Chapter 10

Information Technology, Globalization, and Local Conditions: Implications for Entrepreneurs in Southeast Asia

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ABSTRACT

In small markets such as many emerging economies of South East Asia, disruptive startups have two important challenges to contend with – managing the forces of globalization and coping with idiosyncratic local rules and regulation. While globalization offers extraordinary opportunities to access new ideas and the ability to reach customers faraway, it can lead to risky dependencies on powerful, foreign suppliers and partners. Disruptive startups in small emerging economies also have to deal with peculiar rules and regulations rooted in local politics, religion or history. This chapter explores the interplay between the strategic choices facing a disruptive startup and the entrepreneur’s management of globalization forces along with local complications. The analysis is driven by case studies of two South East Asian startups that have exploited opportunities presented by information technology to disrupt incumbents in the media and tourism industries.

INTRODUCTION

What is disruption? According to Gans and Stern (2017), a disruptive startup undermines incumbents’ dominance by bootstrapping a novel value chain that – in the eyes of a limited customer segment – is more attractive than existing offerings in the market. Disruptors spend little time guarding their ideas or

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protecting their innovation. Instead, they focus on execution – working with customers on variations of a new product or service until hitting a sweet spot. Amazon, Netflix and Uber are examples of startups that have created major disruptions in traditional retail, movie rental and taxi service respectively.

It is not a coincidence that many well-known disruptors built their successful startups by seizing new possibilities offered by the rapidly expanding frontiers of information technology. The growth of the internet and social media provides cheap and effective channels for new players to reach their target customer segments. Information technology also makes iterative improvements through frequent customer feedback natural and easy. As the technology becomes increasingly cheap, hustling and operating leanly – a disruptor’s basic mantra – is ever more viable. Incumbents, who often hold big stakes in established business models, are habitually hesitant to switch onto the new technology S-curve, thus giving the first-mover advantage to new entrants.

Rather than trying to extend the frontiers of a cutting edge innovation, startups in Asia typically focus on exploiting existing technologies by replicating proven business models popular elsewhere and making them work in their domestic or regional environments. These startups gain advantage over incumbents through their willingness to plunge into emerging opportunities while neither the average consumer nor the necessary infrastructure in their market is ready. A market entrance that may appear too early, necessitating initial lean years, eventually provides the startup with crucial learning opportunities. The first-mover advantage grants a small player an unlikely foothold in the new market that powerful giants will fail to dominate.

In small markets such as many emerging economies of Southeast Asia, disruptive startups must further grapple with two key challenges – managing the forces of globalization and coping with idiosyncratic local rules and regulation. While globalization offers extraordinary opportunities to access new ideas and the ability to reach customers faraway, it can also lead to risky dependencies on powerful, foreign suppliers and partners. The free flow of information across boarders may also bring imitative threats from stronger or cheaper competitors afar. Disruptive startups in small emerging economies similarly have to deal with peculiar rules and regulations rooted in local politics, religion or history. On the one hand, a small home market makes going abroad a necessity. On the other hand, the greater the number of new markets a startup plans to enter, the bigger the headache of adapting to these country-specific requirements. There is also the very real risk of unknowingly stepping on cultural landmines.

This chapter explores the interplay between the strategic choices facing disruptive startups and their founders’ management of globalization forces along with local complications. The analysis is driven by case studies of two Southeast Asian startups that have exploited opportunities presented by information technology to disrupt incumbents in the media and tourism industries.

Region Background

The countries referred to in the case studies come from the South and Southeast Asian regions. They include some of the most populous nations in the world (India and Indonesia are the second and fourth most populous countries on the planet), as well as miniature countries, such as the city state of Singapore. There is also a huge diversity in the level of economic development. Singapore, an Asian Tiger, is one of the richest countries on earth with a GDP per capita over fifty thousand USD per person per year. The GDP per capita of Nepal, Laos and Cambodia are each below two thousand USD. See table 1 for more details.