

# The Explosion of Global Entrepreneurship

By Bill Ford and Dr. Michael Spence

These are dark and even fearful days in the world. The invasion of Ukraine and the broad-based response in the form of economic and financial sanctions on Russia have added to the fragmentation of the global economy and created substantial economic headwinds, along with risks of escalating conflict and a massive humanitarian challenge in the form of loss of lives and displaced refugees.

There are, however, bright lights that burned before the war that are unlikely to be extinguished. One of them is the global expansion of innovation and new company formation.

In every corner of the world, entrepreneurs are inventing new business and fueling innovation. As access to talent and capital have globalized, the phenomenon of global entrepreneurship has accelerated. The pandemic of the past two years has fast-tracked the transition to the digital economy, while creating new opportunities for founders to build incredibly exciting businesses that solve important economic and social problems. And, while our current global economic and geopolitical situation poses challenges, according to Endeavor's Self-Propelling Ecosystem Development 2022 report, entrepreneurs are playing a large role in developing cutting-edge, tech-enabled solutions to these challenges in different markets.<sup>1</sup>

As global investors, here is what we're witnessing:

1. **Entrepreneurship is a rapidly developing career choice, attracting top talent.** Traditionally, taking the leap and starting a business after college was considered exceptional – and risky. Now, 70% of Americans view it as a good career choice.<sup>2</sup> Entrepreneurship has become a major thrust for colleges and business schools as well as for job and wealth creation. Also, the Great Recession proved to be a catalyst as jobless graduates started businesses in droves. Consequently, startup founders are trending lower in age than the traditional 34. And nearly one in five say they're hoping to build a unicorn<sup>3</sup>.

Europe, especially, has ripped up the rule book with a flood of talented, ambitious adventurers turbocharging the perception of entrepreneurship. It increasingly lures teenagers and twenty-somethings who thrive on creating truly disruptive businesses. A growing number of the world's 900+ unicorns are products of young upstarts.<sup>4</sup>

Take Ben Francis, for instance, who co-founded gym-wear brand Gymshark in England at age 19 (he is now 29). Or Estonian Markus Villig, who was just 19 when he started the ride-hailing unicorn, Bolt, in 2013. Vaitea Cowan was 23 and Jan-Justus Schmidt was 26 when they helped co-found the Berlin-based renewable energy unicorn, Enapter.

2. **Smart, ambitious founders grasp that opportunities and many of the challenges they're aiming to solve don't have borders.** They generate swift growth by tackling challenges that are cross-border in nature – whether they're focused on sustainability, pandemic resilience or financial access and inclusion – and pursuing the most promising and lucrative markets.

Consider two software businesses General Atlantic has invested in: Matillion, a decade-old software developer headquartered in Manchester and Denver, and six-year-old Dixa, a Copenhagen-based customer engagement platform. Their founders understood from day one that the United States would prove to be their biggest market, not their home markets. You need a Matillion, for instance, wherever you are building a cloud data warehouse – and that explains why its software is in over 40 countries.<sup>5</sup>

The trend to think bigger by branching outward doesn't apply just to software. The two founders of Paris-based Back Market identified e-waste as a relatively untapped emerging market, and it quickly has become a leading global marketplace for refurbished electronics. Founded in 2014, the GA-backed business is in 22 markets with the U.S. already its second biggest one.

3. **Supportive ecosystems have developed around entrepreneurs.** We are seeing these communities arise and help to spur further entrepreneurial activity, with ecosystems supporting European and Latin American entrepreneurs evolving particularly rapidly. Place-specific characteristics often become the basis for an ecosystem's advantages as it matures.<sup>6</sup>

In Paris, the six companies GA invests in all share a mutual network in that they work collaboratively together by supporting each other. Similarly, in Latin America, organizations like Endeavor have created networks of high-impact entrepreneurs and helped them connect with and learn from some of the region's most successful business leaders and investors.

Increasingly, governments are helping. France offers a "tech visa" as well as reformed tax and labor laws. President Macron's bet on a start-up nation has been rewarded with 28 unicorns so far.<sup>7</sup> India also stepped up its support for a start-up ecosystem in 2021, introducing accelerators to growth in August to assist about 300 start-ups, and launching the Startup India Seed Fund in January to support ideas and ventures of aspiring entrepreneurs.<sup>8</sup> India's ecosystem and the majority of resources in innovative sectors are absorbed by returnee- and local-led companies. A similar phenomenon is happening in a number of African countries – notably Nigeria, Kenya and South Africa – as the digital infrastructure expands and deepens.<sup>9</sup>

And in China, the country's strong emphasis on technology as a key long-term growth driver – combined with a vast engineering talent pool and rising middle class – is spurring a rapid evolution and expansion of its dynamic entrepreneurial ecosystem.

4. **Transition to a digital economy creates a distinct moment to create new and disruptive businesses.** Much of this global entrepreneurial growth is an integral part of a broad digital transformation, and the single most important enabler is the fact that 6.64 billion people – or 84% of the world's population – now have smart phones.<sup>10</sup> The pandemic in particular has played its part by producing a dramatic acceleration in digital adoption globally, especially in low-income countries where one in two new start-ups expect to increase the use of digital technologies to sell their products in the next six months.<sup>11</sup> That affected not only entrepreneurs' growth plans but their ability to find the financial – and talent – resources to let them try. Startups are attracting record funding from new and traditional investors.<sup>12</sup>

And while access to talent has been a major issue, COVID-19 has demonstrated that remote work can prove successful. Thus, while a scarcity of coders persists in Paris and London, entrepreneurs there are finding the tech talent they need in Spain, Singapore and everywhere in between.

5. **Success truly breeds success.** Early exits from successful ventures have created a diaspora of founders many of whom have become experienced angel investors providing encouragement by example and mentorship, contributing a key element of the supportive ecosystems. Endeavor Insight's research shows that co-founding teams of invention-based enterprises that combine specialized tech or engineering talent with business experience outperform teams without a mix of skills.<sup>13</sup> A unicorn can create 20 multimillionaires who often become experienced and productive angel investors or venture capitalists, and this underpins the support for a second generation of entrepreneurship. Instead of one success story, you could get 10 or 20. That's when the flywheel of capitalism kicks in.

Sustainable, enduring value creation transcends financial performance. Today's global entrepreneurs create

businesses – across financial technology, healthcare and life sciences, climate tech and more – that drive employment growth, create attractive careers and amply reward investors while contributing in various ways to broader societal aspirations: growth, inclusion, sustainability and the expansion of opportunity.

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