Taiwan’s Yacht Industry: A Tale of Two Entrepreneurial Firms

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Abstract
This paper studies the evolution of Taiwan’s yacht industry in general, and in particular we focus on two entrepreneurial firms, Horizon Yacht Company and Jade Yacht Company. Our purposes are two-fold. First, most research studies on Taiwan’s economic success are based on the neoclassical economic model, which uses a proportional input-output production function, and emphasizes aggregate data to explain economic growth. We instead emphasize the role of entrepreneurship, which allows us to investigate closely how each individual firm discovers opportunities, exploits profits, and accumulates its capabilities to create perpetual wealth. Second, Taiwan is a very entrepreneurial society and its entrepreneurial spirit permeates into every corner with successful stories not just confined to some champion industries, such as integrated circuits (ICs), personal computers (PCs), etc. Taiwan’s yacht industry, though it sailed through stormy periods in the late 1980s, has learned to grow to be a much more competitive player on the world stage. We show two cases of yacht corporations, Horizon and Jade, to shed light on how the firms use variant strategies to build their continuous competitive advantages, to meet challenges, and to galvanize their capabilities on their pathway to growth.

Key words: entrepreneurship, competitive advantages, strategic entrepreneurship, entrepreneurial learning, fiber-reinforced plastic (FRP) yacht, metal yacht, vertical integration.

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1. Introduction

Taiwan’s economic performance since WWII has been dubbed as a “miracle” (World Bank, 1993). Extensive studies on how Taiwan can transform from an agricultural and labor-intensive industry to a high-tech industry are mostly based on neoclassical economics, which emphasize the proportional inputs-output relationship and data-aggregated, macroeconomic-focused analysis, such as that exhibited in World Bank (1993). This paper targets the role of human action, principally emphasizing the role of entrepreneurship for its contribution on Taiwan’s economic growth. We investigate the economic evolution of Taiwan’s yacht industry development in general and pay particular attention to two entrepreneurial firms, Horizon Yacht Company and Jade Yacht Company. Although the proportion that yacht industries contribute to Taiwan’s GDP is not high (0.8% in 2007), the entrepreneurial spirit, which we claim is the main driving force for Taiwan’s economic growth for the past 60 years, is no different from other successful industries. Indeed, factors contributing to Taiwan’s economic miracle can be aptly encapsulated in the performance of entrepreneurial firms from the yacht production industry.

This paper attempts to combine entrepreneurship and strategic management to lay the foundation for analyzing the growth of a firm. These two fields of research complement each other well. Entrepreneurship is important to the functioning of a market economy and entrepreneurs need to organize institutions so as to implement their judgments. Firms indeed exist, because entrepreneurs need them to prove the results of implementing judgments and to reduce uncertainty. Put differently, the goal of entrepreneurship is to create wealth and spur the growth of the firm. An

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1 World Bank (1993) states that the superior performance can in large part be explained by having achieved 6 ‘fundamentals’ better than other economies: a. stable macro-economy, b. high levels of human capital, c. an effective and secure financial system, d. productive agriculture, e. limited price distortion (getting the price right), and f. openness to foreign trade, investment, and technology. However, how the entrepreneur organizes the resources, takes risk, and calculates and judges the benefit while making decision under the world with uncertainty were assumed away.