

What Explains the Production of Scaleups?

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Startup Genome: Scientific Knowledge of How to Develop Startup Ecosystems → Foundation to Policymaking Decisions

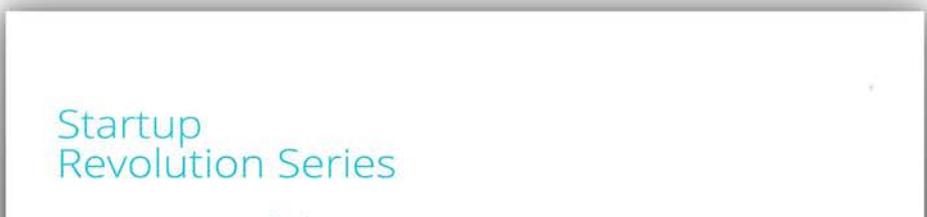
Our Mission: Fuel measurable economic growth by increasing startup and ecosystem success all over the world

What We Do: We work with leaders of innovation ministries, agencies and organizations supporting startups in 24 countries



Global Startup Ecosystem Ranking 2017

The graphic features a large white 'X' shape overlaid on a blue-tinted aerial view of a city skyline. The text 'Global Startup Ecosystem Ranking 2017' is positioned on the left side of the 'X'.



Startup Revolution Series

The graphic shows a blue-tinted aerial view of a city skyline with a large white 'M' shape overlaid on the right side. The text 'Startup Revolution Series' is on the left.



Startup Genome

Executive Summary

Startup Genome is the world's first scientific study of startup ecosystems. It provides a framework for understanding and improving startup ecosystems. The report is based on data from 24 countries and 100+ cities. It identifies key factors for success and provides actionable insights for policymakers and entrepreneurs.

Key findings include:

- 81% of the world's startups are in the US and Europe.
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#1 Silicon Valley & Bay Area USA

Ecosystem Partners Capital Factory - Created by the heart of downtown Austin, Capital Factory is the ecosystem partner of choice. More than 10,000 entrepreneurs, programmers, and designers will gather this year for meetings, networking, and more. Throughout the course of the year, almost every entrepreneur and investor in Austin connects with Capital Factory in some manner.

Silicon Valley has earned its reputation as the global tech mecca with 14,000 to 19,000 startups and 1.7 to 2.2 million high-tech jobs. In the last 10 years, it has become a model for other ecosystems.

Self-claims to have created 4 million jobs globally, including app developers and Facebook marketers.

Even though startup ecosystems have exploded globally, Silicon Valley still has about as much capital and exit volume as the rest of the top 20 ecosystems combined. Decades of lessons learned in high tech entrepreneurship in Silicon Valley have been synthesized into a new management science for entrepreneurship. This is highlighted by the foundational work of Steve Blank and Eric Reis, which gave rise to the lean startup movement.

Startup Genome's 3 Pillars

Scientific Model

- 2011 with Steve Blank
- All Success Factors
Validated against
Performance Model
- 100+ Metrics

Largest Knowledge Base

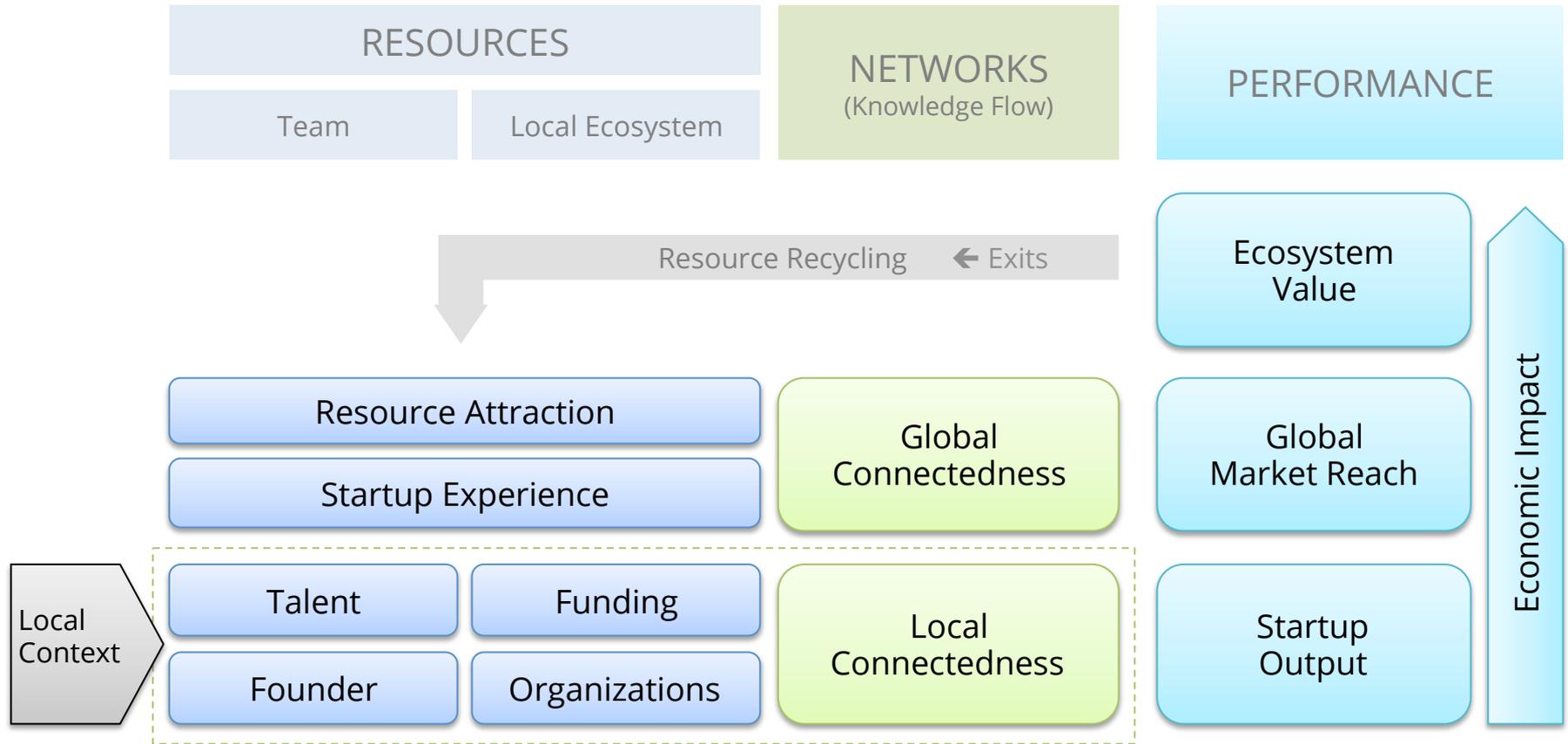
- SG Primary research
 - 28 Countries
 - 10k+ Founders X 4 years
 - 4.5 million data points
- Partner Data
 - GEN, Crunchbase, Pitchbook, Dealroom
 - + 300 local partners

Global Exposure

- Most popular report
- 300,000 views in 2017
- Investors, Entrepreneurs, Talent
- '00s of Articles: Forbes, Bloomberg, Inc., etc.

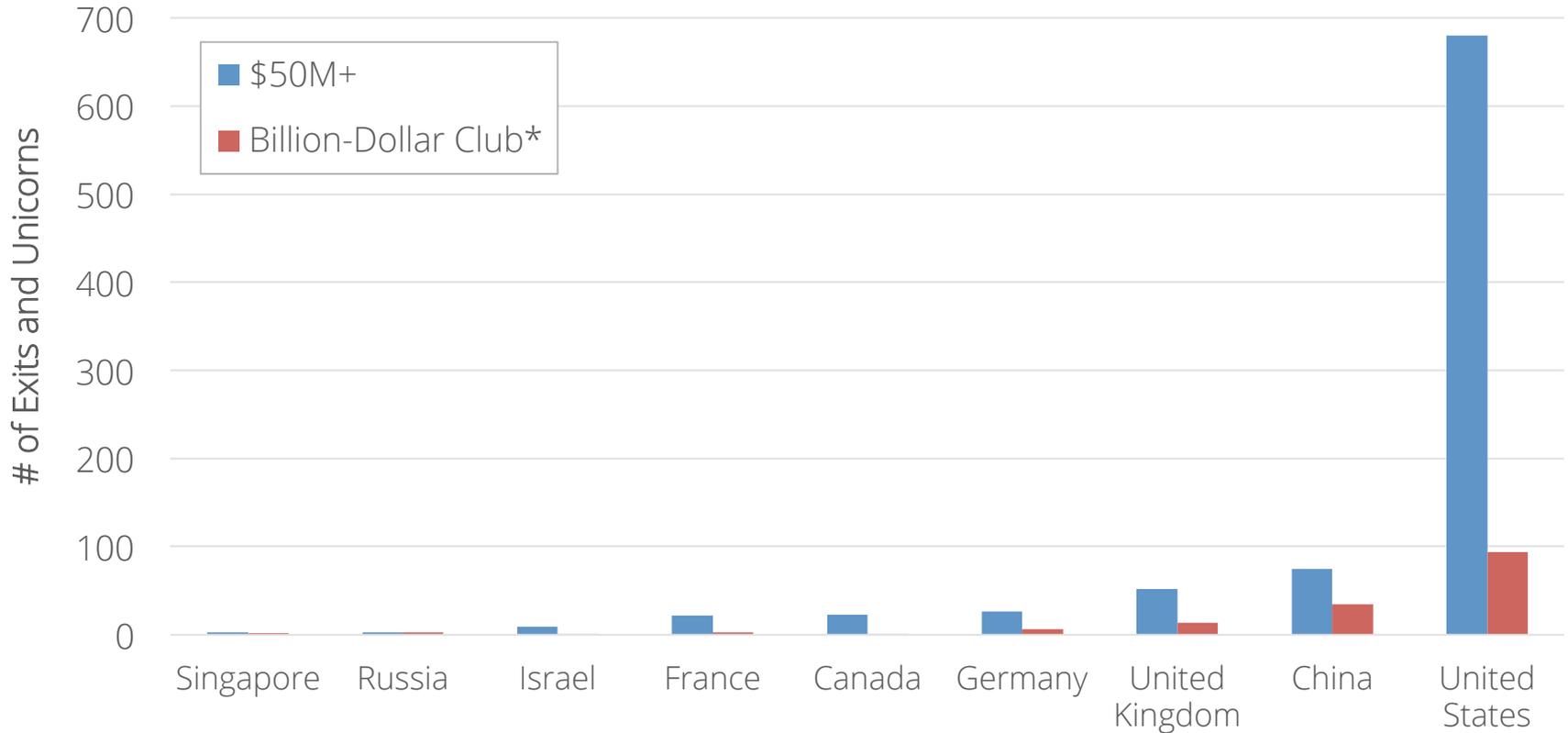
Ecosystem Success Factor Model

Quantify Gaps, Monitor Policy & Program Impact



Scaleup Production may seem to be a national issue

Number of Exits & Unicorns

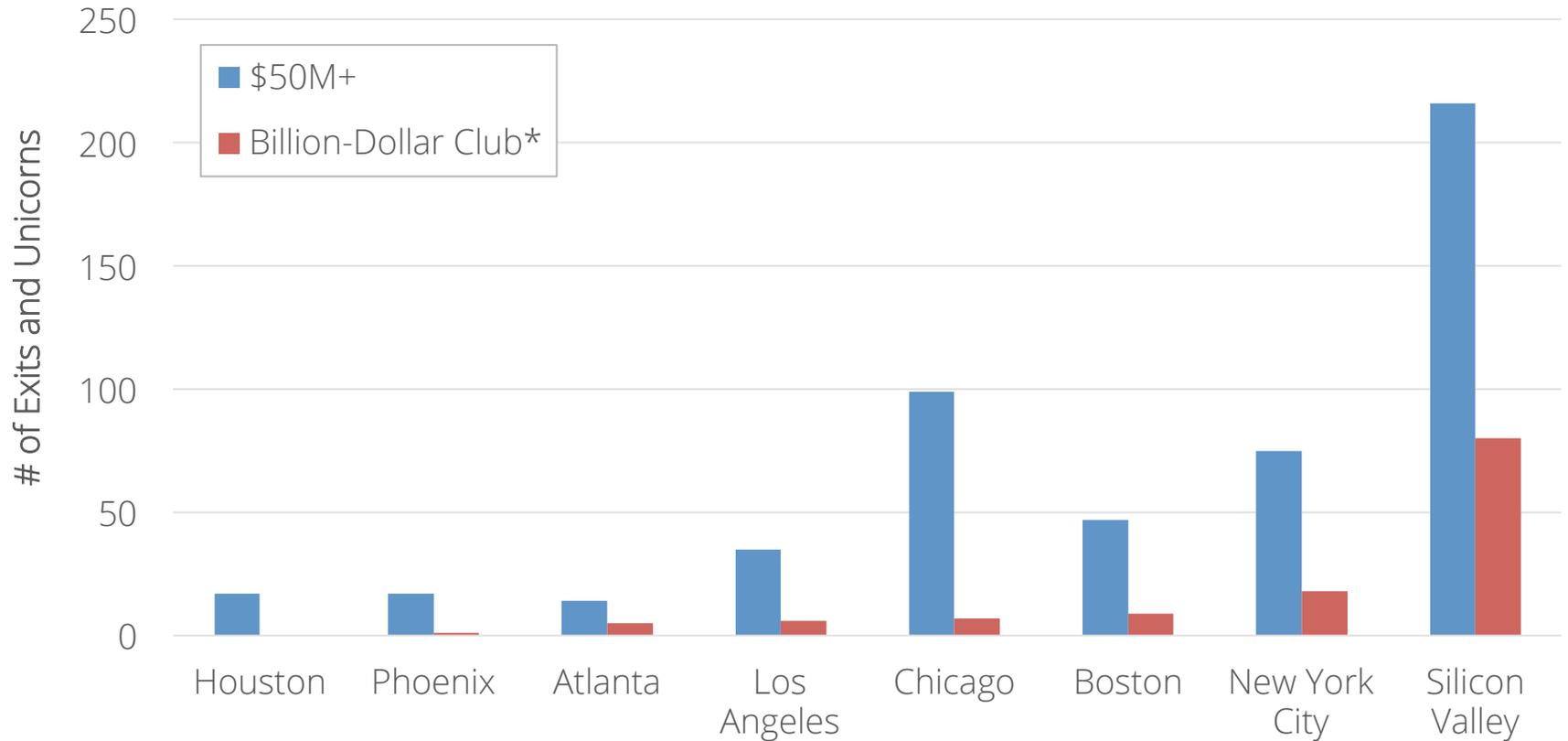


2010-2017

* Unicorn Valuations + Billion-Dollar Exits

...but examining U.S. cities, scaleups are clearly not a “national issue”

Number of Exits & Unicorns

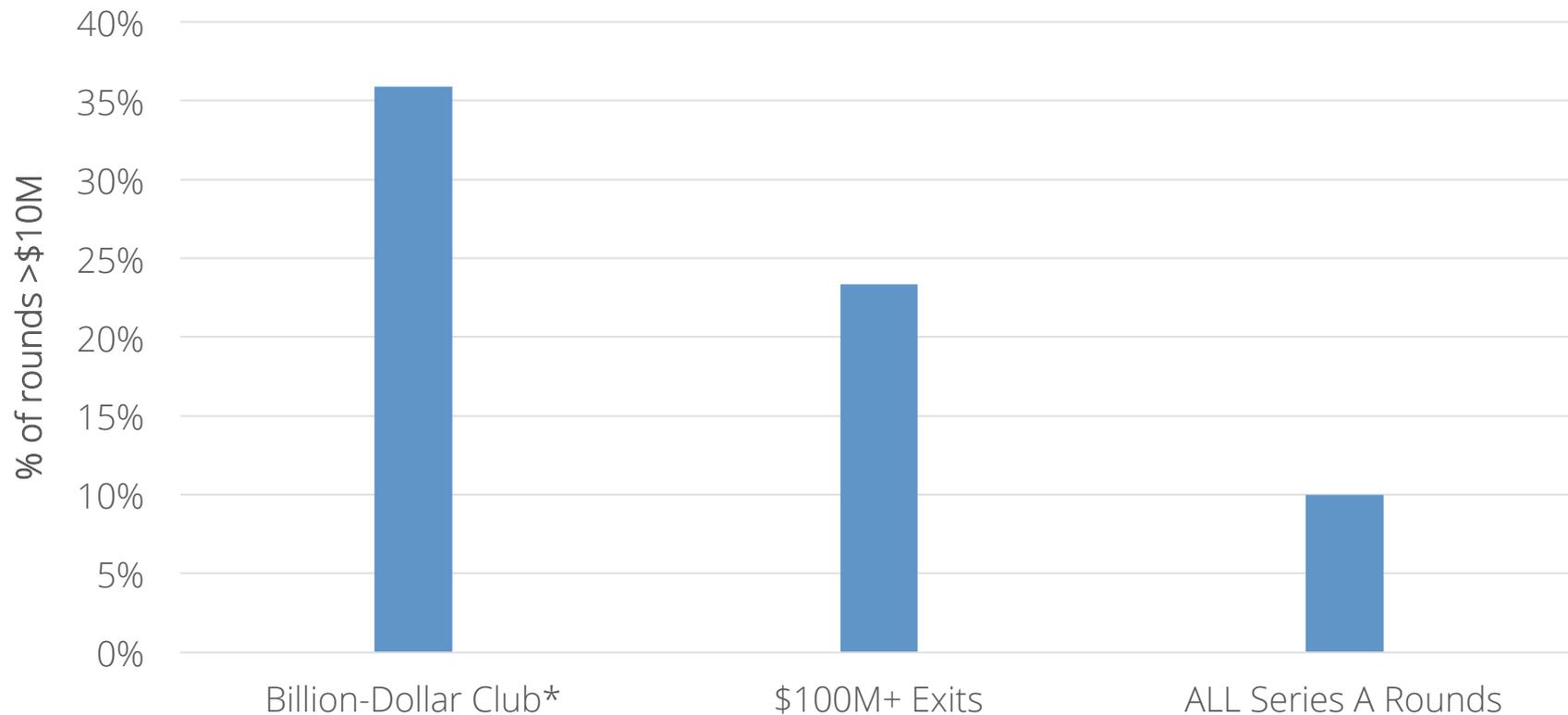


2010-2017

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Large funding rounds help startups accelerate into scaleups

Large Series A by Scaleup Size vs. All Rounds

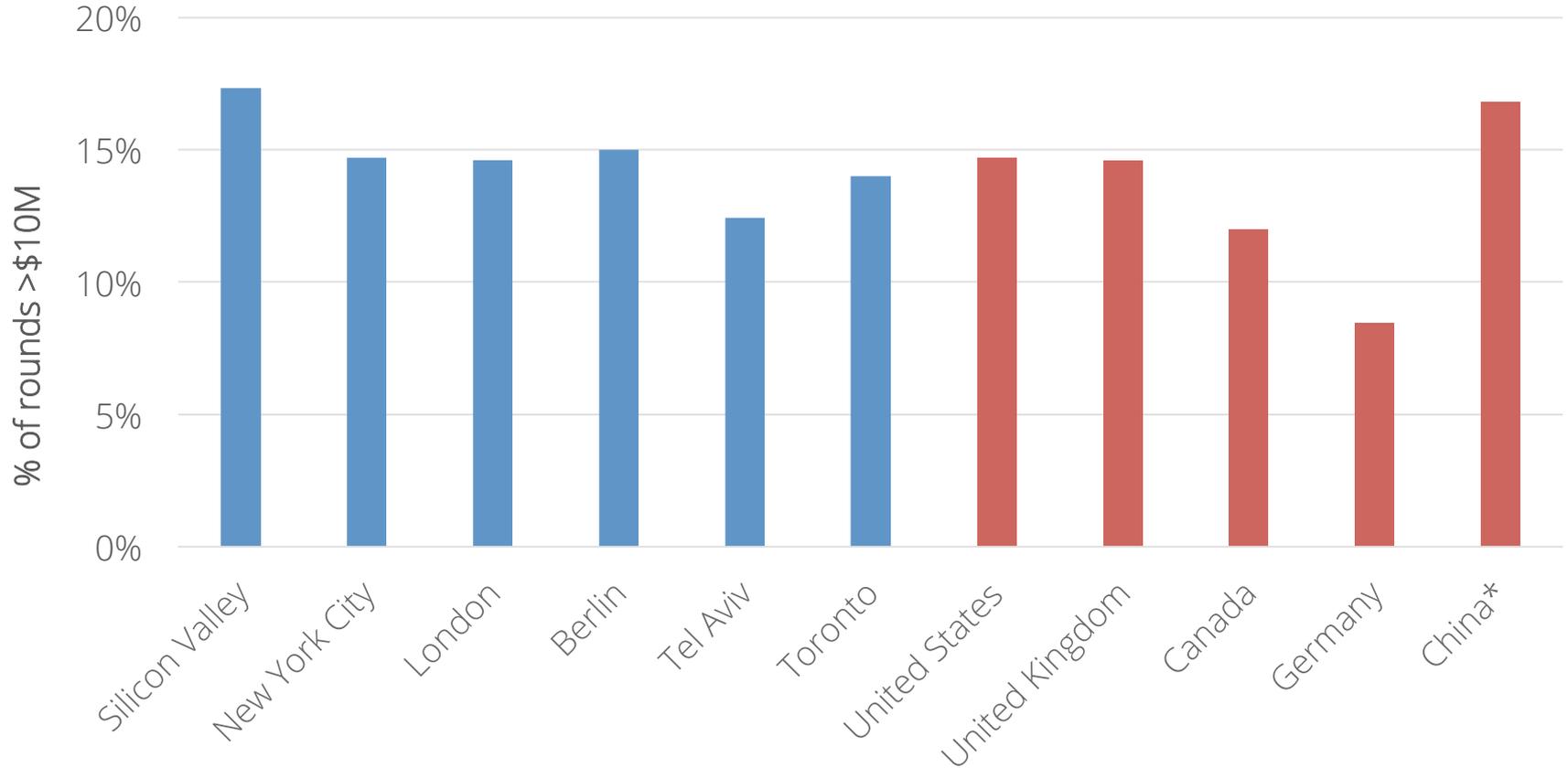


2010-2017

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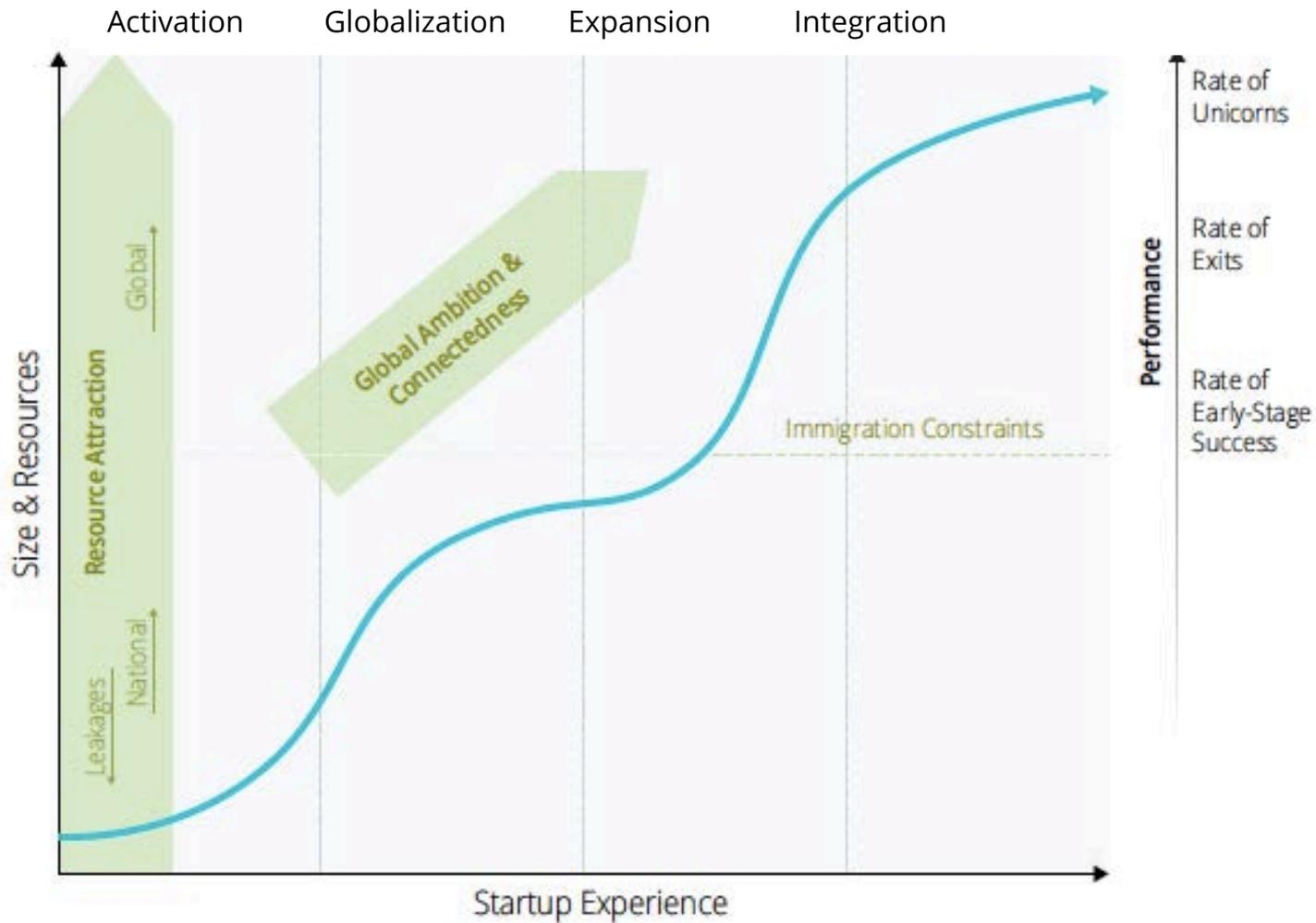
...but they do not explain why some ecosystems or countries produce more scaleups

Distribution of Large Series A Rounds by Ecosystem and Country



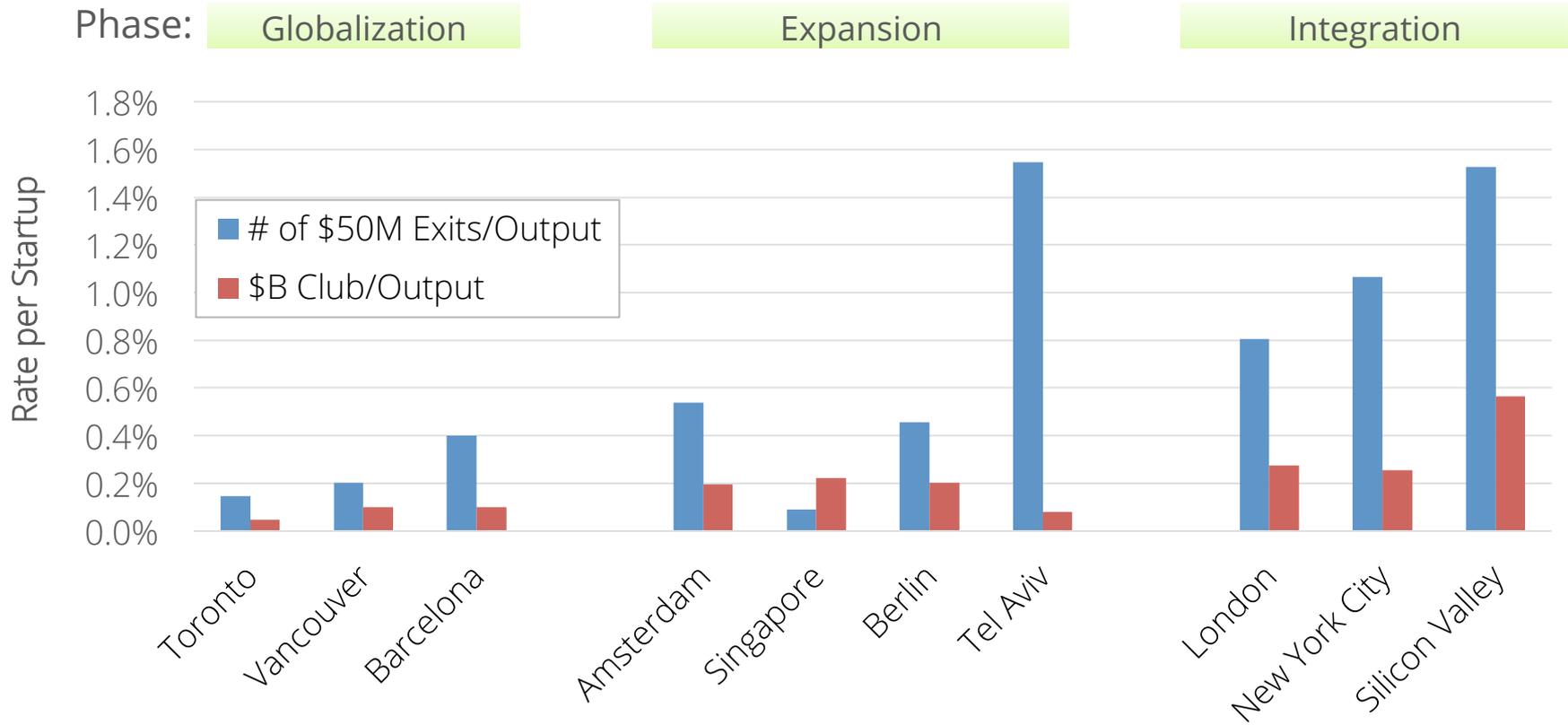
2010-2017

Scaleups are a function of Ecosystem Lifecycle



Real data shows the relationship between rate of scaleup production vs. Ecosystem Lifecycle Phase

Rate of \$50M Exits and Billion-Dollar Club* (per startup)

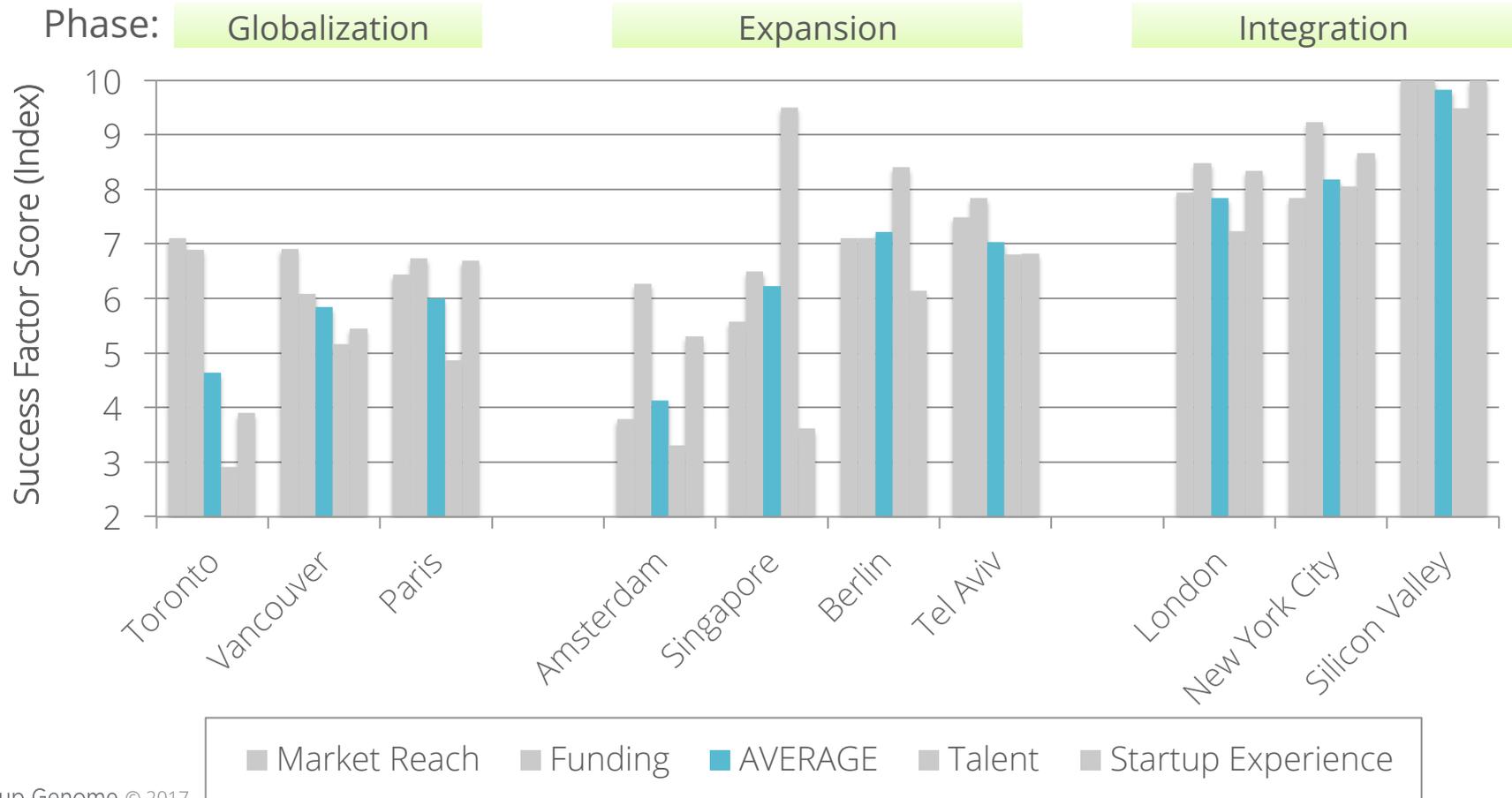


2010-2017

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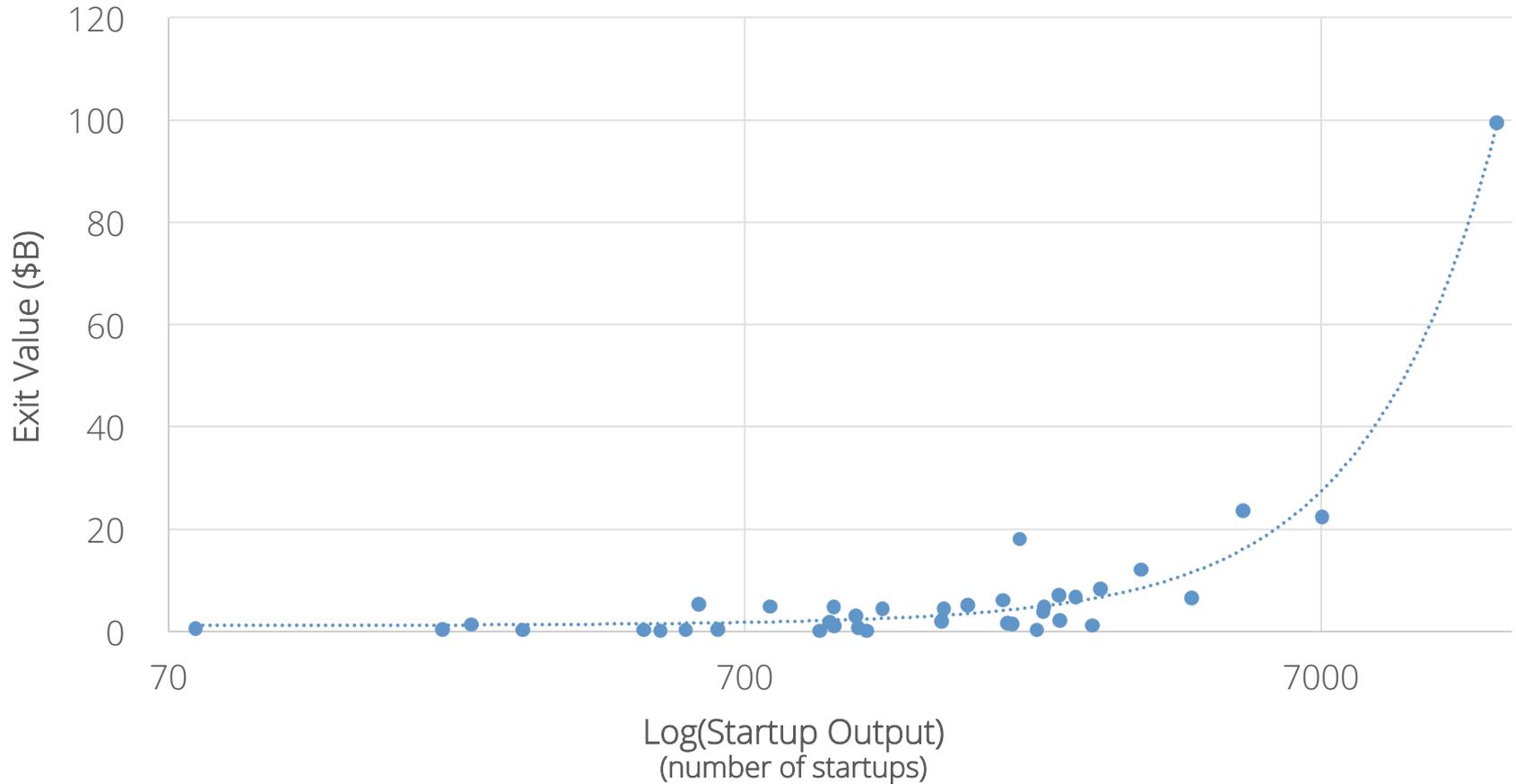
Scaleup production is the result of a “system”: those with no Success Factor gaps over-perform; those with some gaps do well, etc.

Success Factor Scores by Lifecycle Phase



Exit Value increases exponentially (not linearly) with Ecosystem Size

Exit Value vs. Startup Output



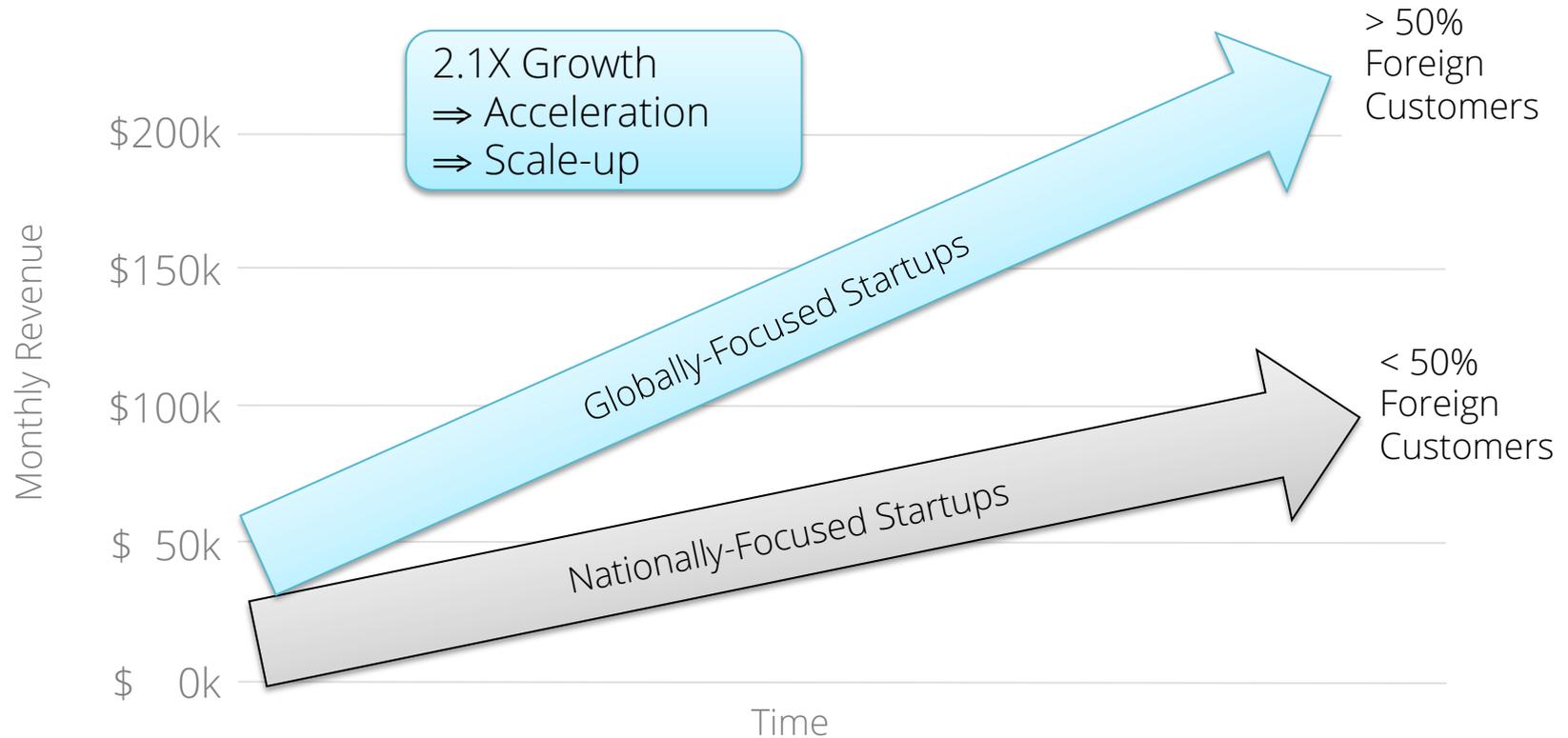
Global Market Reach is the single metric most closely related to scaleup production

Global Market Reach vs. Rate of \$50M Exits

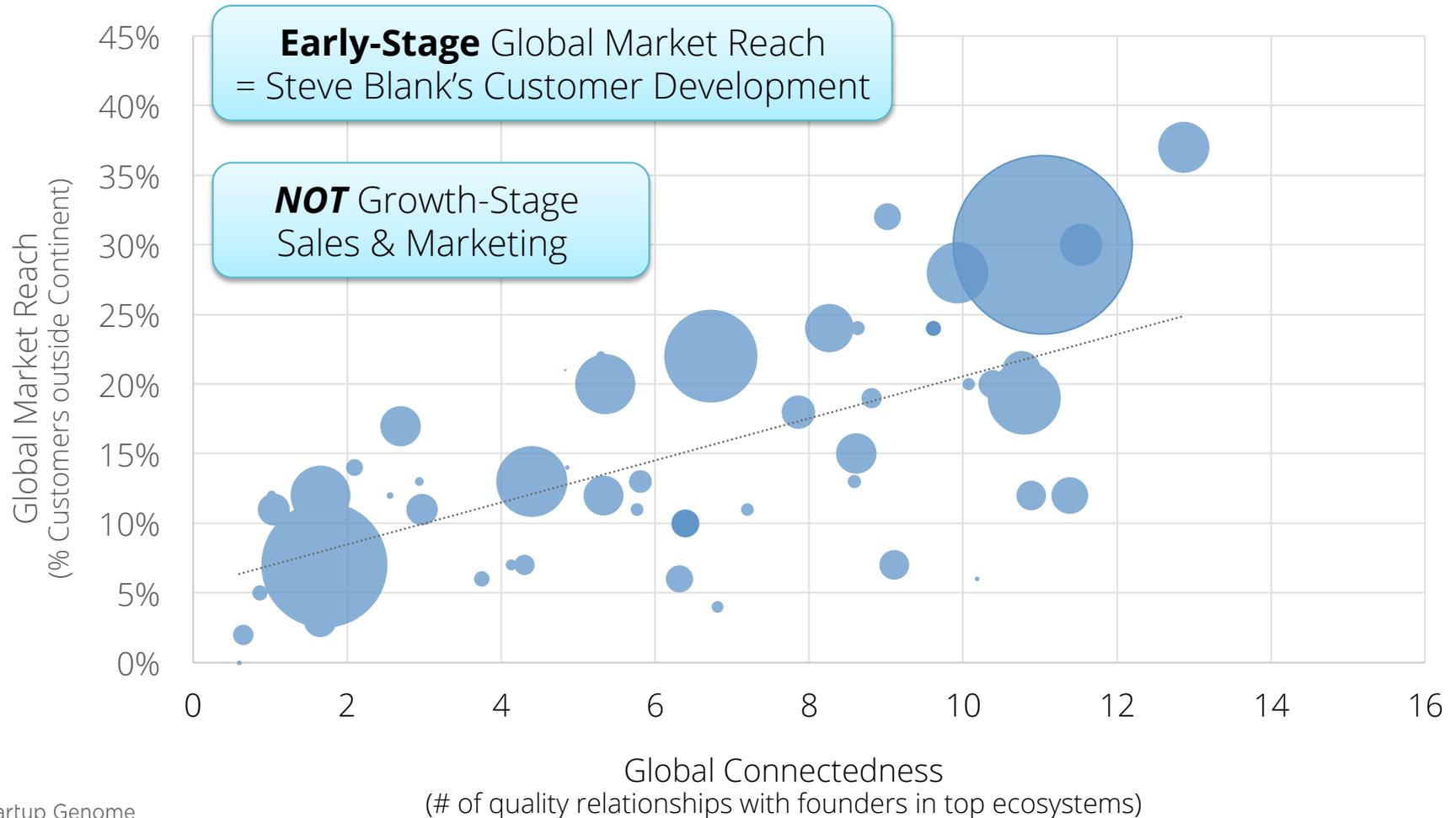


Because startups with higher Global Market Reach achieve much faster revenue growth

Startup Revenue Growth vs. Customer Focus



Global Market Reach is clearly driven by Global Connectedness between founders

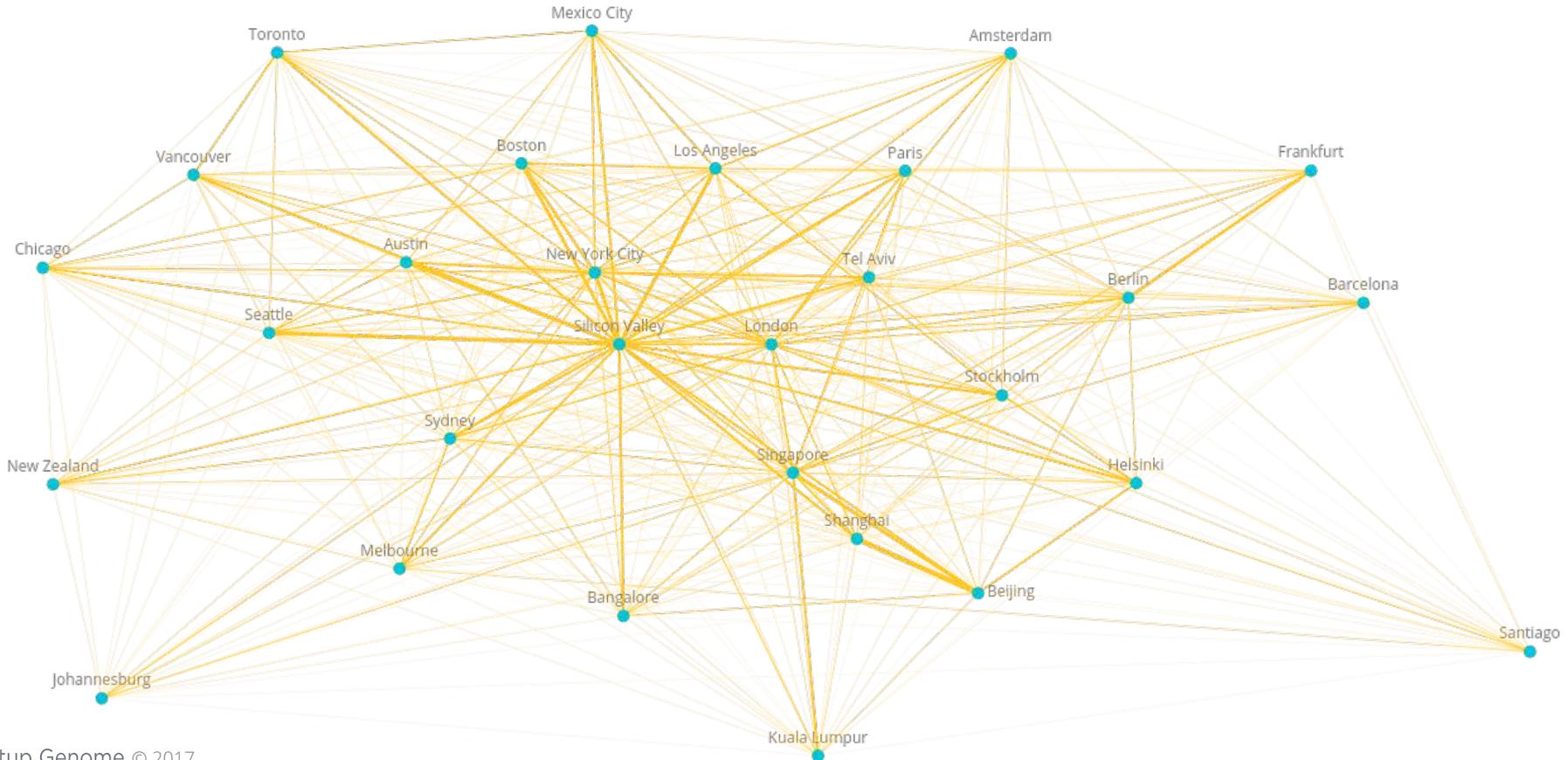


Founder relationships constitute a Knowledge Network

- *Knowledge is rooted in People*

The Global Fabric of Knowledge, People and Organizations

Quality Relationships between Founders



Why is being globally connected so important?

Globally-leading business model = the original ingredient of a scaleup

Need: be up-to-date in terms of global knowledge relevant of my startup

- What failed in last 5 years
- What is just starting to succeed
- Latest unmet customer needs

Global potential is created in the first year

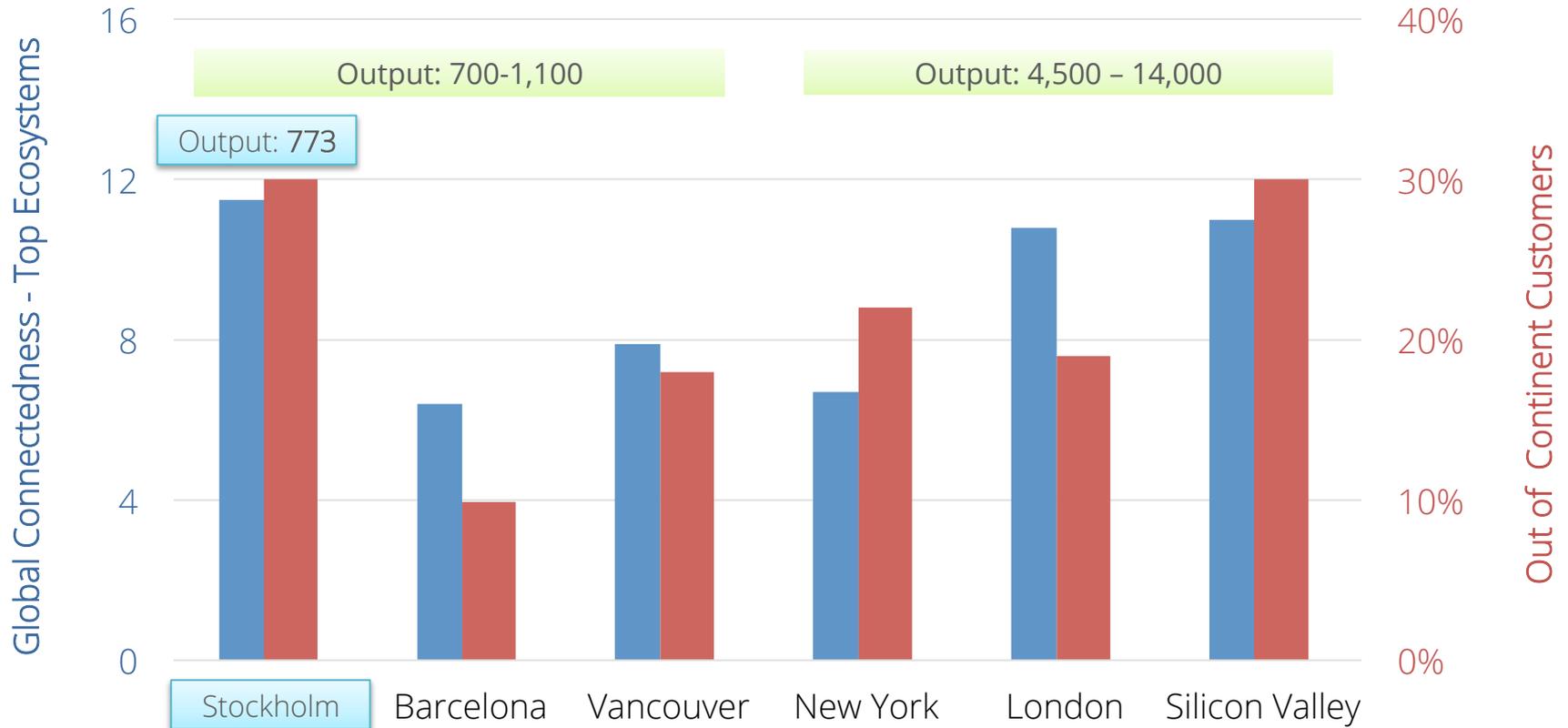
Why does Stockholm produce scaleups at such a high rate?

Number of Exits & Unicorns



Despite being very small, Stockholm Founders have very high Global Connectedness and “Go-Global” early at a very high rate

Global Connectedness vs. Global Market Reach



Strategies for scaleup Productions

- **Farming**

- More Startups X same rate of scaleup
- Higher rate of scaleup
 - Increase all resources across Success Factors
 - Increase Global Connectedness and Global Market Reach

- **Scaleup Programs**

- Strategic Focus: accelerate in one part of ecosystem
 - Spillover over the other parts
- Funding
- Mentorship and training
- Corporate Involvement

Frankfurt has a focused ecosystem strategy

1

Legacy Industry Strength

- 85 banks HQs
- 53 of them are global
- 18 of top-25 globally banks

2

Focused Startup Cluster

- Largest relative focus
- 13% of startup in FinTech

3

FinTech Programmes

FinTech-focused programs

- Accelerators
- Innovation Centers
- Corporate Involvement

And ecosystem results show the benefits of such focused-strategy

Metric	Ranking Out of 55	
Ecosystem Output (250 startups)	48	Very small ecosystem
Local Connectedness - Sense of Community	7	People help each other more
Average Early-Stage Funding per Startup	21	They attract more funding
Local Meetings with Founders from Top Ecosystems	Top 5	They attract founders from all over the world