

Managing Globalization: No place like Hong Kong for doing business

By Daniel Altman International Herald Tribune

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In wealthy countries like the United States and the members of the European Union, it is practically received wisdom that the growth of the economy rests on the shoulders of its entrepreneurs. Yet to judge by Leighton Makoto Ige's case, those countries may have a hard time holding on to their budding business owners as the global economy beckons.

Just a few months ago, Ige was among the first graduates of Olin College, an all-engineering, all-scholarship institution in Needham, Massachusetts, founded by the F.W. Olin Foundation. One of Olin's founding precepts is to be "supportive of free enterprise and a capitalistic economy within a democratic nation" - in other words, to provide a competitive edge for the United States. Ige did catch the entrepreneurial bug while at Olin, but he has since taken his enterprise elsewhere.

Back at home in Honolulu for winter break, he had dinner with his extended family. His grandfather, an architectural draftsman who liked to meditate, showed him a low chair he had created to keep his back straight while achieving his calm.

"I thought, 'Yoga is getting quite popular, so perhaps some people besides my grandfather would benefit from this invention,'" Ige recalled. "That summer I decided to take the next step and make some plastic prototypes."

He and his partners tried to license the product to existing American suppliers, but no one was willing to take a chance on it. Finally, they sent a prototype to Gaiam, one of the biggest American distributors of yoga-related products. After a couple of nervous months, they heard back; the company wanted the chair for its holiday catalog.

Ige and his partners were elated, he said, but they had no production line for the chair. They started looking for a manufacturer, and that is when the global aspects of the market started to tell.

"We had got in some preliminary quotes from some small manufacturers in the United States," Ige said. "We were looking at setup charges easily in the high tens of thousands of dollars. It was just unfathomable in terms of trying to start a small company."

Then they started talking to Chinese companies that offered to set up their production lines at roughly one-sixth of the cost the Americans had quoted.

Ige decided to work with Perspective Manufacturing, a China-based manufacturer with a headquarters in Norcross, Georgia.

The first chairs off the line in China weren't up to snuff, and several bouts of intercontinental communication and logistical snafus ensued. Finally, the first shipment came in, a week after Gaiam's catalog arrived on doorsteps. Ige couldn't fill the orders fast enough.

"Everyone blew their projections by two and a half times," he said, yet he still thought he could run the



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business from Massachusetts, dealing with the factories only through the intermediaries in Georgia.

"I actually didn't realize a lot of the problems we were having with all those steps until just recently, when I started coming out to Hong Kong and dealing directly with these factories."

His first visit was in the spring of 2005. In Hong Kong, some friends introduced him to people with connections in finance, and he started to see the possibilities: "We could be selling in Asia. We could have a Hong Kong headquarters. We could be a Hong Kong entity. We could be a United States entity owning a Hong Kong entity."

After graduating from Olin, Ige moved to Hong Kong. By doing so, he may be helping to fill a gap. The climate for entrepreneurs is excellent in Hong Kong, with first-class infrastructure, a pro-business government and close links to China's massive manufacturing base, said Chua Bee-leng, director of the Center for Entrepreneurship at the Chinese University of Hong Kong.

But the percentage of people involved in relatively new businesses is unexceptional, just 3 percent, compared with 8 percent globally.

"The younger generation comes from an education system that's very exam-oriented and has a very narrow curriculum," Chua said. "There is nothing in the curriculum that really inspires them or teaches them about being creative or entrepreneurial."

By contrast, "the expatriate entrepreneurs have a self-select bias in that they are generally outgoing and open to opportunities outside the norm of things," she said.

Ige's business is expanding through new product lines and new consumer markets.

"I find companies now through sourcing fairs and sourcing Web sites," he said, citing tdctrade.com, alibaba.com and globalsources.com.

Had he stayed in the United States, he added, he never could have done all this.

"No way at all," he said. "There's so much I've learned since I've come out here, to actually be in the factories, to work with them face to face."

Ige's company, Salubrion, has sold products to Japan, Britain, Germany, Canada, Australia, France and even to smaller markets like Ireland and Costa Rica. But it's still an American business, and most of its customers are in the United States. Nonetheless, Ige says he'd like to expand - in Hong Kong.

"I'd like to hire some people here in Hong Kong," he said. "It's just something about this place."

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