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Home > All Journals > Global Economic Review > List of Issues > Volume 37, Issue 4 > Taiwan's Yacht Industry: A Tale of Two E

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Original Articles

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

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ABSTRACT

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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.

Keywords: entrepreneurship Competitive advantages strategic entrepreneurship entrepreneurial learning fiber-reinforced plastic (FRP) yacht metal yacht vertical integration

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Notes

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KMT retreated to Taiwan at the end of the 1940s, which was not lifted until 1987. During that time period, no citizen had a chance to conduct any potential water activities along the coastline. Even until now, although there are some surfing and windsurfing groups or clubs that have emerged, there is no yacht club yet in Taiwan.

4. Taiwan's shipbuilding industry includes shipbuilding and marine equipment manufacturing. According to the hull material of the newly constructed ships, it can be classified into three categories: steel hull, aluminum hull, and fiberglass-reinforced-plastic (FRP) hull. Vessel types include military ships, merchant ships, large fishing vessels, fast ferries, small fast craft for military and police, yachts and small fast patrol boats, and parts repair industry (DoIT, [2006](#)). Yacht production generally can be divided into power boats and sail boats. Taiwan's yacht production is mainly for power boats.

5. In the 1960s during the Vietnam War, the US navy commonly parked their ships in Keelung Harbor, located in the northern part of Taiwan, as a short-term vacation venue. Sailing yachts were constructed by the yards near the Tamshui River close to Taipei. Tachou and Chen Chien-Chi were two prominent yacht producers at that time. Both yacht builders were taken over by the young generation and Tachou is still active in the market. Tachou Shipbuilding Company (<http://www.tachouship.com/>) began in 1919 and has built hundreds of yachts, including military patrol boats, ferries, and the 112-foot super yacht. It is run by the third generation of the Chen family.

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8. As noted by Kirzner ([1979](#)), knowledge is the alertness leading to the discovery of opportunities. Kirzner ([1979](#), p. 8) defines entrepreneurial knowledge as “a rarefied, abstract type of knowledge-the knowledge of where to obtain information (or other resources) and of how to deploy it.” Ireland, et al. ([2001](#)) predicate that entrepreneurial actions are a behavior of firms by which they move into new markets, seize new customers, and/or combine (existing) sources in new ways, while strategic actions are taken to select and implement the firm's strategies.

9. The Austrian market process theory emphasizes that normally a market is not in equilibrium. It is through the entrepreneur who discovers the profit opportunity and through his profit exploiting process that a market can move toward equilibrium and an efficient utilization of resources can be warranted. See Kirzner ([1973](#)).

10. With the endeavor of Austrian economists, theories linking entrepreneurship with the firm have been blooming since the 1990s. Yu ([1999](#)), Lewin and Phelan ([2000](#)), and Foss and Klein ([2004](#)), among others, present a similar or at least a conformable theoretical Austrian view, although with differences in stress.

11. Tangible assets refer to the fixed and current assets of an organization that have a fixed long-run capacity. Intangible assets include intellectual property such as trademarks and patents as well as brand and company reputation, company networks, and data

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12. Alva the hete heteroge focus on s on the

13. S espe entrepreneurs, and d other n what does not work

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15. Horizon's dealers locate in the US (both west and east coast), Germany, Spain, the UK, Australia, Hong Kong, Japan, Singapore, and Thailand. See the website at <http://horizonyacht.com/Service.asp> (accessed 4 November 2008).
16. See the profile of the Horizon Yacht Company at its website: <http://horizonyacht.com/>.
17. The Bureau of Foreign Trade (BOFT) has commissioned a Branding Taiwan campaign executed by the Taiwan External Trade Development Council (TAITRA) in cooperation with the international brand consulting firm, Interbrand. Since 2003 the Taiwan Superior Brand Contest has been organized as part of the campaign with the goal of reinforcing and strengthening Taiwan's international competitiveness by encouraging industries to develop quality and innovative brand products. In 2007, there were 15 global brand award-winning companies,
18. Vertically integrated companies are united through a hierarchy and share a common owner. Each member of the hierarchy usually produces a different product or service, and the products combine to satisfy a common need.
19. As it is well-acknowledged, European yacht builders do not easily surrender to the request of the yacht buyer to build a yacht without following a design, while Taiwan's yacht builders are more flexible in this regard.
20. See <http://horizonyacht.com/>
21. See <http://horizonyacht.com/>
22. Since its debut in 2003, the Horizon 40 has been a success story in the luxury yacht market. Operations from the factory in Taiwan, the yacht's length, and the brand name have all contributed to its success. A brand new model, the Horizon 45, was first debuted at Seattle in 2008.
23. The Horizon 45 is a serious Raised Pilothouse model. It features a wide range of model series design, including a sleek appearance, comfortable accommodations, great maneuverability and high quality. Its siblings, all



vessels named under the Dynasty series will come with a Raised Pilot House structure. In all, the Horizon family now has a total of six series, including Elegance, Vision, Premier, Bandido, Sportfisher (June, 2006 finished the first Japanese design Sportfisher), and the newly introduced Dynasty series.

24. Officially formed in August 2005, Premier Yachts is dedicated to manufacturing customized mega yachts of 105 feet and larger. This yard will develop a new model series—the aptly titled “Premier Series”.

25. DoIT (2006) reports that Italy and the US lead in the FRP super yacht technology, and vessels exceeding 140 feet made from composite materials have already been launched in the market.

26. SCRIMP was originally developed by the US Navy seeking a new way to add strength and durability to a vessel's hull without adding weight or affecting its performance.

27. A milling machine runs on 90' long tracks, and the five-axis router comes equipped with a high speed of 1800 inches per minute and can stop at any precise position within a 0.01-inch range. Large-part manufacturing with the five-axis router starts with rough milling of low-density foam blocks. Next, fiberglass-reinforced material is applied to provide strength and durability. A layer of fiberglass is applied to the hull and the entire piece is then finished with a clear coat.

28. In the design process, it is important to confirm that the design is feasible during the process. The design team ensures that the design is designed to ensure a high level of safety. Lloyd's Register is a leading provider of services for the shipping industry. The company has established Det Norske Veritas (DNV) projects that have been completed by LR.

29. Many of the projects are supported by the Center for Advanced Support and Technology (CAST) by the US Navy.



30. The entire manufacturing environment of the Horizon Group is monitored by 5S committee members. In order to maximize the performance of each department, a 5S contest is held every month. The winner of the 5S contest receives a reward from the committee.
31. Each term is about two years. Mr Han was elected three times as the chairman of Taiwan's Shipbuilding Association.
32. These six shipyards include Jong Shyn Plant, Singao Repair Plant, Linsheng Shipbuilding Plant, Sinchuan Shipbuilding Plant, Sintian Second Shipbuilding Plant, and Jade Yacht Plant with a total of 350 employees.
33. See the website of Jong Shyn Group at <http://www.jongshyn.com/english> (accessed 4 November 2008)
34. See note 28 for the purpose of classification society and the introduction of DNV. China Corporation Register of Shipping (or called CR) was founded on 15 February 1951 in Taipei, Taiwan, Republic of China as a non-governmental and non-profit technical organization.
35. Luo and Chung (2005) study the particularistic relationships in the inner circle of Taiwan's family firms.
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40. According to the investigation of DoIT ([2006](#)), Taiwan's yacht industry has the strengths of: technical superiority in ship design and construction, on-time delivery of new ships, high potentiality and professionalism, well-developed and wide use of computer systems such as CAD, CAM, and MIS, and self-discipline and high efficiency at private shipyards. The weaknesses include: inexperience in designing and constructing non-conventional vessels, a lack of automation at certain shipyards, a lack of skilled labor, rising wages and total costs, and land and capital shortages at private shipyards.

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