

# The Increasing Globalization of Asia Startups Outside China

Chris Burry, Founder and Co-CEO, USMAC

April 2017



Think Big. Start Smart. Scale Fast.

## Quick Introductions: Chris Burry

---

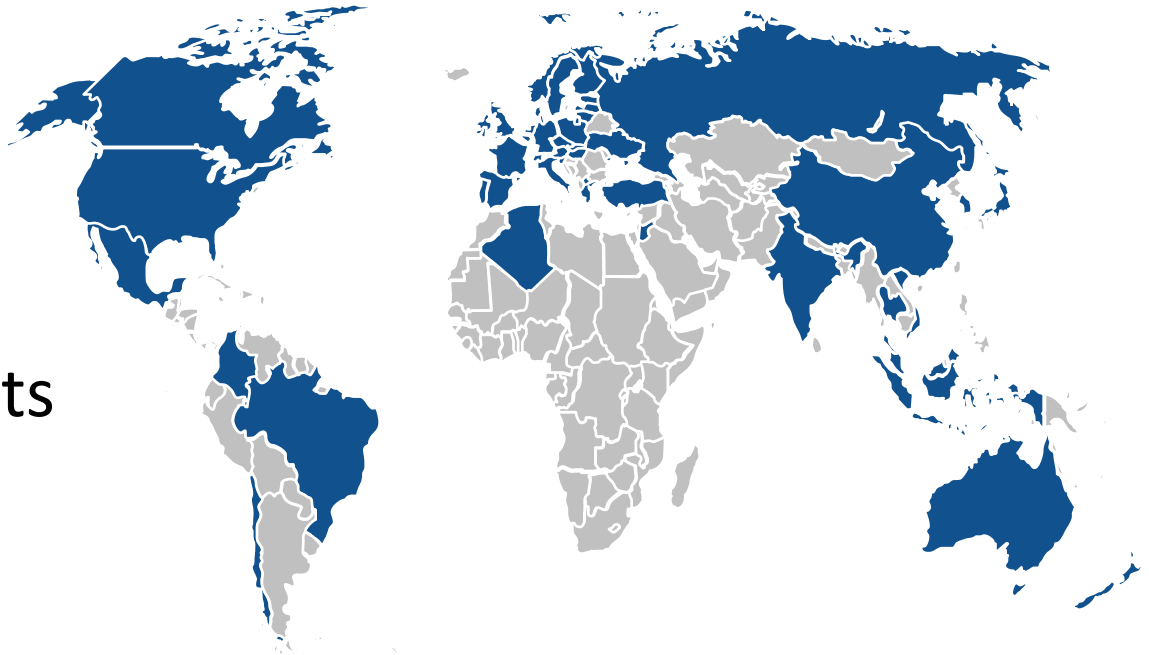
- ✓ An entrepreneur and investor
  - ❑ Co-CEO of US Market Access Center (USMAC)
  - ❑ 8 companies
  - ❑ Over \$350m in capital raised for my companies
- ✓ Industry Fellow, Center For Entrepreneurship and Technology, UC Berkeley, College of Engineering
- ✓ Global Technology Practice Director and Technology Fellow, Avanade
- ✓ Educated in the US, Finland and France
- ✓ Have worked in over 20 countries

# Unmatched Global View of Entrepreneurship

In the last 5 years, the USMAC extended team has worked with entrepreneurs from all over the world:

- ✓ 5 continents
- ✓ 54 countries
- ✓ 2,000+ startups
- ✓ Thousands of university students

*Creating a unique global perspective*



# Significant “Feet on the Ground” Experience in Asia

- ✓ China
- ✓ India
- ✓ Japan
- ✓ Indonesia
- ✓ Korea
- ✓ Malaysia
- ✓ Philippines
- ✓ Singapore
- ✓ Thailand
- ✓ Vietnam



## So What's Happening with Startups in Asia?

---

In the past few weeks you have received:

- ✓ The perspective of a Venture Capitalist (Mr. Peng T. Ong) focused on overall economic and investment trends, with a focus on South East Asia
- ✓ An overview of the overall level of entrepreneurial activity from Professor Dasher
- ✓ Today, I want to share with you, our view from our personal experience “on the ground” in the region working with the actual entrepreneurs.

## No Surprise – Ecosystem Quality & Density Matters

Startups are like plants, they need the right climate, soil and nutrients to grow:



or



*But some nutrients matter more than others.*

## 8 Critical “Nutrients” in an Ecosystem

---

In 2013, the World Economic Forum (WEF) studied global entrepreneurial ecosystems and found that eight (8) “Nutrients” linked to startup success:

1. Access to Markets
2. Human Capital
3. Support Networks  
(e.g. mentors and advisors)
4. Funding and Finance
5. Regulatory Framework and Infrastructure
6. Education and Training
7. Major Universities as Catalysts
8. Cultural Support

# The 4 “Nutrients” That Really Matter

| <b>Access to Markets</b>             | <b>Access to Human Capital / Workforce</b> |
|--------------------------------------|--|
| Domestic Market                      | Management Talent                          |
| Large Companies as Customers         | Technical Talent                           |
| SME Companies as Customers           | Entrepreneurial Company Experience         |
| Governments as Customers             | Outsourcing Availability                   |
| Foreign Markets                      | Access to Immigrant Workforce              |
| Large Companies as Customers         |  |
| SME Companies as Customers           |  |
| Governments as Customers             |  |
| <b>Access to Funding and Finance</b> | <b>Access to Support Systems</b>           |
| Friends and Family                   | Mentors/Advisors                           |
| Angel Investors                      | Professional Services                      |
| Private Equity                       | Incubators/Accelerators                    |
| Venture Capital                      | Network of Entrepreneurial Peers           |
| Access to Debt                       |  |



# The 4 “Nutrients” That Really Matter

|  |   |
|--|---|
| <b>Access to Markets</b>   | <b>Access to Human Capital / Workforce</b>  |
| Domestic Market  | <ul style="list-style-type: none"><li>• Management Talent</li><li>• Technical Talent</li><li>• Entrepreneurial Company Experience<br/><i>at a company that has scaled</i></li></ul>   |
| <ul style="list-style-type: none"><li>• Large Companies as Customers</li><li>• SME Companies as Customers</li><li>• Governments as Customers</li></ul>                     | <ul style="list-style-type: none"><li>• Outsourcing Availability</li><li>• Access to Immigrant Workforce</li><li>• <i>Sales and Marketing Talent</i></li></ul>  |
| Foreign Markets  |   |
| <ul style="list-style-type: none"><li>• <i>Early Adopters</i></li><li>• Large Companies as Customers</li><li>• SME Companies as Customers</li></ul>                        |   |
| <b>Access to Funding and Finance</b>   | <b>Access to Support Systems</b>  |
| <ul style="list-style-type: none"><li>• Friends and Family</li><li>• Angel Investors</li><li>• Private Equity</li><li>• Venture Capital</li><li>• Access to Debt</li></ul> | <ul style="list-style-type: none"><li>• Mentors/Advisors<br/><i>who have scaled a company</i></li><li>• Professional Services</li><li>• Incubators/Accelerators</li><li>• Network of Entrepreneurial Peers<br/><i>who have scaled a company</i></li></ul> |
| <i>All -- At acceptable terms</i>  |   |

# According to the WEF – Global Regions Compared

| Pillar                               | US - Silicon Valley | Rest of US | North America | Europe | ANZ | Asia | MENA | Latin America |
|--------------------------------------|---------------------|------------|---------------|--------|-----|------|------|---------------|
| Accessible Markets                   | 92%                 | 83%        | 85%           | 72%    | 69% | 68%  | 68%  | 62%           |
| Human Capital / Workforce            | 93%                 | 87%        | 90%           | 81%    | 81% | 73%  | 50%  | 71%           |
| Funding and Finance                  | 91%                 | 76%        | 82%           | 57%    | 69% | 44%  | 55%  | 45%           |
| Mentors/Advisers/ Support Systems    | 91%                 | 72%        | 78%           | 52%    | 58% | 38%  | 36%  | 35%           |
| Regulatory Framework/ Infrastructure | 67%                 | 57%        | 62%           | 54%    | 54% | 39%  | 55%  | 42%           |
| Education and Training               | 80%                 | 62%        | 70%           | 60%    | 38% | 34%  | 32%  | 27%           |
| Major Universities as Catalysts      | 88%                 | 67%        | 75%           | 52%    | 42% | 30%  | 23%  | 27%           |
| Cultural Support                     | 90%                 | 64%        | 75%           | 33%    | 35% | 26%  | 45%  | 16%           |
| Average Score                        | 86%                 | 71%        | 77%           | 58%    | 56% | 44%  | 45%  | 41%           |

## So What do We See

---

Let's take a look at the four key elements

1. Access to markets
2. Human Capital
3. Access to Finance
4. Support Networks

based on our experience on the ground.



## Access to Markets – Size & uniformity matters

---

Startups need large markets to enable scaling. And research shows that scalable markets share these characteristics:

1. 100m+ people;
2. GDP of more than \$2T USD, ideally \$10T+ USD;
3. A common language, culture, currency and legal system;
4. They lack barrier to entry in the form of language, culture and government regulation;
5. And have a stable political environment.

## Access to Markets – Where to Scale?

Only China, Japan and possibly Indonesia support scaling just in the local market

| Pop. Rank | Country   | Pop. (millions) | Total GDP (Trillion) | Common Language, Culture, Legal, & Currency | Language, Cultural Barriers (for outsiders) | Legal and Regulatory Barriers (for outsiders) | Political Climate & Stability |
|-----------|-----------|-----------------|----------------------|---|---|---|-------------------------------|
| 1         | China     | 1,367           | \$ 10,355            | Green                                       | Red   | Red   | Yellow                        |
| 2         | India     | 1,252           | \$ 2,049             | Yellow                                      | Red   | Red   | Yellow                        |
| *         | EU        | 508             | \$ 18,514            | Red   | Red   | Yellow  | Green                         |
| 3         | USA       | 321             | \$ 17,419            | Green                                       | Yellow                                      | Green   | Green                         |
| 4         | Indonesia | 256             | \$ 889               | Green                                       | Red   | Yellow  | Yellow                        |
| 5         | Brazil    | 204             | \$ 2,346             | Green                                       | Red   | Yellow  | Red                           |
| 9         | Russia    | 142             | \$ 1,861             | Green                                       | Red   | Red   | Red                           |
| 10        | Mexico    | 130             | \$ 1,295             | Green                                       | Red   | Yellow  | Yellow                        |
| 11        | Japan     | 127             | \$ 4,601             | Green                                       | Red   | Red   | Green                         |
| 17        | Germany   | 81              | \$ 3,868             | Green                                       | Red   | Green   | Green                         |
| 22        | UK        | 64              | \$ 2,989             | Green                                       | Yellow                                      | Green   | Yellow                        |
| 27        | Korea     | 49              | \$ 1,410             | Green                                       | Red   | Red   | Yellow                        |

## Human Capital – First the Good News

Across the board, we see:

- ✓ A much higher level of ambition
- ✓ Greater confidence
- ✓ An openness to thinking about becoming a global player
- ✓ A willingness to “Think Big!”





## Human Capital – First the Good News

There is a strong science and “hard” technology talent:

- ✓ Tends to be concentrated in more developed economies
- ✓ True technology innovation is happening across the entire region



# Human Capital – The not so Good News



- ✓ On the technology side, there is a lack of senior talent
  - ❑ Very acute at the CXO level
  - ❑ Development leads / senior developers
  - ❑ Senior UX/UI
  - ❑ Senior data scientists
  
- ✓ There just are enough people who have “done big things” in their past jobs.



# Human Capital – And the Ugly



- ✓ Business leaders are missing as well
  - ❑ Senior executives with true global experience
  - ❑ Executives that have scaled companies
  - ❑ Sales and marketing talent is scarce
  
- ✓ Again, there just are enough people who have “done big things” in their past jobs.

## Support Networks

---

Research and our own experience tells us that mentors are the “secret weapon” in the success of a startup.

Research by Startup Compass shows that startups with effective and helpful mentors:

- ✓ had 3.5 x more growth and
- ✓ raised 7 x more money than those without.



## Support Networks

The lack of mentors with previous high-growth startup experience is perhaps the single biggest gap we see across all of Asia.

A mentor that has worked in a senior role at a big company is nice.

But a mentor that has built a company from scratch and grown it is **PRICELESS**.



# Access to Finance



This was discussed by Mr. Ong and Prof. Dasher:

- ✓ Not enough true risk capital
- ✓ Many “Venture Funds” behave like private equity funds
- ✓ Terms offered startups are terrible

## So why does this matter?

---

Almost all entrepreneurs in Asia (outside of China) that want to scale globally, the face a huge challenge:

1. They need to figure out the right market in which to scale.
2. They need to find the capital the need to expand
3. The need to hire senior business and technical talent with scaling experience
4. And find mentors to help them.

But....

## So why does this matter?

---

But...

1. The market they need to attack is somewhere else.
2. The capital they need is somewhere else
3. The talent they need is somewhere else
4. And the mentors they need are somewhere else.

***And they are in a classic  
Chicken vs. Egg situation***

## So why does this matter?

---

### The Chicken vs. the Egg

1. To access a scalable market, they need to travel and spend time in the other market
2. Doing that requires capital
3. Except the capital they need is in another market
4. And they don't have the capital they need to go get the capital they need

***This is the true Valley of Death for most entrepreneurs***



# The Importance of Building Bridges to Silicon Valley

---

Silicon Valley can be the solution most of the challenges Asian startups face:

1. It is a gateway to the largest market in the world
2. Through corporate innovation teams, it is becoming a gateway to other global markets
3. There is more capital here than anywhere else
4. There is more senior talent here than anywhere else
5. There are more mentors here than anywhere else.



## But something is still missing

---

- ✓ The entrepreneurs still need the capital to travel here in order to
  - ❑ Start to sell here
  - ❑ Build relationships with investors here
- ✓ We have developed programs at USMAC to accelerate the process of building those bridges while reducing the cost.
- ✓ But the initial globalization capital is still an issue.

## Conclusion

---

- ✓ It is our belief that the rest of the challenges are solvable.
- ✓ We just need to find a way to fix the capital issue in order for Asian entrepreneurs to be able to reach their full potential.



✓ Let's stop for questions

# Let's Connect



facebook.com/usmarketaccess



@usmarketaccess



linkedin.com  
Groups – US Market Access Center

[www.usmarketaccess.com](http://www.usmarketaccess.com)



## Our Headquarters

US Market Access Center, Inc.  
68 Willow Road  
Menlo Park, CA 94024

## Contact

Chris Burry

## Email

[chris@usmarketaccess.com](mailto:chris@usmarketaccess.com)