Entrepreneurship and the Global Startup Ecosystem

Venture capitalists are spreading their wings and seeking potential startups around the world, not just in major financial hubs such as the United States. The type of venture capitalist also varies immensely, whether it is tech, investing in people, growth markets, or the verticals that stem from a specific industry. This session examines the status of entrepreneurship and the global startup ecosystem; what are the key industries? Who are the investors and what are the main differences compared to 10 years ago?

Moderator Miss Melissa Guzy opened by highlighting the differences in global venture capital investments over the past 10 years. She said that in 2000, 98 per cent of venture capital investment was from the United States. However, in the past few years, 50 per cent has come from outside the US – from other centres that have become economically important, such as Hong Kong, China, Singapore and London. Ms Guzy asked the panel to identify the differences they have experienced within their own spheres.

Mr Tony Wang, Managing Partner of 500 Startups based in Silicon Valley, said his company started as a global venture firm and approached business in the same way other venture capitalists did in identifying startups and helping them to prosper. He explained that while the venture sector has remained largely unchanged over the years, entrepreneurship has evolved significantly.

“We look at things from a global perspective and we see a lot of innovation cycles,” said Mr Wang. “And we see this replicated in other areas. Just in terms of fintech, we probably wouldn’t be investing in payments in the US — that cycle has come and gone, but it is absolutely viable in some of the other regions.

“One of the differences we are seeing is there is a lot more capital efficiency outside the US. One is because of real estate, in terms of cost, and the other is because of talent. Another good example is ecommerce. A lot of our global unicorns are ecommerce-oriented.”

Mr Peng T. Ong, Co-Founder & Managing Partner of Monk's Hill Ventures, has experience helping companies outside Silicon Valley go public, and is also an expert on China after four years with GSR Ventures. Based in Jakarta, Indonesia, and focusing on the Southeast Asia market, Mr Peng said there is plenty of opportunity to take advantage of the changing economy in the region.

"The biggest difference, having done stuff in the US, a developed country, and then China and Southeast Asia, is that in a developed country where the companies have adopted tech constantly, it's a lot harder for companies to compete," said Mr Peng. "So a lot of companies end up supplying the weapons: software, software systems, etc., to these big guys.

"The difference for emerging markets is that the existing big companies, the services companies, have not really taken advantage of technology, and a lot of the startups we see are not selling technology. They are what we call tech vertical startups. They are tech companies selling whatever verticals they are in, and that is the biggest difference in their approach to entrepreneurship. In a lot of the companies in the US, we are focused on technology, building technology to improve something significantly. But out here we are actually trying to replace the vertical players."

Ms Theodora Lau, Founder of Unconventional Ventures, said her company is interested in enterprises that want to improve the financial wellbeing of people as they get older, and focuses on longevity.

"If you look at that demographic and sector, the entrepreneurs are typically older. They typically try to establish a startup because they have a personal conviction that they want to do something because they have some experience in challenges with their parents or run into things that they see can be done better. So a lot of it is using technology to improve how you think about retiring. One thing I have learned a lot about is looking at Islamic finance, which seems to be bubbling at the moment in Southeast Asia, especially in Indonesia."

Ms Guzy moved on to identifying entrepreneurs around the world, comparing them to the Silicon Valley stereotype, who in the past might have been in their 20s and dressed casually.

Mr Wang said the entrepreneurs that his company deals with are very much surrounded by alumni organisations, a major advantage for those who have a strong network and one of the factors that makes the environment in Silicon Valley unique.

“You would have the ability to build a call line with people you have worked with in the past and some of the large companies like the Amazons and Apples of the world,” said Mr Wang. “That just doesn’t exist in a lot of the emerging markets. What do exist in the emerging markets are some really opportunistic centres of developers.

“For example, we made a bet very early on Southeast Asia, as well as Vietnam, which we started looking at about four years ago. At that point, no one was really focused on it. And we started seeing how, after they had a round of layoffs, this group of people came out with a little bit of an alumni network, and they had sort of that similarity that we see in Silicon Valley. What we want to do is maximise fund performance and, as part of that, we are creating these entrepreneurial ecosystems all around the world.”

Ms Lau agreed with Mr Wang, but added that although talent exists all over the world, opportunities may be less accessible.

“What we’ve noticed is that, even with domestic US, San Francisco is easy — you pop into a cafe and you have a ton of entrepreneurs and talent and people willing to write a cheque. If you go further into the country, let’s say Arkansas for example, then it gets much harder. It doesn’t mean that they don’t have the talent, but they just don’t have an established ecosystem. Even in the US as a corporate developed country, you need education, you need access to capital and you also need a customer base. And even that, if you look at the US, has helped to bring about different micro-communities, which we like and believe in, to create additional ideas and additional innovation.”

Mr Wang concluded that while Artificial Intelligence will have an impact on venture capital investing, the essence of the industry will not change over the next 10 years.