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Startup Ecosystem

ADB Pacer Dialogue, August 2020

Stephan Kuester
Partner, Startup Genome
startupgenome.com

The Global Startup Revolution is disrupting industry after industry

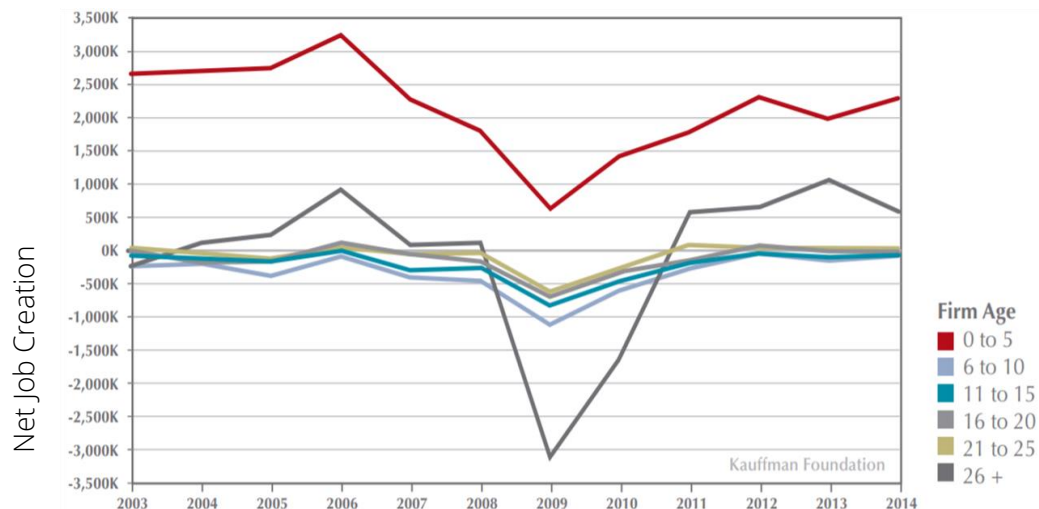
- >4% of the global economy
- Total Ecosystem Value of \$2.8T
- Growing 10% a year
 - (3X to 4X the growth rate of our economies)

* 4.5% of OECD countries in 2015 (U.S. 5.2%)

Within 20 years it will become the
largest single sector of the world's economy

Startups have become the #1 engine of job creation

Net Job Creation by Firm Age



Source: Arnobio Morelix, Kauffman Foundation calculations from the U.S. Census Business Dynamics Statistics

**Large companies are net destroyers of jobs, and
this is accelerating with the Fourth Industrial Revolution**

Startups are effective in preserving quality employment during and post crisis

| | Total employees | # of FTEs in 2023 | Cash to save them | Months of Cash | Type | Net gain at normal VC returns | Net cost assuming -10%/yr returns | Average wage | Cost per 2023 jobs saved |
|----------------------|-----------------|-------------------|-------------------|----------------|--------|-------------------------------|-----------------------------------|--------------|--------------------------|
| Many SMEs | 500 | 487 | \$12.2 M | 6 months | grant | | -\$12.2 M | \$48,600 | -\$24,928 |
| 10 Series A startups | 500 | 645 | \$18.3 M | 6 months | equity | \$24.7 M | -\$9.5 M | \$81,237 | -\$14,766 |

Saving jobs in startups is on average 41% cheaper than in traditional SMEs, and some governments believe it can be a net positive investment.

The Global Startup Revolution is driving the most dramatic value creation in history

5 of world's top-10 companies were produced by Tech startup ecosystems

At their peak, the following industries had in the top-10...

- Telecom 3
- Computers 3
- Automotive 3
- Semiconductors 2

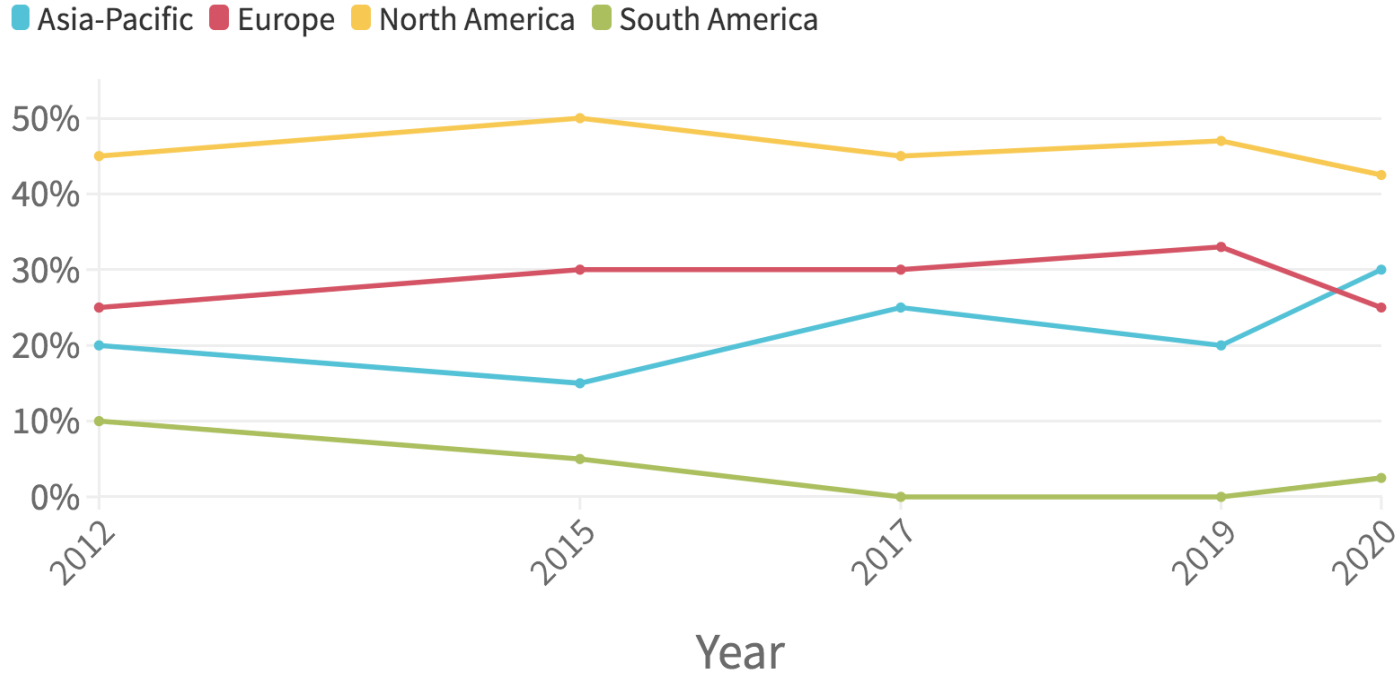
| Rank | Company |
|------|--------------------|
| 1 | Amazon |
| 2 | Microsoft |
| 3 | Apple |
| 4 | Google |
| 5 | Facebook |
| 6 | Berkshire Hathaway |
| 7 | Alibaba |
| 8 | Tencent |
| 9 | Visa |
| 10 | Johnson-Johnson |

Unfortunately, the value created by the Global Startup Revolution is greatly concentrated



Asia is capturing an increasing share of wealth creation

Percent of Ecosystems amongst Top Global Ecosystems by Continent



Asia Pacific Ecosystems in the Global Ranking

| Ranking | Ecosystem | Continent |
|------------|---------------------------|--------------|
| #4 | Beijing | Asia-Pacific |
| #8 | Shanghai | Asia-Pacific |
| #15 | Tokyo | Asia-Pacific |
| #17 | Singapore | Asia-Pacific |
| #20 | Seoul | Asia-Pacific |
| #22 | Shenzhen | Asia-Pacific |
| #26 | Bangalore | Asia-Pacific |
| #27 | Sydney | Asia-Pacific |
| #28 | Hangzhou | Asia-Pacific |
| #29 | Hong Kong | Asia-Pacific |
| #36 (ties) | Melbourne | Asia-Pacific |
| #36 (ties) | Delhi | Asia-Pacific |

SEA Ecosystem Ranking and Performance

Emerging Ecosystem Rankings 2020

| Emerging Ecosystem 2020 | Performance | Funding | Experience | Market Reach | Talent | Final Rank |
|-------------------------|-------------|---------|------------|--------------|--------|------------|
| Jakarta | 35 | 45 | 67 | 25 | 49 | 2 |
| Kuala Lumpur | 43 | 69 | 96 | 32 | 23 | 11 |
| Manila | 95 | 114 | 133 | 24 | 42 | 34 |
| Bangkok | 120 | 94 | 111 | 115 | 39 | 54 |
| Ho Chi Minh City | 128 | 133 | 142 | 79 | 103 | 77 |

68 %

**of all value created by startup
ecosystems is concentrated in the top 10**

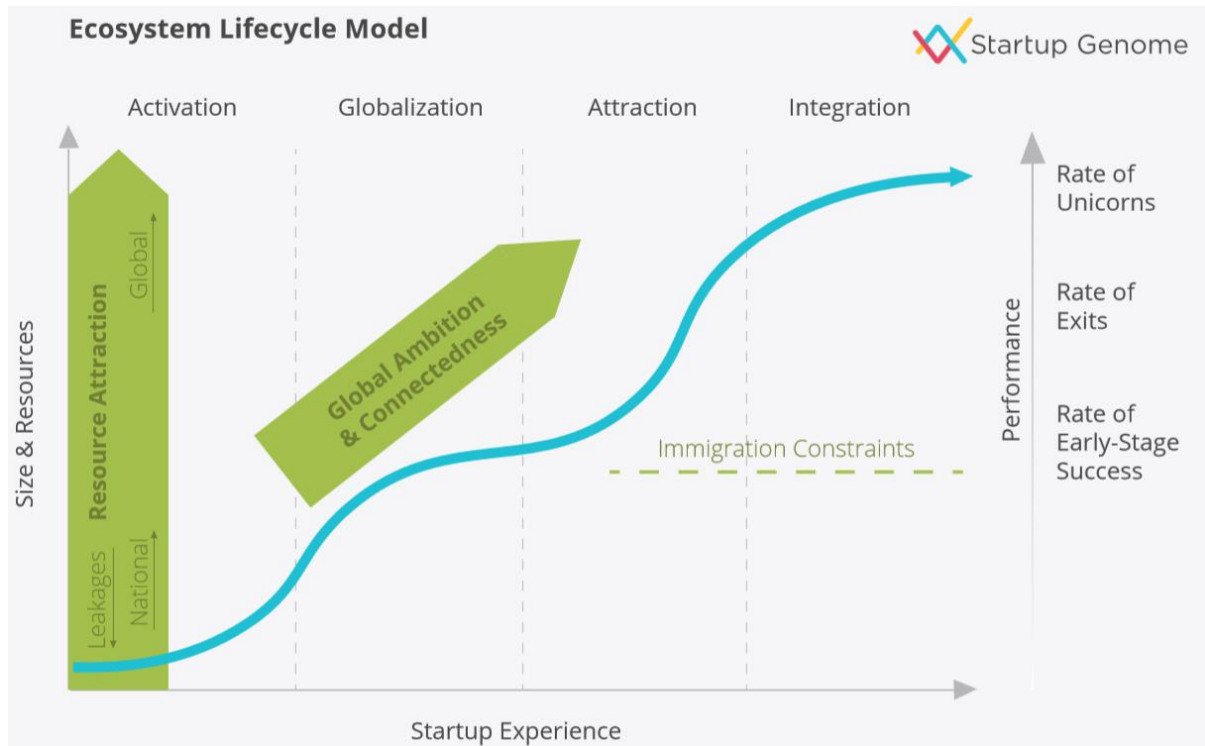
down from 87% in 2011-2012

The success of your startup should not depend on your region, gender, ethnicity or social background.

We aim to spread the genome of thriving startup ecosystems.
Everywhere.




Startup Ecosystems are a new type of industry clusters



1. Global competition for Resources and Markets
2. Economic impact = large scaleups

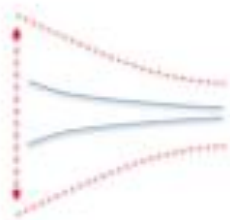
What makes a Tech startup ecosystem become an engine of economic growth and job creation?

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1. Bigger is better
 2. Local Connectedness
 3. Global Connectedness = Global Knowledge + Potential
 4. Global Market Reach = Realize Global Potential
 5. Resources, Support Organizations, and Policies

Impact is a function of both, size and quality

Regional Enabling Factors

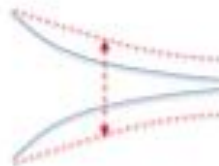
Increase the number of startups
= Grow funnel



x

Ecosystem Success Factors

Increase startup success rate
= Change shape of funnel

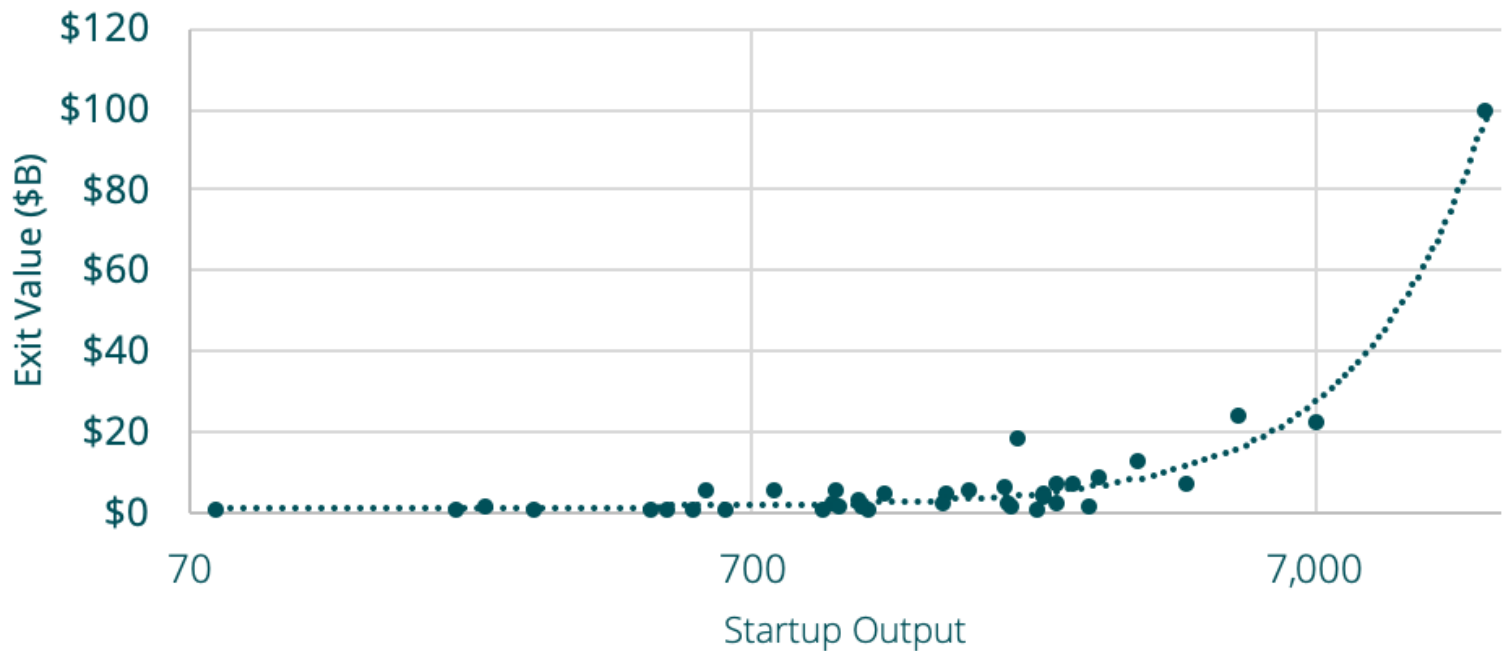


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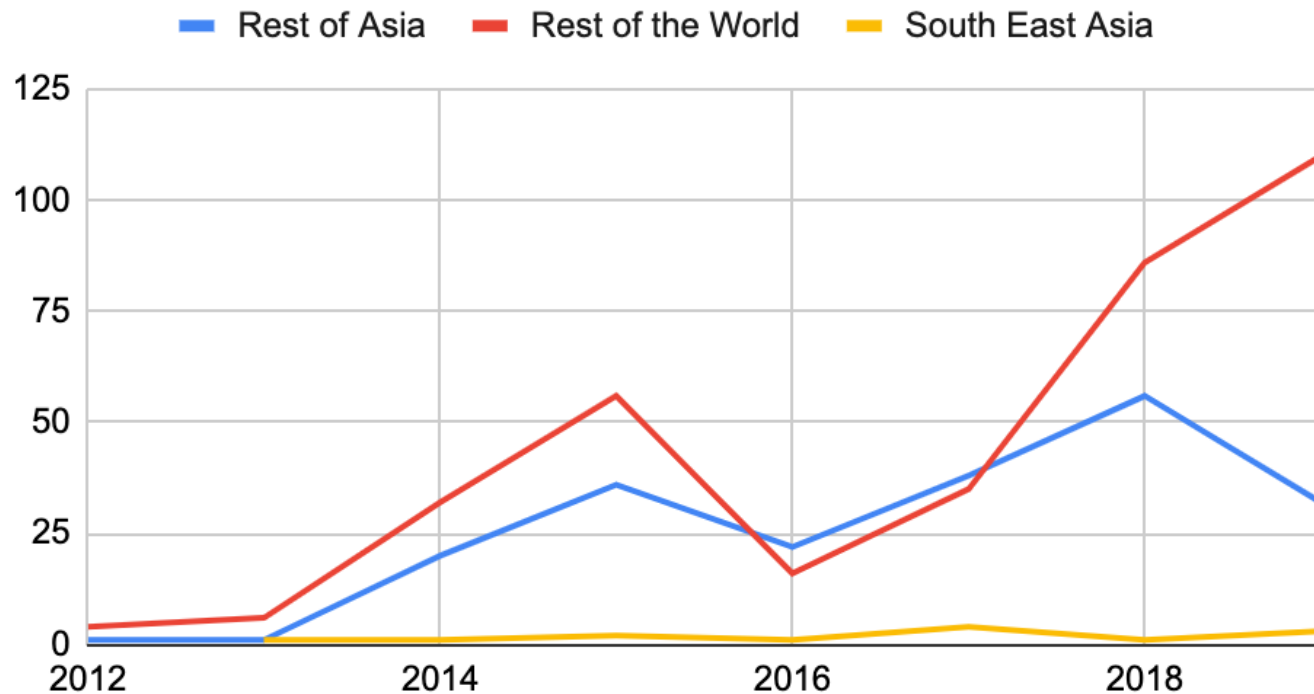
Economic Impact



The larger our entrepreneurial community, the more productive we are



SEA is still missing out on a larger scaleup segment

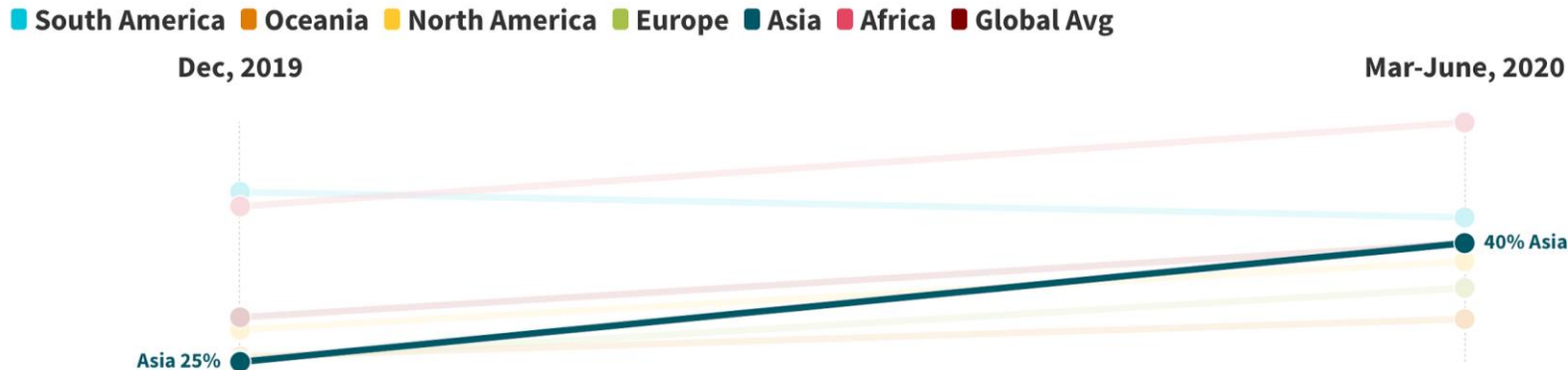


Deep Tech is emerging as the most important driver going forward



Startup Funding and Financial Runway

Percentage of Startups with less than 3 months of financial runway

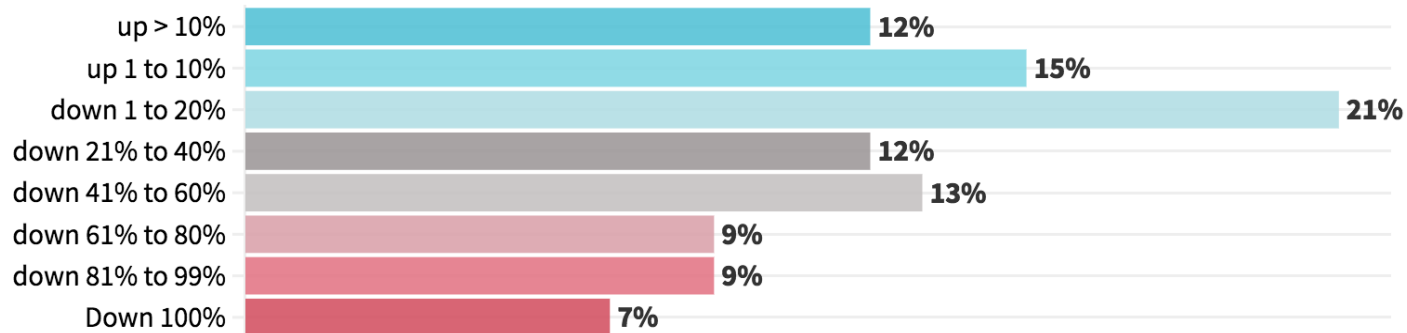


Term sheets derailed in SEA

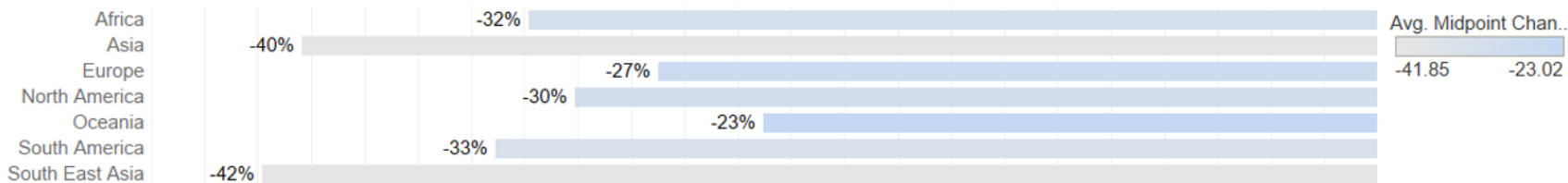
| | | |
|---|-----------------|-----|
| It was cancelled by the investor | South East Asia | 16% |
| The lead investor is unresponsive | South East Asia | 16% |
| The process has slowed down | South East Asia | 32% |
| The process is going on pretty normally | South East Asia | 5% |
| We closed and got the funds | South East Asia | 32% |

Crisis impacting demand

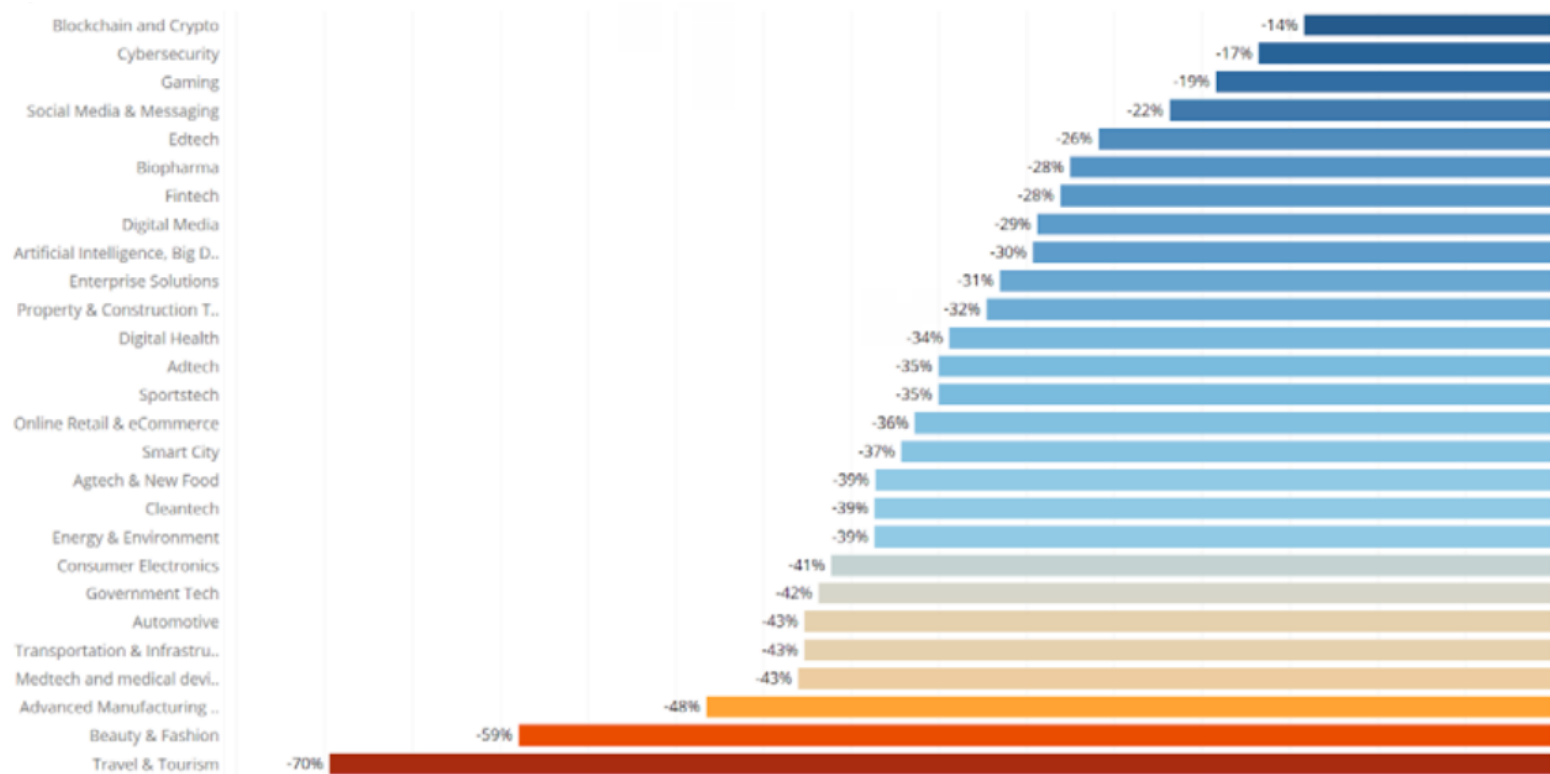
Change in revenue since the beginning of the crisis globally




Change in revenue since the beginning of the crisis by continent

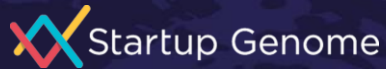


Resilience by industrial subsectors



Best practice policies

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- 1. Funding:** Propping up within existing structures
 - 2. Talent:** Protecting existing talent, attracting new
 - 3. Deep Tech:** Protecting promising specializations, but being aware of “hard choices”
 - 4. Demand:** Dialing up public procurement
 - 5. Infrastruc.:** Keeping support programs afloat



Thank you

Stephan Kuester
+44-7785-370-833
stephan@startupgenome.com