

Global Entrepreneurship Breaks Out

Sean Randolph – June 21, 2022

For years technology entrepreneurship was almost exclusive domain of Silicon Valley. Great universities, an extraordinary concentration of venture capital, an array of potential clients and acquirers, and a unique entrepreneurial culture generated local startups and attracted entrepreneurs from around the world. Other places – nations, states and cities – struggled to replicate the Silicon Valley model and create more competitive economies. The Valley's unique mix of assets was hard to replicate, as the culture of universities outside the U.S. ignored entrepreneurship, technology commercialization was a low priority, venture firms were small, and entrepreneurs ranked low in social status. But Silicon Valley's success was undeniable, and its strategy became a beacon for economies seeking supercharged growth.

This is still true today. Global companies and investors continue to flock to the San Francisco Bay Area in large numbers. 2021 was a record year for venture investment in the region (\$105 billion), founders from overseas are returning after a pandemic pause, and digital technologies and their applications are advancing at a rapid pace. The global landscape has begun to change, though, and in remarkable ways.

This began in Europe in the mid-2000s and is gathering momentum. Cities like London, Paris, Stockholm and Berlin emerged as startup hubs. Local venture firms started small and invested conservatively, mostly at the early stages. Many were helped by co-investment from governments. Accelerators sprang up, supporting young companies. Most startups had limited ambitions, replicating models pioneered in the U.S. or seeking to grow in their home markets. Scale was an issue and the more ambitious companies migrated to Silicon Valley in search of growth capital and larger markets.

Today the number of startups and the venture firms supporting them has grown, and with them the number of unicorns. Successful founders have taken a page out of Silicon Valley's playbook, becoming serial entrepreneurs, mentors, and investors. Pitchbook data shows that venture investment in Europe reached as new record in 2021, spurred by a surge in late-stage investment and the maturation of its ecosystems. Venture capital grew and VC-backed public listings and exit values reached new peaks, with the number of venture-backed deals passing 10,000 and deal value passing \$100 billion Euros. In 2021 Europe overtook China in creating new billion-dollar startups.

A similar trend is underway in countries not normally thought of as startup hotbeds. Most are following the Silicon Valley playbook: success breeds success as more local startups have successful exits, proving the viability of their markets. That attracts more investment, changing cultures and advancing the acceptance of entrepreneurship as a respected career.

According to Pitchbook data, at the end of 2021 more than 20 venture-backed companies in Latin America were valued at over \$500 million, two-thirds in Brazil and Mexico. Of 17 unicorns in the region nine were launched last year. The most valuable included Kavak (\$8.7 billion) and Rappi (\$5.25 billion). Across Latin America venture-backed companies raised nearly \$15 billion across 772 deals. Brazilian fintech Nubank raised \$2.6 billion on a market valuation of \$44 billion in the region's largest IPO.

India produced 43 unicorns last year for a total to 68 – up from a handful only a few years ago. In Southeast Asia companies like Sea Group (internet technology) and Grab (transportation) in Singapore and JT Express, Bukalapak (e-commerce), and Go-Jek (transportation) in Indonesia are transforming regional markets. Israel has long been a start-up powerhouse, but Egypt, Jordan, the UAE and Qatar have also started to generate high-growth companies. In the fall of 2021, there were more than 800 startups around the world with valuations of over \$1 billion, with a cumulative value of over \$2.6 trillion.

2022 will be different from last year as financial markets contract, interest rates rise, valuations drop, and belts tighten. But the underlying drive for innovation won't recede and digital processes and technologies will continue to advance, as they did throughout the pandemic. Entrepreneurs will face steeper challenges but the incentive to innovate across these global markets will remain strong.

This is a welcome trend, which opens new opportunities for growth and innovation around the world and is a building block for more efficient, transparent and competitive economies. In developing countries in particular fintech is bringing new efficiency and access to financial services in countries with antiquated banking sectors, and ecommerce is improving service and access to consumer markets.

The role of Silicon Valley remains central – as a source of technology, expertise, capital, and global connections. Plug and Play's June 2022 Summit, its first live event in two years, drew more than 2000 participants including 1000 from other countries. Increasingly these worldwide centers of entrepreneurial activity will offer investment and market opportunities in their own right as innovation and technology-led growth go global.

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