When the financial crisis struck Asia in the late 90s, South Korea was particularly hard hit. The economy had been heavily dependent on large conglomerates, such as Samsung and Hyundai. Government policy-makers decided that what the economy needed was an infusion of entrepreneurship.

Dominic Lim, an Ivey PhD graduate and now assistant professor at Brock University’s Faculty of Business, grew up in South Korea and founded an e-business venture in Seoul. His research looks at the issue that faced the South Korea government and occupies many countries today – how to make the economy more entrepreneurship friendly?

Lim recently published a paper, “Institutional Environment and Entrepreneurial Cognitions,” in the journal Entrepreneurship Theory and Practice. Co-authored by Ivey Professor Eric Morse, Ronald Mitchell, and Kristie Seawright, the paper looks at how a country’s institutional environment affects the decision to start new ventures.

Existing research, much of it pioneered by co-authors Eric Morse and Ronald Mitchell, shows that there are clear cognitive differences between entrepreneurs and non-entrepreneurs. “We have learnt that entrepreneurs have different knowledge structures and mental software,” says Lim. “The question is where do these structures come from?”

Research in the past focused on influences such as gender, former experience, and culture. Lim and his colleagues decided to explore the impact of institutional arrangements - a country’s legal, financial, and educational systems – on people’s entrepreneurial cognitions.

The study investigated survey responses from 757 people, both entrepreneurs and non-entrepreneurs, from eight countries: Canada, U.S., U.K., Australia, Japan, Italy, France, and Germany. In terms of entrepreneurial cognition, the study focused on three types of “knowledge structures” or “scripts”: venture
arrangement scripts, willingness scripts, and ability scripts.

Venture arrangement scripts are the knowledge structures that people have about how to begin a new venture. Some people, for example, have no idea how to go about raising money for a start-up, whereas others have some knowledge of venture capital or business angels. Another example of a venture arrangement script is knowledge of how to protect an idea. A potential entrepreneur would likely have some understanding of intellectual property rights, such as patents or trademarks.

Venture willingness scripts are people’s understanding of the commitment and motivation required to start up a new venture. Venture ability scripts are their understanding of the skills and abilities that are required.

Our study indicated that even though the U.S. is known for higher entrepreneurial activity, it might be wrong to assume that an equity-based system is more entrepreneurship friendly than a bank-based system. Newly emerging markets can formulate their system institutional arrangements in an eclectic way.

A country’s legal system has a strong impact on both venture arrangement and venture willingness scripts. For example, a strong intellectual property regime is an incentive to an entrepreneur who is worried about losing an idea to competitors. A complex regulatory environment, on the other hand, can be a disincentive to starting a business. “People in countries that have regulatory simplicity tend to have a higher knowledge level of how to start a venture, and also more knowledge about the willingness and commitment required,” says Lim.

The study also showed that financial systems have a significant impact on venture arrangement scripts, but not willingness or ability scripts. The countries surveyed in Lim’s study, although all from the developed world, have differences in their financial systems. The U.S., Canada, U.K., and Australia are typical Anglo-Saxon countries with a strong focus on the stock market and equity-based financing. Japan, Germany, France, and Italy, are oriented to banks, so financing activities tend to be bank-based.

Lim and his colleagues found that bank-based financial systems encouraged entrepreneurship more than equity-based systems. This finding came as a surprise, given the conventional wisdom that Anglo-Saxon business systems are more entrepreneurial friendly. Lim says that this notion might be due to cultural factors, such as individualism, not institutional arrangements. “People in Anglo-Saxon countries generally have a higher level of arrangement scripts,” he says, “but if we remove the cultural differences, we find that the impact of a bank-based system on arrangement scripts is actually higher than a stock-market orientation.”

This finding has important implications for emerging countries that are trying to stimulate more entrepreneurship. Many of these countries are experimenting with economic reforms, and look to adopt systems that are proven to be tried and true, like the U.S. stock market system. But Lim suggests that emerging countries have more choice than they might think. “Our study indicated that even though the U.S. is known for higher entrepreneurial activity, it might be wrong to assume that an equity-based system is more entrepreneurship friendly than a bank-based system. Newly emerging markets can formulate their system institutional arrangements in an eclectic way.”

The study also found that the quality of the educational system has a positive impact on venture ability scripts. This has implications for both educators and entrepreneurs. “Our study focused on the macro-environment,” he says, “but there can be various ways for individuals to develop these knowledge structures and mental software, such as entrepreneurship focused education programs like Ivey’s renowned Quantum Shift.”

For policy makers in all countries, Lim’s research shows that the government has an important role in helping entrepreneurs. Specifically, the study indicates that government can encourage new business creation by adopting a legal system with strong property rights protection and less regulatory complexity. The findings also show that policy makers can help entrepreneurs by making it easier to access debt financing through the banking system. Says Lim: “Our ultimate bottom line is that institutional systems do matter for entrepreneurship.”

“**Institutional Environment and Entrepreneurial Cognitions: a comparative Business systems Perspective**” by Dominic Lim, Assistant Professor of Entrepreneurship, Faculty of Business, Brock University, Eric Morse, Associate Professor and JR Shaw Professor in Entrepreneurship and Family-Owned Business, Richard Ivey School of Business, Ronald Mitchell, Professor of Entrepreneurship, Texas Tech University, Kristie Seawright, Associate Professor, Romney Institute of Public Management, Brigham Young University, published in *Entrepreneurship Theory and Practice*, May 2010.

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about the author

Dominic Lim, PhD ’09  
Assistant Professor,  
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The air is electric as Ivey students anticipate the culmination of their New Venture Project: a 20-minute live pitch to a panel of seasoned entrepreneurs and savvy investors, followed by a rapid-fire 30-minute question period. As the time keeper calls everyone to attention, judges take their seats and students make final adjustments – shoulders back, ties straight, throat clear. Ready. Begin!

“Good morning, ladies and gentlemen. My name is Rodrigo and these are my colleagues Karen, Sunil, Kim Fan and Geoff. Thank you for joining us this morning. …” In a flash, the 20 minutes are up and the judges launch into an animated Q&A.

This is just a glimpse into the Ivey New Venture Project (INVP), an entrepreneurial, team-based field project that takes HBA and MBA students through the process of developing a new venture from conceptualization to formation. Ron Close, HBA ‘81 and Executive Entrepreneur-in-Residence at the Richard Ivey School of Business directs INVP and manages a cadre of virtual Entrepreneurs-in-Residence (EIRs) who are matched with the student teams to guide them through the development of comprehensive and compelling business plans.

A practicing entrepreneur, Ron is passionate about entrepreneurship education. “INVP offers a safe yet challenging environment in which students can test their entrepreneurial ideas and instincts, while honing the skills and experiences that will equip them to launch a new venture upon graduation or at some point in the future”, says Ron. “The students come up with an idea and do all of the work, from market research and competitive analysis to the strategy and financial model.” About 20% of the teams actually go on to start up these companies.

According to Sandra Cook, HBA ‘10 “INVP was one of the most valuable things I will be taking away from Ivey. I’m leaving Ivey with a solid business plan, critiqued and polished by experienced entrepreneurs. INVP was definitely a highlight of my HBA2 year!”

Kristine Beese, MBA ‘10, concurs. “INVP was the perfect conclusion to my year at Ivey. It required a combination of skills from every class and discipline we studied. It wasn’t just about finance; it wasn’t just about marketing strategy. It was about how all the pieces are combined into a cohesive and believable business plan.”

As Executive EIR, Ron meets with each of 30-40 student teams throughout the project cycle to ensure they’re on track and hitting key milestones. In addition, a virtual EIR imparts valuable knowledge and perspective, as well as poses and prods their team to tease out gaps and weaknesses in the business plan.

Virtual EIR Mike Shulist, Founder of Shulist Group Inc, enthuses “My work with the Ivey Entrepreneurial Program has been an exciting and rewarding experience. It’s gratifying to collaborate with bright, enthusiastic people who truly believe in the work they are undertaking, and to see how a group of students are able to amenably work through the complex issues that arise in any start-up business.” Mike adds, “We need more programs like the INVP to ensure that this country creates its own future.”

Student demand for INVP has continued to grow since the program’s inception. In 2010, nearly one quarter of Ivey HBA and MBA students completed INVP, and in 2011 that number will increase to more than 40%.

To support the increased demand, INVP/EIR Program Coordinator Tara Grzegorczyk is soliciting applications to expand the roster of virtual Entrepreneurs-in-Residence. For information, please visit www.ivey.uwo.ca/nvp.

At the end of the day, INVP is much more than an exercise in how to construct a viable business plan. “The key benefit of the Ivey New Venture Project is the confidence that students gain that they can do this.”

“Ivey HBA students engaged in an intensive 30-minute Q&A with EIRs, following their New Venture Project pitch.
Student Watch | Matt Wong

Matthew A. Wong, PhD Student – General Management (Entrepreneurship)

Matt Wong has always been intrigued by entrepreneurs and small business, but it was while working for a tele-communications start-up that his interest shifted from the technology to the motivations and decision-making that drove his employer. “The issues faced by small business are unique from those faced by larger firms”, says Matt. “Just one decision could be the difference between success or failure.”

Having attained a Master of Information Studies, Matt was accepted to Ivey’s PhD Program in 2008 and is pursuing research in organizational culture, the role of the founder and growth strategies, under the supervision of Professor Eric Morse. Earlier this spring, Matt attended QuantumShift™, where he met with some of Canada’s most successful entrepreneurs and gained a better understanding of their primary challenges and concerns.

Two years into his doctoral studies, Matt continues to be inspired. “Ivey’s PhD Program has allowed me to meet and share ideas with doctoral student across a wide range of management areas. It’s invaluable to be able to discuss the same topic but from a completely different perspective.”

Alumni Spotlight | Jason S.T. Kotler, MBA ’04

Six years after graduating from Ivey, Jason Kotler is doing exactly what he’d always planned to do – become a successful technology entrepreneur.

In 2008, Jason – a former corporate lawyer - met an inventor with a disruptive and proprietary non-invasive measurement technology needing a commercialization roadmap. Jason’s business expertise along with the skills and insights honed at Ivey culminated in the re-launch of NIMTech Inc. as a CleanTech company, of which Jason is one of the self-described “Re-Founders”.

NIMTech’s core technology is SonicGauge™ which uses multispectral ultrasonics to characterize a substance’s “chemical fingerprint” (solid, liquid or gas) and non-invasively monitor – through the pipeline and in real time. For manufacturers, SonicGauge™ has the potential to significantly increase profitability and environmental savings, while mitigating production risks and solving significant observability gaps in quality control driven industries such as oil and gas, chemicals, and food and beverages.

NIMTech developed its technology offshore, during which time it was sought out by an $11B Global Chemical Manufacturer to design a prototype for a challenging monitoring application. “We accomplished a lot with very little [investment],” states Jason who secured financing from angel investors and government, and is now seeking funding to accelerate SonicGauge™ solutions for clients who are leaders in the ethanol and oil sands industries.

In November 2009, NIMTech presented at the Ivey Venture Forum. Soon after, NIMTech was recognized by Canadian Innovation Exchange as one of the cIX Top 20 Hottest Technology companies in Canada. In May 2010, NIMTech received CATA Alliance’s Gowlings Innovation Award for Outstanding Product Achievement (CleanTech).

Jason sites Ivey and networking as keys to entrepreneurial success. “Ivey has been an amazing foundation and launch pad for getting to where your business needs to go.”

For information contact jason.kotler@nim-tech.com.