

Tech industry insider makes waves in China

November 26 2010, By John Boudreau

It is just a simple piece of plywood, but it is a striking symbol of the frenzied adoration Kai-Fu Lee, perhaps China's most prominent technologist, elicits in this country.

"One overanxious entrepreneur knocked down our door," said Lee, explaining why the plywood used to cover the damage is on display in his spaceshiplike offices.

Few Chinese executives have the technology cred of Lee, who was tapped by [Bill Gates](#) to lead Microsoft's operations in China, personally wooed away by Google's [Larry Page](#) and [Sergey Brin](#), and turned down an offer by Steve Jobs. His new venture, Innovation Works, a \$115 million fund to back early-stage technology companies, is something of a laboratory to teach this nation of 1.2 billion people a course that could be best described as "[Silicon Valley](#) 101." His efforts tap into the ambitions of a rising economic giant to someday have its own world-dominating technology companies.

Illustrating the importance the country places on his efforts, the government subsidizes the rent of Innovation Works. And Lee's new headquarters was designed - for free - by one of the designers of Beijing's National Stadium, also known as the Bird's Nest, constructed for the 2008 Olympics.

On a recent Saturday afternoon in October, he was mobbed by 100 wannabe entrepreneurs who won a competition sponsored by a local TV show that let them hear a presentation by Lee. They arrived at his office

in formal business attire and cheered and squealed as if he were, well, [Steve Jobs](#).

His musings on Tencent's Twitter-like service are followed by 5 million people, and by 2 million on Sina.com.

"He is among the superstars," said Meng Chang, an intern at Lee's new fund, Innovation Works, who delayed beginning her MBA studies at Columbia University for the chance to work with Lee.

In China, Lee said he believes he can "add value in a way that no one else can."

He has a daunting task, observed Mark Natkin, managing director of Beijing-based Marbridge Consulting.

"Lots of people, including investors, are very comfortable getting behind him," Natkin added. "What it will come down to is whether the companies he chooses to incubate fly or fail."

Lee, after all, had mixed results while at [Google](#). During his tenure, Google China's market share jumped from 16 percent to 31 percent, but it always remained a distant second to Baidu, the locally owned and dominant search engine in China, Natkin observed.

Lee recently unveiled five of the companies Innovation Works is backing, four of which are mobile-phone technology startups with a strong emphasis on Google's Android operating system. None, though, is a company with revolutionary technologies. But they are a start in a nation that is still new to tech startups.

Unlike Silicon Valley, where many professionals are comfortable joining startups at virtually any stage of their career, most Chinese feel a clock

ticking the moment they graduate from college, Lee said.

"Probably once you are 32, you have a family and a kid and you (need) to get them into a good school. Parents expect their kids to own a house, have a kid," he said. "That might suppress or kill your startup dream."

But Chinese ambitions for creating change-the-world-businesses are growing.

On the day he announced the launch of Innovation Works, he was swamped with 7,000 resumes.

While young Chinese entrepreneurs are willing to break down doors to get to him, tech giants have gone to court to fight over him. When Google lured Lee away from Microsoft, a legal battle erupted between the two corporate giants. In the end, Microsoft failed to stop Lee from jumping to its competitor. Just as he signed on with Microsoft in the late 1990s, the charismatic Lee, 48, turned away another suitor - Jobs.

One day his wife told Lee, who worked at Apple before Jobs returned in the late 1990s, "Someone named Steve from Apple called you. He asked me to make sure you'll call him back."

"Steve?" Lee responded. "I don't know a Steve from Apple."

When Lee dialed the number, he was surprised to get Jobs, who told him, "All your former subordinates said you were a good boss. They asked me to bring you back. Why don't you come back here to take a look before going to Microsoft?"

But Lee resisted Jobs' overtures because he had already committed to work for Microsoft.

Lee has generally refrained from talking about his former Mountain View, Calif., employer, which clashed with government officials over censorship earlier this year before directing Chinese users to its Hong Kong site. But a slide presentation prepared for his Innovation Works lists a litany of the failings of foreign multinationals to crack the world's largest Internet market by users: "Too short-term-profit focused; local team not empowered; insufficient attention to local market needs; 'global' product mentality; no willingness to tailor for China."

Google's confrontation with the Communist government over censorship came months after Lee's departure from the company. By defying the government's censorship rules, Google lost a number of partnerships with Chinese companies, such as China Unicom, as well as market share and high-level R&D employees, who have left the company.

Thus, Lee indicated, Google's Android mobile operating system faces a mixed future in the country.

"If their goal is to have a broad Android adoption, that will happen with or without their participation," Lee said. "The wave of developer support is tremendous. The hardware manufacturing (support) is phenomenal. But if they want Google services connected to these Android devices, they will have to do something to make it happen."

While most Chinese investors seek quick fortunes by sinking money in industries such as real estate, Lee is placing bets on ideas.

"This is the Warren Buffett thing: You do the opposite of what everyone else is doing," he said. "We won't be vindicated for at least five years. And this is someone who is an optimist speaking."

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