

Entrepreneurship and Taiwan's Economic Dynamics

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Preface

Taiwan's economic success is well known. Taiwan has been referred by the World Bank as one of the 'East Asian miracles'. Economic studies on East Asia economies in general and Taiwan in particular are not lacking. However, entrepreneurship, which is the true engine of growth, is largely missing in literatures. This book adopts Austrian theories of entrepreneurship and market process as a major analytical framework. Specifically, the book focuses on knowledge and coordination problems. It examines how entrepreneurs identify and pursue profit opportunities under uncertainty, and how their efforts have enhanced Taiwan's economic dynamics. This book sheds new light on the economic development of Taiwan.

This volume puts together eight papers while the author taught economics and entrepreneurship at Feng Chia University (Taiwan) and Shue Yan University (Hong Kong). Chapter 1, written with Ho-Don Yan and Shan-Yu Chen, reviews the role of adaptive entrepreneurship in the economic development of Taiwan in general. The abundance of active and innovative entrepreneurs has been ascribed as one of the main reasons for Taiwan's miraculous economic development. This chapter expounds upon the past 60 years and how Taiwanese business behaviour has been manifested by adaptive entrepreneurship. Taiwan's entrepreneurs exercise their alertness to opportunities, use guerrilla strategies to profit whenever possible, manoeuvre in and out of regional arbitrages to exploit benefits from international production networks, as well as learn and improve their capabilities to upgrade their own technology. Although some of Taiwan's firms have recently reached world class levels in terms of original engineering design, the Schumpeterian type of revolutionary entrepreneurship is still waiting to be seen. With its idiosyncratic environment, we ascribe Taiwan's abundant entrepreneurship to political, social, and economic factors, which interweave as well as very often reinforce each other. We demonstrate that a stable economic and political environment, coupled with the practice of the Confucius philosophy of pragmatism, has helped incubate Taiwan's post-war entrepreneurship.

Chapter 2 presents a structural model of a small family business in Taiwan. It argues that a typical small business in Taiwan consists of three major components: entrepreneur (laoban), boss's wife (laoban liang) and core team (bandi). Underlying small business dynamics in Taiwan is the Chinese family style of management which enhances competitiveness and flexibility in global markets. Small entrepreneurs in Taiwan are always alert to profit opportunities and surf on the waves of rising markets. With short-term planning, they act as imitators as well as original equipment manufacturers in international subcontracting. The boss's wife is a multi-functional staff. She moves between the family (private domain) and the factory (public domain) with great flexibility. Combining the roles of housewife and deputy head, the boss's wife contributes significantly to the dynamics of small businesses in Taiwan. Finally, the entrepreneur cultivates a core production team (bandi) to enable the small enterprise to compete in world markets with high degrees of organizational capability and efficiency.

Chapter 3 presents a dynamic model of the entrepreneurial process based on Max Weber's and Alfred Schutz's theories of human agency. It argues that entrepreneurs solve their business problems based on their stocks of knowledge accumulated from everyday life experience. If incoming events are familiar, entrepreneurs can utilize the rule of thumb to solve the problems without difficulties. If incoming events are novel, those agents using old methods to solve new problems are doomed to fail. Most agents will try new methods to solve new problems. If a new strategy works, then it will be adopted and further routinized as a rule of thumb. This theoretical framework is applied to two Taiwanese entrepreneurs investing in mainland China's food and catering industries.

Chapter 4 applies the concept of coordinating entrepreneurship to explain the emergence of global production network. More specifically, this chapter explains and illustrates how Taiwan-born technopreneurs move between Silicon Valley and Taiwan's Hsinchu, thereby promoting Taiwan's computer and IT industries. With their entrepreneurial spirit and social network, Taiwan-born technopreneurs even turn Dongguan, a farming village in south China, into a modern IT industrial city. This chapter concludes that as a result of the coordinating efforts of these entrepreneurs, electronics and computer plants scattered around the globe are integrated into global production network, as illustrated by IT firms in Silicon Valley, Hsinchu and Dongguan.

Chapter 5, co-authored with Simon Chien-Yuan Chen, combines the Austrian theory of entrepreneurship with the concept of dynamic transaction costs to explain the strategies and operations of Sinyi Real Estate Company in Taiwan. Sinyi has been well known in successfully providing a series of innovative packages to buyers and sellers in the housing market. However, buyers and sellers often do not understand the new service once it is introduced to the market. It takes the entrepreneur to explain the new contractual arrangements, persuade and convince all market participants, including staff members, to accept the new idea. Furthermore, an innovative package has to go through a long period of trial and errors, entrepreneurial learning and error elimination before it can be widely accepted in the market. Once the innovation is found feasible, it is then imitated by other real

estate agents and the new practice eventually influences government's real estate policy. As a result, a new institution in housing market emerges. This chapter concludes that the concept of dynamic transaction costs is useful and complementary to the theory of entrepreneurship in explaining the evolution of the housing market in Taiwan.

Incremental innovation is an essential entrepreneurial strategy for the technology latecomers to catch-up with first-movers. Bicycle is widely recognized as a mature product. It seems that hardly any profit opportunity can be made from this industry apart from moving the production plant to emerging economies to take the advantage of cheap labour and land there. However, Chap. 6, written with Mei-Chih Hu, argue that entrepreneurs can make things different. After more than 30 years of experimentation and entrepreneurial learning, Giant Bicycle Corporation in Taiwan is able to produce one of the top three branded bicycles in the world market. Government assistance and good industrial network are said to be contributing factors to Giant's success. Few studies explain its success in terms of adaptive entrepreneurship. This chapter argues that the founder of Giant Incorporation, with his brilliant foresight, is able to source compatible but differentiate components of a bicycle around the globe. He also avoids using the first-mover's technological strategy by concentrating on the bicycle frame related only. It is seen that Giant creates a niche advantage as a base to strategize around the integration of bicycle supply chain, which enables Giant's bicycle becomes a prestigious product in the international market.

In examining a corporate success, most scholars overlooks one important contributing factor, namely entrepreneurship. Chapter 7 (coauthored with Pinky Wan Ping Tse) utilizes theories of entrepreneurship from the Austrian School of Economists such as Israel M. Kirzner and Friedrich A. Hayek to reinterpret the three Chinese wisdoms "the right time, right place and right people". This new interpretation is then applied to explain the success of a dumpling house in Taiwan, namely Din Tai Fung. This study will argue that although favourable timing which is God-gifted is critical to a business success, it requires the entrepreneur to grasp the opportunity when it comes. The seizure of the golden chance requires entrepreneurs' alertness and preparation. More importantly, this study argues that even during the adverse period, the entrepreneur can turn the crises into a new profit opportunity. Favourable location is also regarded as a factor for business success in the Chinese tradition. Location in this study goes beyond spatial sense. It also encompasses culture, social customs, norms and traditional folklores. This chapter will argue that the entrepreneur can transplant culture and social customs from one location to another location, thus, gaining pure entrepreneurial profit. Finally, right people in the entrepreneurial sense involves a harmonious social network and good personal relationship. Maintaining harmonious relationship with staff members, working partners, customers, and suppliers, the entrepreneur can "get things done". This chapter will use a famous restaurant Din Tai Fung dumpling house as illustration and provides a new insight on Chinese entrepreneurship in East Asia.

The contributions of small and medium enterprises to export and economic growth of Taiwan are well documented. However, street entrepreneurs were largely

ignored in research though they are important to the national economy and livelihood. Chapter 8 (with Po-Jen Lin and Diana S. Kwan) uses Austrian theories of entrepreneurship to understand learning and the operation strategies for small street vendors in Taipei. A subjective interpretation framework is adopted to help us find out the reasons why some street vendors keep on growing while others closing down. Furthermore, street entrepreneurs can expand their businesses by upgrading their capabilities. This upgrading process can be explained in terms of entrepreneurial learning via plans revision process. This chapter illustrates the learning and plan revision process for small street vendors in Taipei and policy implications for small entrepreneurs will be given.

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