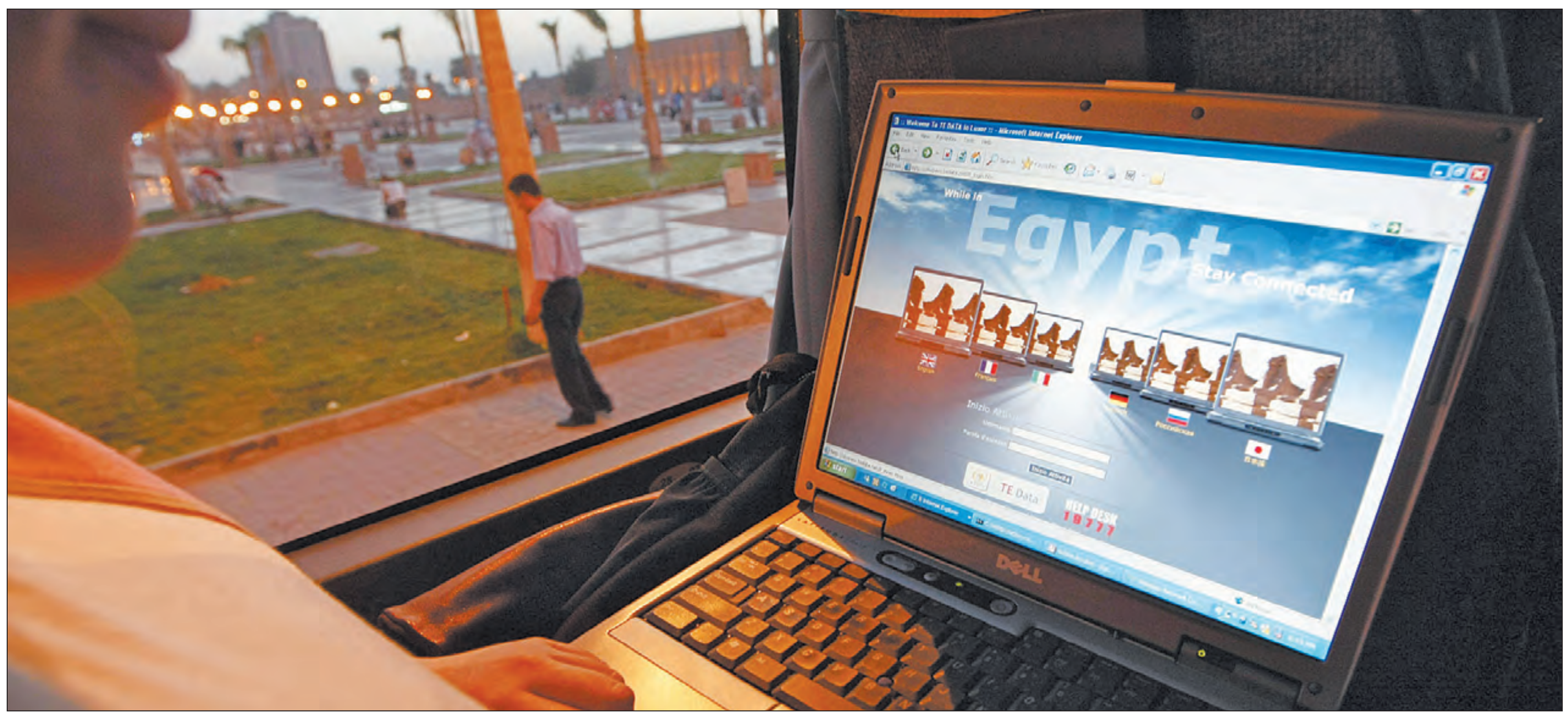
Nearly 70 per cent of the respondents to Silicon Valley Bank's annual nationwide survey of private VC-backed hardware, software, life sciences and cleantech companies were from either California or the north-east US. The report, released in May, suggested that start-ups were performing well, with two out of three meeting or exceeding their 2011 revenue targets.

"Start-ups see the work ethic and the culture of the US as an enormously powerful asset," comments Mary Dent, SVB's head of government affairs.

Historical events usher in new business order

Egypt

Revolutionary incubators reap rewards of Arab spring, reports **Borzou Daragahi** in Cairo



Trade spring: the new era has opened up tremendous business opportunities in countries such as Egypt Getty

Ahmed Shabana was just beginning to wonder when or if his faltering online pharmacy business would take off, when history forcefully intervened.

On the night of January 27 2011, President Hosni Mubarak shut down the internet. Needless to say, it did not do wonders for the business model of Mr Shabana's Cairo-based start-up. The 26-year-old's doubts about his venture began to multiply.

"We were out of business for a month," he says.

If he could not strike it rich, he would at least be part of history. In the ensuing weeks, Mr Shabana and his brother and partner Sherif gave up on work and joined the protesters in Tahrir Square demanding Mr Mubarak's resignation.

And then a strange thing happened: orders at Agzakhana.com, their tiny online pharmacy, began skyrocketing. The small company grew like never before. Despite the country's political woes, Agzakhana (a slightly archaic Egyptian way of saying pharmacy) now employ 11 people and occupies a smartly appointed and newly renovated 13th-floor suite in the Dokki section of Cairo, complete with a "chill-out" room equipped with a massive flat-screen television.

"You try to adapt to what the effect of the revolution is on the market," says Mr Shabana, as he proudly shows off his company's new home.

Political upheavals across Egypt and the rest of north Africa have created fresh hurdles for a rising class of Arab entrepreneurs already struggling against stodgy bureaucracies, lackadaisical work ethics and a persistent preference for public-sector employment. New rules make it tougher to get capital out of Egypt. Investors are less likely to loosen their purse-strings.

But though it may be a cliché to say so, the new era has also opened up tremendous opportunities in countries such as Egypt, Libya and Tunisia.

Previously, censorship held back creativity, and corruption and nepotism stifled initiative.

> 'The biggest danger is brain drain. And now you don't have to go abroad, to the west. You can go to Dubai'

"A lot of kids are feeling really liberated," says Ahmed el-Alfi, chairman of Sawari Ventures, a venture capital fund that launched Flat6Labs, a start-up incubator that provides seed money, work space and logistical support to young entrepreneurs.

Sawari began trying to raise capital and announced the launch of Flat6Labs just days before a popular uprising felled Tunisian president Zein al-Abidine Ben Ali, and two weeks before Egypt's uprising began. It was a business plan that had been a year in the making. Suddenly everything changed.

"What now?" Sawari managing partner Hany al-Sonbaty asked Mr Alfi days after Mr Mubarak had left power.

"What do you think?" replied Mr Alfi, a long-time southern California resident who moved back to Egypt six years ago.

They decided they would continue their plan. "Some of the best ideas were started at the bottoms of economies," Mr Alfi says.

The two men concluded the underlying fundamentals that had piqued their interest in funding start-ups remained the same, and were perhaps even reinforced by an uprising led by tech-savvy young people using Facebook, Twitter, and mobile phones. They thought they would have to scale back their ambitions, given the risk-averse climate.

"Capital has become a scarcer resource," says Mr Sonbaty. "If you are forced to be more frugal, you have to be more innovative."

Since October, Flat6Labs has launched 12 companies, giving each start-up between $10,000 and $15,000 in seed money in exchange for a 10-15 per cent stake in the firm. The companies are mostly in the internet and mobile-application fields. Ideas include software that reorganises social media timelines or makes book and media recommendations based on user interests. Careerise is a platform for recruitment and job placement.

Perhaps one of the most ambitious is Ogra, a website attempting to create a massive online and mobile taxi service; Cairo's taxi drivers are lured by the promise of pension plans, health insurance and advertising revenue.

The flood of creative ideas has been enormous. Out of 130 applicants, the incubator launched seven new companies on June 5.

Still, with the Egyptian economy in a tailspin, Sawari has yet to raise any capital, though it hopes to acquire $50m by the third quarter of this year.

The political passions aroused by the revolution have also caused some of their most talented discoveries to bolt. More than a few of their entrepreneurs have left the field of business to pursue politics full time. For now the country's talented are staying in Egypt, but many worry what continued economic instability will mean.

"The biggest danger is brain drain," says Mr Sonbaty. "And now you don't have to go abroad, to the west. You can go to Dubai."

To keep their staff and entrepreneurs, the businessmen turned the offices of Flat6Labs into a small creative haven. The entrepreneurs working at the computers can take breaks on bean bags in the chill-out space. Books by Apple co-founders Steve Wozniak and Steve Jobs are available from the library.

But this same instability was a likely contributor to the success of Agzakhana. With police off the streets, security woes multiplied. Few people wanted to take late-night trips to the local pharmacy.

The number of registered customers began rising, from about 4,000 to 30,000. The number of bricks-and-mortar pharmacies signed on as partners rose from about four, including two owned by his family, to 40.

In the end it was Agzakhana's extensive, illustrated online database featuring 60,000 products that gave them an edge over competitors. It is a project they worked on during down times as they built the business, and it is paying off now.

The way to survive turmoil, advises 23-year-old Sherif Shabana, is to "pick an industry that does not go down with the revolution".

Words from the top

More than money

Honesty and brilliance are necessary to succeed in business ... but money is [also] important. However, bad things will happen if you are looking only at money. Business success also comes from a strong relationship [among] the key people... and the key people need to come together at the right time.

Akira Yamamura, president, Ferrotec, Japan

World Entrepreneur of the Year An insight into the judging process

Ernst & Young Entrepreneur of the Year was founded in 1986. Since then it has expanded to 140 cities in more than 50 countries. Each year, awards are presented to a thousand of the world's leading entrepreneurs, who are all winners in their own right.

Apart from its truly global footprint, what makes the programme unique is that the awards are judged by the entrepreneurs themselves. It is a celebration of enterprise and the creation of wealth and employment, which, particularly in tough times, is critical for the health of the global economy.

The culmination of the 2012 programme saw 59 country winners representing 51 countries attend the 12th World Entrepreneur of the Year ceremony, which took place last Saturday in Monte Carlo. Past winners of the global award include Olivia Lum of Hyflux, Icap's Michael Spencer, Narayana Murthy, co-founder of Infosys Technologies, and Guy Laliberté of Cirque du Soleil.

So how do the judges crown just one world entrepreneur of the year?

Pinelli: awards are given in 140 cities

Each country winner goes through to the global contest and is then re-evaluated by a separate independent judging panel, which is rotated annually.

Each judge receives detailed histories of the country winners and meets the finalists in formal interviews, as well as informal events to hear their stories. The panel then convenes to rate candidates for six traits:

- Entrepreneurial spirit: examples of perseverance and fresh thinking; how they have overcome obstacles;
- Financial performance: today and their past record; their strategies for long-term growth sustainability;
- Strategic direction: how they are turning their visions into reality; their goals for growth; how they differentiate themselves;
- Global impact: what the business's impact has been in terms of revenue, operations and influence;
- Innovation: whether entrepreneurs anticipate and embrace change; whether there is continuous improvement and innovation throughout the business;
- Personal integrity and influence: whether there is a culture of corporate social responsibility; the business's impact on the environment; and whether the entrepreneur's efforts have resulted in improved quality of life in the wider community.

Maria Pinelli is global vice-chairwoman for strategic growth markets at Ernst & Young