CHANCE: A rapidly increasing number of entrepreneurs constitutes a crucial potential, says Müftüoğlu.

A new profession emerging

İZMİR
Anatolia News Agency

Speaking at the opening of the International Entrepreneurship Congress held by the İzmir University of Economics, Temel Müftüoğlu, professor of Economic and Administrative Sciences at Başkent University, said entrepreneurship should be regarded as a profession.

Previously, steel and energy constituted the main elements of a country's economic power. Human resources were held in lower regard, Müftüoğlu said. "Mind grease" is preferred over "elbow grease" in today's economies, he said. In the future, technocrats and entrepreneurship will be the two most important branches of business, according to Müftüoğlu.

Despite the acknowledged importance of entrepreneurship, it is not clear how to create entrepreneurs, Müftüoğlu said. European youth have lost the ambition to work, but there is dynamism among people of Far Eastern origin in the United States, he said, adding that the number of young entrepreneurs is rising in Turkey. Despite the increase in the number of entrepreneurs, there are deficiencies in the quality of these people and in securing employment, he said. A rapidly increasing entrepreneur population constitutes a crucial potential for Turkey, he added. The congress is to end Oct. 16.

Venture capital faces funding drought in US

GLEN CHAPMAN
SAN FRANCISCO - Agence France-Presse

The amount raised by a total of 17 US venture capital firms in the third quarter of this year is the smallest since 1994. The venture capital bubble has burst, says the founder of a portal on funding sources

The number of U.S. venture capital firms that raised new investment money sank to a 15-year low in the last fiscal quarter as a drought of funding threatened innovation around the world.

Approximately $1.56 billion was raised by a total of 17 venture capital firms in the third quarter of 2009, the smallest such showing since 1994, according to figures released last week by Thomson Reuters and the National Venture Capital Association, or NVCA.

The amount of money pumped into venture capital funds' coffers last quarter was the lowest since the first quarter of 2003 when 938 million dollars was raised, according to Reuters and the NVCA.

"The venture capital bubble has burst," said Adeo Ressi, founder of TheFunded.com online community devoted to rating entrepreneur funding sources.

"I consider this the first dark sign of really bad collapse coming in 2010. The system needs new money to fund new ideas or the world will face a breakdown in innovation by 2012."

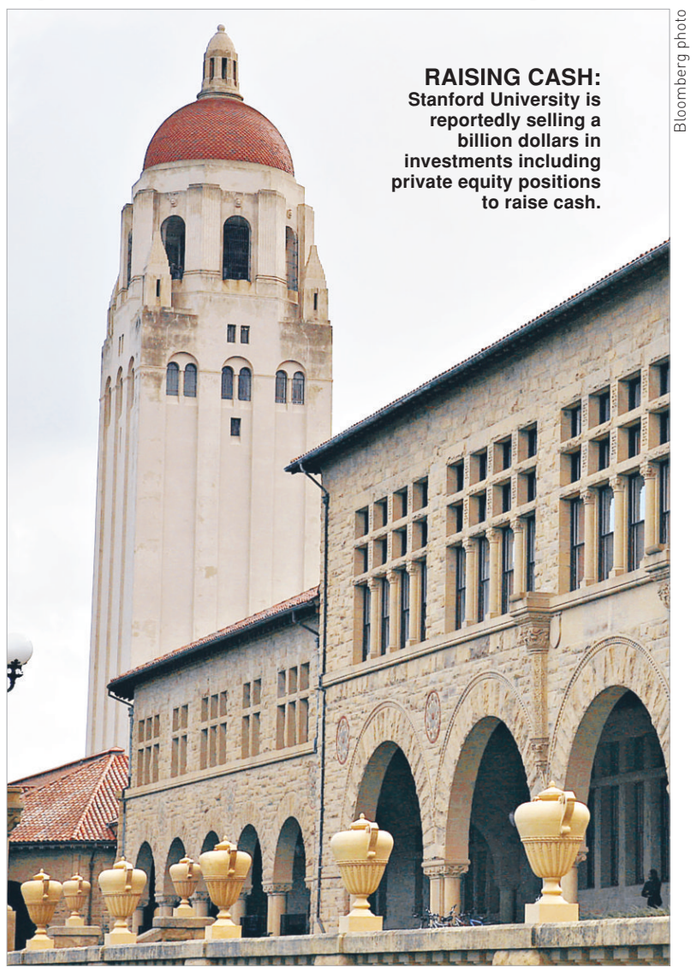
Crisis still affects strategies

The amount of new investment cash brought in by venture capital firms has sunk each quarter since the start of 2009, according to Reuters and the NVCA.

"Many limited partners are still determining their long term strategies in the wake of the past year's financial crisis and that slows the process down considerably," said NVCA president Mark Heesen.

The NVCA expects commitment of investment dollars to "remain modest" through the end of this year and begin a gradual increase in 2010.

Ressi painted a grimmer picture, saying that it is "nearly impossible" for venture capital funds to raise new investment cash and that reserves are dwindling.



Bloomberg photo

RAISING CASH: Stanford University is reportedly selling a billion dollars in investments including private equity positions to raise cash.

Making the situation worse for entrepreneurs is that big investors such as universities and pension plans are bailing out of venture capital funds to get their hands on cash to cover debt or other obligations, according to Ressi.

For example, Stanford University is reportedly selling a billion dollars in investments including private equity positions to raise cash.

"Major institutions are dumping private equity positions, allowing smart investors to buy venture capital positions for pennies on the dollar," Ressi said, adding that partners in venture capital firms are selling stakes to get cash.

"So, potential new money into new venture capital funds can buy old venture capital positions on the cheap."

TheFunded.com listed 336 such firms as no longer making investments and said that 200 venture capitalists have left the business in the past year.

"Smart people see that the boat is sinking, and they try to get off first," Ressi said. "Nobody wants to be one of 10,000 venture capitalists seeking a job in six months."

Entrepreneurs realize that capital is scarce and are resorting to self-funding or wooing "angel" investors.

"It's a really dire circumstance right now," Ressi told Agence France-Presse. "Ultimately, innovation will suffer."

Symptoms being seen in U.S. venture capital markets bode ill for the health of startups worldwide.

"The capital sources for venture firms are global, and they all tend to make the same mistakes and pursue the same strategies," Ressi said. "The problem is the same almost everywhere in the world; no region's venture industry will be spared."

Investment dollars will still be found for significant technologies with strong potential, said David Charron, associate director at the Lester Center for Entrepreneurship and Innovation at the University of California, Berkeley.

"In some respects it's a better situation for entrepreneurs because the amount of competition is less," Charron told AFP. "If you can get funding, it is a great time to start a company."

Charron agreed that the drop in venture capital funds is a dark sign, but believes it will slow, not stop, the pace of innovation.

"Think of it like a tea kettle," Charron said. "If you turn the heat down on the kettle it doesn't whistle as loudly, but the water is still boiling."

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Deciding where to stake your claim

Entrepreneurs' natural courage and curiosity enable them to spot opportunities in environments where others might not see them, and that includes going where clusters are not

"Today's key economic factors - talent, innovation, and creativity - are not distributed evenly across the global economy. They concentrate in specific locations. In today's creative economy, the real source of economic growth comes from the clustering and concentration of talented and productive people. The clustering force makes each of us more productive, which in turn makes the places we inhabit much more productive, generating great increases in output and wealth."

So says Richard Florida, author of the international bestseller "Who's Your City?" Given the latest technological advancements, it's fashionable these days to assume we can all work from anywhere, but Florida points out that people still tend to cluster in particular areas, and that that clustering leads to a synergy of creativity and productivity greater than the sum of its parts.

An ideal jumping-off point

Istanbul is one example of such a cluster. It is the heart of Turkey's business life, and it attracts talented people from around the region. Over the past seven years especially, more and more international companies have decided to place their regional headquarters in Istanbul. The city has several advantages, from its talented human capital to its logistical strengths. Many companies see it as an ideal jumping-off point for access to a growing market, and so they come here and create even stronger clusters of talent.

Entrepreneurs can take advantage of this clustering, too. For example, if you want to build your own "life coaching" business, big, vibrant cities like Istanbul or Ankara can be a great place to start. The stresses of traffic, the long working hours, the demands of family and kids - people hardly have any time left for themselves. In an environment like this, many look for ways to give fresh direction to their lives, and so a life coach will find concentrated groups of people who are open to what he offers. Of course, in cities like these the coach will also find more competition, but that will just push him to experiment and develop new ways to stand out from the crowd.

There are many different kinds of clusters. There are clusters of creative talent. Clusters of research and development. Clusters of vendors and clusters of customers. Often, different clusters will overlap in the same city, but not always. In those cases, you have to choose which kind of cluster you consider most important, and the spirit of your business will be affected accordingly.

Other criteria go into choosing a location, though, besides where are the biggest clusters of customers or business talent. In Turkey, the most obvious cluster for most things business is Istanbul, but many entrepreneurs feel that that kind of concentration comes at a great cost, and they choose to start their businesses elsewhere.

Less rivalry beneficial at the start-up phase

For example, İzmir is not known for its huge commercial potential, but it has a more relaxed lifestyle and less traffic, which leads to less stress. If you are an entrepreneur choosing a location for your new business, consider that the higher quality of life might unlock a creative spirit that would be squelched by a larger city. Plus, you may find there is less competition there, and that could work to your advantage when you are guiding your business through the especially delicate startup phase. Being surrounded by less competitive noise can also allow you to make a name for yourself, rather than just being yet another service provider in a far-too competitive city.

Entrepreneurs' natural courage and curiosity enable them to spot opportunity in environments where others might not see it, and that includes going where the clusters are not. An international megacorporation choosing its next regional headquarters might consider Istanbul the promised land, but an entrepreneur might see Istanbul as a crazy place to start, and a small town in southeast Turkey as ideal. Be aware of the benefit of the clusters around you, but don't forget that most hidden opportunities lie where you least expect to find them.

Company exports special prayer rug

İZMİR
Anatolia News Agency

An entrepreneur from the Aegean city of İzmir has found himself the head of an export company in a short time after he designed a special prayer rug for his mother.

Adnan Pirişan designed the prayer rug to abate his mother's knee pain while she performs "namaz," meaning to bow, which is one of the rites of Islam to be performed five times a day by practicing Muslims. Upon the attention the rug received, Pirişan improved his designs and launched exports.

Pirişan designed a bag-like portable prayer rug, which is supported with orthopedic materials for the knee and brow parts, for his mother who went to pilgrimage in 2007, he said. The idea has changed his life in a very short time, he added. When Pirişan's mother said the prayer rug design attracted attention from people from many other countries during the pilgrimage, Pirişan improved his design and obtained a patent in April. He also owns the international patent of the portable and orthopedic prayer rug.

After received the patent, he said, he launched mass production. The first export agreement was made with Germany, he said, adding that he keeps also in touch with some companies from Saudi Arabia. The total weight of the prayer rug, which can be carried as a bag, does not exceed 700 grams, said Pirişan, adding that the product, which was designed particularly for pilgrimage, can also be used at home.

AA photo

ATTRACTION: A portable prayer rug, which is supported by orthopedic materials, has drawn high interest.

"The responses I received encouraged me to improve my design and do some research. I observed that only the colors and models of the rugs are changing. However, particularly during pilgrimage, the prayer is performed on marble or in open air area, and most of the people are old," he said. "So, I tried to support the knee parts of the rug with orthopedic materials as if there were a pillow. Also, we can make it thicker depending on people's weight or pain. My design is suitable for those who have arthralgia."

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