

Louvain School of Management

Why and how are some startups able to achieve the status of Unicorn?

What factors in the European entrepreneurial ecosystem facilitate the rise of this type of company?

Author : **Antoine Kecskes**

Supervisor : **Régis Coeurderoy**

Research Thesis for the Master 120 in :

Business Engineering with a focus in International Business (IB)

Academic year 2020-2021

Acknowledgments

First and foremost, I would like to thank Professor Régis Coeurderoy for having first proposed the idea of this research topic which really fascinated me and for having then accepted to supervise this thesis. His help, effective advice and guidance have greatly contributed to the development of this work.

Secondly, my acknowledgments go to all the interviewees who provided useful, relevant and interesting information for this thesis. I was particularly surprised by their interest in my questions and the time given by these renowned executives, entrepreneurs and experts despite their busy schedules.

Finally, I would like to say a big thank you to all the people who contributed to this work, taking the time to discuss and be interested in the subject of unicorn startups whether in Belgium, during my Erasmus in Prague or my internship in Luxembourg. A special mention to my family, my girlfriend and my friends who continuously motivated and supported me during the whole writing process.

Table of content

PART 1 - GENERAL INTRODUCTION.....	1
CHAPTER 1: CURRENT CONTEXT	1
CHAPTER 2 : RESEARCH QUESTION.....	2
PART 2 - LITERATURE REVIEW	4
CHAPTER 1- DEFINITIONS, ORIGIN AND CONTEXT.....	4
Section 1.1 - Startup company : Definitions.....	4
Section 1.2 - Unicorn startups : Origin, definitions and context.....	5
CHAPTER 2- INTERNAL DESCRIPTIVE FACTORS OF UNICORN STARTUPS	7
Section 2.1- Growth Strategy: Blitzscaling.....	7
Section 2.2 – Unicorn Valuation model and criteria.....	21
Section 2.3 - Investment types.....	25
Section 2.4 - Success and failure factors	33
CHAPTER 3 – THE EUROPEAN ENTREPRENEURIAL ECOSYSTEM.....	38
Section 3.1 - Definitions and Actual context.....	38
Section 3.2 - Reasons for European delay.....	40
Section 3.3 - Practical Example : Stockholm	42
Section 3.4 - Summary	43
PART 3 – METHODOLOGY	44
CHAPTER 4 - RESEARCH APPROACH.....	44
Section 4.1 – Analysis plan.....	44
Section 4.2 - Selected database and sample	45
PART 4 – ANALYSIS AND DISCUSSION	46
CHAPTER 5 - GLOBAL OBSERVATIONS AND FACTS ABOUT UNICORNS	46
CHAPTER 6 – TOP THREE EUROPEAN MARKETS	50
Section 6.1 - The United Kingdom.....	50
Section 6.2 – Germany.....	55
Section 6.3 – France	60
CHAPTER 7 - CASE STUDY : COLLIBRA	65
Section 7.1 - Company presentation and history.....	65
Section 7.2 - The Product	66
Section 7.3 – Investment timeline and strategic choices	67

<i>Section 7.4 – Organizational Description</i>	<i>70</i>
<i>Section 7.5 - How did they become a unicorn? : Success factors</i>	<i>71</i>
CHAPTER 8 – DISCUSSION	72
PART 5 – CONCLUSIONS	75
CHAPTER 9 - LIMITS OF THE RESEARCH	75
CHAPTER 10 - CONCLUSION AND RECOMMENDATIONS	75
PART 6 - BIBLIOGRAPHY	78
PART 7 - APPENDICES	I
APPENDIX 1: CHECKLIST: HOW TO BECOME A UNICORN STARTUP IN 2021.	I
APPENDIX 2 : THE DNA OF A STARTUP.....	II
APPENDIX 3 : GDP DISTRIBUTION BY REGION (%) : EUROPE VS THE US.	III
APPENDIX 4 : RESULTS TABLES FOR 3 EUROPEAN MARKETS : THE UK, GERMANY & FRANCE.....	IV
APPENDIX 5 : TRANSCRIPT OF INTERVIEWS	V

List of Abbreviations

AI : Artificial Intelligence

CEO : Chief Executive Officer

CFO : Chief Financial Officer

CMO : Chief Marketing Officer

CPO : Chief People Officer

CSO : Chief Science Officer

GAFAM : Google, Apple, Facebook, Amazon, Microsoft

HQ : Headquarters

IFRS : International Financial Reporting Standards

IPO : Initial Public Offering

MVP : Minimum Viable Product

GDPR : General Data Protection Regulation

ROI : Return On Investment

SaaS: Software as a service

SBR : Stockholm Business Region

US : United States

VC : Venture Capital

PART 1 - GENERAL INTRODUCTION

CHAPTER 1: CURRENT CONTEXT

Today people's needs and habits are constantly changing, especially when society undergoes major changes such as we experienced with the 2008 financial crisis or more recently with the pandemic that has affected the whole world. The digital age is omnipresent and all businesses that are being created today must have a digital presence in order to survive. Industries that have long been dominated by traditional business models are now welcoming new players who are disrupting and transforming what has already been established with new technologies and digital platforms. Major innovations such as artificial intelligence, virtual reality, cloud, machine learning are increasingly influencing all market categories and our economy to change the way we live and operate as a business and thus ensure a promising future. In medicine, new machines and technologies are being created to improve care, in the financial sector traditional banks are being replaced by fully digital neo-banks or smart grids that use software to make power and energy consumption more efficient (Hoffman & Yeh, 2018). The aim is to make life easier for as many people and businesses as possible by saving them money and above all their most precious asset, time.

This is how young ventures are created by ambitious founders who want to dominate their market on a global level. To achieve this leadership status, a hyper-growth strategy is needed to expand and overtake competitors. To fuel this growth, it is necessary to rely on human resources by having the right founding team and hiring the right talent but also on significant financial resources needed to develop the company to a very high level. There are now different types of investments at each stage of the startup life cycle to raise the funds needed to meet the ever-growing goals of these high-potential businesses. But before hiring the right people and seeking sufficient funding, it will be a matter of choosing the right product and the right market for growth such as the technology sector. Once these internal components are in place, a start-up will have a better chance of success if it evolves in an environment that encourages the creation of companies, innovation and research with a series of actors, structures and necessary supports also known as ecosystem. Europe, for instance, has a number of countries that raise awareness of entrepreneurship with structures that promote research and innovation, but lags behind the world's leading economies such as the United States and China.

As a result, we observe the launch of startups growing at extreme speed and in significant proportions by constantly recruiting new people and raising several hundred million dollars in funding. One day such promising projects therefore reach a financial valuation of 1 billion dollars even before going public and obtain the coveted status of “Unicorn ” (Baroudy,2020) .

CHAPTER 2 : RESEARCH QUESTION

This work will therefore be a research thesis based on the following problem and questions :

“Why and how are some startups able to achieve the status of Unicorn ? What factors in the European entrepreneurial ecosystem facilitate the rise of this type of company ?”

This topic was chosen firstly because of the modern aspect of the subject of unicorns, which is becoming more and more widespread in society but not yet sufficiently known by the general public and secondly because of the author’s interest in entrepreneurship, which interests a large number of students today who no longer particularly want to work for a company or under the supervision of an employer.

First and foremost, a literature review will be provided by first defining the main terms of these two research questions such as startups, unicorns or ecosystem. We will then focus on the internal components that characterize these unicorns by elaborating an in-depth study of their growth model, the adapted valuation method, the types of investments available as well as the success and failure factors of a startup. We will end this literature review by addressing the second sub-question about the European entrepreneurial ecosystem and how it supports the creation of unicorns. For this, we will provide relevant insights on the current context in Europe and the reasons why the continent is still behind the US or China in terms of unicorns creation. This last chapter will be closed with a practical example of an effective European entrepreneurial ecosystem, which is Stockholm.

An explanation of the methodology will then be given as well as the plan chosen to carry out our research. For this, we will also define the selected database and the exact sample of unicorns on which our analysis will be based. Our approach will be in the form of a global analysis both quantitative, by providing descriptive statistics of the unicorns in the sample, and qualitative by conducting 5 interviews with representatives of a unicorn, entrepreneurs, experienced executives and entrepreneurial experts. To do this, we will first provide general facts and

observations of unicorns worldwide. A focus on Europe will be mainly made and more specifically on its three biggest markets being the UK, Germany and France. The purpose will be to identify potential distinctive financial, strategic and organizational aspects of these unicorns to provide success criteria facilitating the growth of European start-ups. To illustrate our analysis in a more concrete and complete way and to make a link with Belgium, we will develop a case study on the first Belgian tech unicorn: *Collibra*. This case will consist of a presentation of the company, its history, its product, the investments raised over time, the strategic choices made, its organizational composition and finally the reasons for *Collibra*'s success and its evolution towards unicorn status. We will then interview the chairman of the board of the startup and one of the co-founders to enrich and complete the case. In a subsequent chapter of this part, the results of our analysis will be discussed and a summary of the key points observed will be provided.

The last part will aim to provide all the conclusions that emerge from our research. We will mention the limitations encountered in this work and we will bring a final conclusion with general recommendations related to the subject but also to push the research further or to explore new ideas.

PART 2 - LITERATURE REVIEW

CHAPTER 1- DEFINITIONS, ORIGIN AND CONTEXT

SECTION 1.1 - STARTUP COMPANY : DEFINITIONS

In order to be able to tackle this topic, let's start by defining the important and main terms of the research question that will be recurrently repeated in this master thesis. To describe the concept of unicorns, it is important to first have a complete and accurate understanding of what a startup is.

A first definition describes it as a young company created by one or more entrepreneurs with the aim of developing a unique product or service and then delivering it to the market. These entrepreneurs therefore have an idea that they want to develop, test and validate with target customers. However, it requires a certain amount of money and those ventures usually have little or no financial income at the beginning and are therefore looking for sufficient funds to get started. For this, they have several sources of funding at their disposal, starting with the traditional small loans granted by banks or credit institutions or subsidies/grants provided by the state or non-profit organizations. They can also make use of incubators, which are structures often linked to universities and business schools and can offer work space, coaching and seed funding to develop the freshly launched company. Finally, they can also call upon so-called venture capitalists, described as private equity investors who can provide a certain amount of capital or angel investors often defined as a high net worth individual and found usually via the entrepreneur's entourage (Ganti, 2020). They are willing to invest in promising startups in exchange for a beneficial return or a share in the company once it has started. As they do not yet have a track record or a substantial profit to prove, the challenge for these entrepreneurs will be to convince, via a strong argument or even a prototype, one of these investors that their idea is new or that it stands out concretely on the market (Fontinelle, 2019).

Let's take another definition of a start-up company. According to author and entrepreneur Steve Blank in his book *"The Startup Owner's Manual"*, this refers to a *"temporary organization in search of a scalable, repeatable, profitable business model"*. It is a business at the intersection of three key and specific elements: the founders, the financing and the business model. Concerning the founder(s), represented by an individual, a team or a partnership, they define

what a startup is through their personality and values. As far as financing is concerned, this kind of young company can't hope to grow and develop without money (2012).

SECTION 1.2 - UNICORN STARTUPS : ORIGIN, DEFINITIONS AND CONTEXT

Let us now define and give some explanatory context to the concept of the so-called "Unicorn" startups. The term was introduced by the American venture capitalist Aileen Lee in 2013 to refer primarily to Silicon Valley's new technology-focused U.S. companies that have been established in less than 10 years but refers primarily to privately owned startups valued at \$1 billion or more before going public. This fancy and mythical animal, the unicorn, was chosen by the economist to illustrate and highlight the rare and miraculous side of this type of new high-value startups. These successful ventures are rare because the market for new technologies is very competitive and miraculous because their development and evolution takes place very quickly and in significant proportions (Gutter,2019). In this type of company, growth is so phenomenal that it can afford to raise several million euros in one round of financing. If the firm decides to go public (i.e. to carry out an Initial Public Offering or IPO) or is bought out, it is no longer considered a unicorn (J'aime les Startups,2021). A recent update in June 2021 showed that there are more than 700 startup companies considered as unicorns in the world today according to CB Insights. Compared to previous years, 240 Unicorn companies were present worldwide in 2018 while there were "only" 82 in 2015. It can therefore be seen that their number has almost been multiplied by 5 over a period of 5 years only . Other versions also include those which are called "decacorns" for those valued at more than 10 billion dollars or even "hectocorns" valued at more than 100 billion dollars. Unicorn startups are generally found in 13 specific categories or sectors, these are: Artificial intelligence, e-commerce and direct-to-customer, data management and analytics, cybersecurity, consumer and retail, e-commerce and direct-to-customer, education-tech, fintech, health, supply chain, logistics and travel (CB Insights,2021). We will also study further in this theoretical part the factors that favor an evolution towards a unicorn status such as the most common features and prolific industries in which we find these high growth businesses.

The largest number of unicorns are found in the United States and China. On the US side, the best known are or have been for example *Uber*, *SpaceX* or *Airbnb*. As for China, we find *Bytedance*, the company behind the phenomenal growth application *TikTok*. *Bytedance* has beaten *Uber* as the most valued unicorn company in the world with a valuation of \$140 billion raising it to the impressive threshold of the only "hectocorn" startup in the world today. Another

example of a Chinese company and second in the ranking of the world's most valuable unicorns is *Didi Chuxing*, the largest car-sharing platform in China with an estimated value of 62 billion dollars. On the European side, there are also some but in a lesser quantity than their American or Asian counterparts, it is also this observation that we will also try to understand and study the reasons behind this poorer performance in the part about the European entrepreneurial ecosystem. However, the number of European unicorns is steadily increasing year by year to reach a number of 87 in July 2021 (CB Insights, 2021).

This unique “club” of European unicorns includes such well-known companies as *Deliveroo*, *TransferWise* or *Spotify*. For instance, in France, the amount of this type of startup is growing with 15 French unicorns in 2021. Among the best known are *Blablacar*, the platform specializing in carpooling, which reached this status in 2016 with an estimated value of 1.6 billion dollars. There is also *Dataiku* which focuses its activities on analytical solutions and artificial intelligence (worth an estimated \$1.4 billion) or *Doctolib*, a platform for scheduling doctors' appointments (Chicheportiche, 2020). On the Belgian side, the country has very few unicorns and the first was the scale-up from Brussels, *Collibra*, which has reached a valuation of 1 billion dollars after a fund raising of 100 million dollars in 2019 (Digimedia, 2020). More recently, *Odoo*, the Belgian enterprise software company, became the first Walloon unicorn by seeing its valuation reach €2 billion thanks to a €180 million round of financing from *Summit Partners* (Charlot, 2021).

In the following section, we will describe in more detail the internal characteristics of unicorn companies, in particular through their growth strategy, their valuation model, the types of investment required and finally the success and failure factors.

CHAPTER 2- INTERNAL DESCRIPTIVE FACTORS OF UNICORN STARTUPS

SECTION 2.1- GROWTH STRATEGY: BLITZSCALING

2.1.1 Definitions and origin

Nowadays, disruptive innovations lead to the launch of many multi-billion dollar start-ups, otherwise known as unicorns. Investors target disruptive technology projects for which they inject significant amounts of money to boost their growth rapidly. The goal is to scale very quickly and to hope for significant returns on investment later on. A recent term today qualifies this very aggressive growth strategy driven by a very important fund raising and focus on speed instead of efficiency in an uncertain context and this term is called “Blitzscaling” (Kuratko et al.,2020).

This concept was introduced by Reid Hoffman, co-founder of the professional social network *LinkedIn* and the online payment service system *Paypal* , at Stanford University during a course called “ Technology-enabled blitzscaling” (Sullivan, 2016). He mainly wrote a book on the subject with the author Chris Yeh called "*Blitzscaling the The Lightning-Fast Path to Building Massively Valuable Companies*" in which they define this innovative approach as an enlightened growth or "*The art of creating a company to dominate a market at all costs, as shown by Amazon, Google or Airbnb*" (2018). The word “Blitzscaling” derives its origin from the term “Blitzkrieg” which is defined as an offensive war strategy implemented by Germany during the Second World War which was aimed at triumphing over its opponent, regardless of the means and resources used to achieve this. This refers directly to the meaning of the blitzscaling strategy which aims to seize as quickly as possible a market, often global, and which is set up in such conditions that it does not take into account the notion of short-term profits. Startups adopting this perspective are looking for a real monopoly by wishing to evolve very quickly in strong proportions in order to dominate the industry in which they operate.

For instance, *Uber*, a former unicorn, started offering its customers rides at unbeatable prices, financed by unlimited use of capital. It is therefore understood that blitzscaling is entirely opposed to a model of organic, regular and customer-financed growth and their confidence in the product or service offered. A growth that is built up over time, i.e. a medium-term horizon, is then in total opposition to the very short term growth sought by the unicorns. GAFAM, an acronym referring to these web giants such as *Google, Apple, Facebook, Amazon* and *Microsoft*,

are true unicorns at heart, even if their success in their respective markets is not only due to blitzscaling but also, and above all, to the interest and confidence their clients have in their products and services. It is important to note, however, that many startups that apply this strategy of overgrowth do not necessarily succeed in becoming profitable and surviving (Gutter,2019).

Let's now imagine a young business that manages to get a product that works, a well-defined market and a well-developed distribution network, then it has the opportunity to become what we call a "scale-up". There is no clear and exact definition of this word but basically it refers to a startup with a more advanced state of development and often operating internationally (JDN,2019). A scale-up then has the potential to become a unicorn. But how does a start-up company achieve scale-up status? By adopting a blitzscaling strategy (Hoffman & Yeh, 2018). Indeed in this search for dominance, ventures often scale up to enlarge their markets and obtain new customer targets. By way of comparison, a classic scaling tactic takes place in a predictive context with growth techniques based on efficiency. On the other hand, by adopting blitzscaling, a business will actually prioritize speed over efficiency in a context that is this time uncertain (Hoffman & Yeh,2018) . In particular, Hoffman provided three different characteristics of blitzscaling: quick growth, growing on a global scale and growing through a first mover advantage. Young companies are not only fighting for a first-mover competitive advantage but must achieve a certain level of growth before they lose capital. As a consequence of this focus on speed, some entrepreneurs will not have the time necessary to carry out a complete experiment in order to have a product that is as perfect and efficient as possible.

In contrast, Hoffman and Yeh postulate in their book that startups should “*launch a product that embarrasses them*”. It means that young technology company will first offer a beta version of its product that emphasizes the core value. The purpose is that the venture should validate the value created by the idea and thus predict the growth potential it can generate before actually scaling up (Hoffman & Yeh,2018). This first beta test version is also called “Minimum Viable Product” or “MVP” (Moogk,2012).

It is then important to specify here that blitzscaling does not fit easily everywhere due to the fact that an MVP could not be feasible in certain sectors such as pharmaceuticals or hospitals. Software or intangible products for instance may be better appropriate because they can be updated rapidly and with less difficulty. This development perspective usually takes place in a global environment to enable the technology startup to maximize its valuation in a fast way,

increase the size of the available target market and gain access to additional sources of funding (Hoffman & Yeh, 2018) . Of course, there are several different sub-levels or stages within this scaling approach that will be explained in the following section.

2.1.2 Stages of Blitzscaling

An organization evolves in size rapidly and impressively as a result of a blitzscaling strategy. The number of employees may increase intensively for instance. For example, companies like *Amazon* grew from 151 employees in 1996 to 7,600 employees in 1999. *Google* on its side went from 284 to 16,805 employees between 2001 and 2007 and finally *LinkedIn* from 370 to 3,458 employees during the period 2008-2012 (Sullivan, 2016). Let's therefore take a look at the different stages of blitzscaling that Reid Hoffman and Chris Yeh have divided into five groups by number of employees (2018).

The first level is called the **family stage** and refers to a business consisting of 1 to 9 employees. This stage corresponds to raising funds and designing the MVP of the product or service. Then it moves on to the **tribe stage** once the company has reached 10 to 100 employees. The blitzscaling growth perspective during these first two steps is not very present taking into account that most ventures are looking to develop quickly from the beginning (Kuratko & al.,2020).

The second stage corresponds to the **village stage** where blitzscaling is becoming increasingly influential. A business is at this level when it has more than 100 employees, has defined its market product and its competitive environment has developed. At this point, competing companies may begin to want to improve their efficiency while others will continue to want to grow at an accelerated pace. Blitzscaling will therefore enable a startup to adopt a differentiated growth angle compared to its rivals and support its market domination more quickly (Hoffman & Yeh, 2018).

Finally, we reach a higher level which is the **city stage** for a company with between 1,000 and 10,000 employees or even the **nation stage** for those with more than 10 000 employees. Having reached a sufficient stage of growth, the founder is in charge of taking the structure as a whole out of this accelerated scaling model and instead accelerate the launch of new products or services (Kuratko & al.,2020).

2.1.3 The diffusion of Blitzscaling

Let's now look at how this scaling strategy has spread in society and the business world more specifically. After that, we will discuss the risks that this approach can generate as well as practical examples of companies that have implemented it successively or not.

Being in an increasingly globalized society with a constant evolution of technology especially thanks to the intense creation of software and other digital tools in all industries, the implementation of a blitzscaling growth strategy becomes more and more relevant and easy even in low technology or mature sectors. The speed at which new digital platforms are being launched in a fast-moving world also means that the gap between the arrival of new innovations is narrowing and that the integration of such a development method is almost becoming necessary for start-ups to achieve unicorn status. In today's society, we are witnessing the rapid arrival of major technological innovations such as artificial intelligence, machine learning, the cloud or virtual/augmented reality. These new technologies are having a progressively important influence in our economy and through the companies that are being created, leading to a world of opportunities. In practice, in the precision medicine sector, computerized tools are created and developed to innovate the healthcare. We can also mention the smart grids which are using software to help revolutionize power efficiency and thus enable the development of renewable energy sources such as solar panels. All these technological advances can therefore be facilitated and have a greater impact thanks to blitzscaling (Hoffman & Yeh, 2018).

To get a clear and complete picture of this strategy, let's compare it to other types of rapid scaling.

2.1.4 Types of scaling

To begin with, what is the exact meaning of the word scaling?

Scaling your company refers to the fact that increasing revenues overcome the new costs incurred. The basics of scaling refers to three major aspects : capital, speed and efficiency. The first factor corresponding to how much available capital a business owns which will define the ease level of scaling. This may include developing its activities, hiring new employees with the right skills and expertise and managing better problems that arise. The second element speed is

assimilated to how rapidly a startup is able to conform to and support new growth. Finally, the last factor, efficiency, defines to what extent an organizations stays optimized while scaling.

It seems relevant to specify that there is no single form of growth because it depends on a large number of related variables. Typically, there are four different types of scaling: bootstrapping, slow scaling, fast scaling and blitzscaling (Soellner, 2019).

i) Bootstrapping

Bootstrapping is a concept of scaling which aims to prioritize so-called organic growth by using the startup's internal resources. This approach will focus on efficiency in an uncertain environment. Creating a business can be likened to jumping off a building: being efficient in terms of resources will allows the speed of descent to be reduced and maintained which means for a business to have time to get to know better its market, its product and the people involved before experiencing a potential fall. This approach of control and efficiency on growth then leads to a reduction of uncertainty and is a good tactic to implement when a new business tries to have more certainty around what Eric Ries calls, in his book “*The Lean Startup*”, the product-market fit (2011). This means that the product offered responds to a robust market demand for a solution to a particular problem or need (Hoffman & Yeh,2018). This form of scaling is relatively slow because it depends on the product or service being offered, how creatively the venture’s marketing is working and whether their business model is intrinsically scalable (e.g. software companies) (Hoffman & Yeh,2018).

So what are the benefits of bootstrapping?

A first positive point is **accessibility**. Indeed, the bootstrapping growth method aims at scaling the business via the founder's funds first. This is done by reinjecting the profit from the services offered to the customers. Bootstrapping is the most accessible way to create and scale a company even if some capital is potentially required. Not every entrepreneur starts a company with a product or a market that could benefit from institutional funding, so growing organically could be a good alternative.

A second positive element of bootstrapping is that there is more **focus on customers** here. As there are no external sources of funding here, the customer is the only source of revenue so it is necessary to prioritize the service offered to keep them as long as possible and have a full understanding of their needs. This will create loyalty and add value to the brand.

A third and final advantage is **greater freedom**. Indeed, as growth strategies progress and more investors are brought in, the entrepreneur loses more and more control. By applying bootstrapping, the founders have the benefit of retaining control over operations, strategy and branding as the business is developing. Similarly, there is also less pressure internally and externally as there is less expectation of growth from investors. This type of pressure can have a significant impact on the working atmosphere of the organization if key performance indicators expected by investors are not met (Soellner,2019) . An example of bootstrapping is *GitHub*. *GitHub* is like a *Wikipedia* for developers. Businesses use it to create websites or software, while programmers use it to find new projects. The company benefited from bootstrapping by taking advantage of its low scaling costs and its organic growth despite the fact that it still raised funds afterwards (Linderman, 2010) .

ii) **Slow Scaling**

Moving on to the slow scaling stage which almost looks like bootstrapping in having similar benefits but the contrast is that here businesses choosing to scale slowly may decide to seek external funding to support the growth of their customer base (Soellner,2019). The focus is now on efficiency in a more certain environment than bootstrapping. This strategy refers to classic business management tactics such as aiming for a minimum rate of return so the return on investment (ROI) is always higher than the cost of capital. This form of optimization is therefore a good course of action when a company is trying to maximize its ROI in a mature market in particular (Hoffman & Yeh,2018). External funding here often takes the form of a bank loan which means that startups in this category often already have well-established bases and then use this financing to meet strategic needs and not just for growth. Besides this classic investment type, money could also be provided by a venture capital once the firm has bootstrapped only after a certain amount of time has passed. The result is that businesses choosing to integrate a slow scaling strategy are bootstrapped companies that have decided to postpone financing (Soellner,2019).

So what are the benefits of slow scaling?

To start with, a first advantage is **time**. Startups that decide to scale slowly can then place a higher priority on their efficiency. This leads to a number of results. As for companies that grow too fast, they can create a gap with their first employees. People perform differently depending on the stage of their organization's life cycle. Early staff members prefer more freedom, while later ones prefer a more marked structure. Scaling slowly then allows the early workers to adapt more easily as the business grows. Another element impacted by time is culture. As new people are hired, the true corporate culture runs the risk of disappearing. Culture could be an added value to distinguish from the competition and growing slowly could then help to maintain this competitive advantage.

A second advantage is **balance**. The focus should be on the customer as many of the company's activities still depend on the client as a source of income. An external investment could be sought in this case which then allows the startup to retain control and still make strategic decisions on its own. This provision of external capital then opens up the opportunity to expand the product range or even pivot on the business model if it's the best decision for development. In the case of bootstrapping where external capital is not really available, such actions would be more difficult to implement (Soellner,2019). Many businesses demonstrate the ability to operate for a number of years before raising funds to extend their core business. For example, we have the web design course library platform *Lynda* which has developed without external resources to the point where it almost failed and was finally acquired by *LinkedIn* for a substantial price \$1.5 billion and implemented directly into the site (Porter,2015). Another example of slow scaling is the e-commerce platform *Shopify* that allows you to create an online shop in a few clicks and sell directly to consumers. The founding entrepreneurs were able to run the business independently for almost 6 years before looking for new investments (Duncan,2012).

A third positive factor of slow scaling is **better decision making**. At this stage, every resource consumed and money spent counts in order to grow the business in an optimal way. There is not much security to rely on so it is important to be efficient and make the right decisions in this case. In situations where there is plenty of capital available, this can lead to less effective decision making such as overspending or making unnecessary investments. Creativity can also be impacted. Companies with a large financial base may spend millions on marketing to reach

their consumers, while others with less investment may develop more creative ideas to reach their target with their more imaginative and cheaper marketing (Soellner,2019).

iii) Fast Scaling

Fast scaling refers to the growth mode most commonly used by startups financed by venture capital. A venture capital firm (also called "VC") is a private equity investor who provides financial support to a growing, high-potential venture for equity in return (Ganti,2021). While some bootstrapped businesses may experience strong customer growth due to a product that works well, venture capital is often required at this level to ensure that the scale is well executed and exploited to the maximum (Soellner,2019). At this point, efficiency could be sacrificed to encourage growth. Nevertheless, fast scaling takes place in an environment that is certain, the costs are clear and can be estimated. This is a good approach to gain market share or reach specific revenue targets. In practice, firms in the financial services sector often privilege their investments on this level of growth by buying equities, bonds or lending funds. The reason is the certainty of the environment in which this financing is carried out and therefore the ability to accurately estimate and know the returns on their investments (Hoffman & Yeh,2018).

So what are the benefits of fast scaling?

A first key point is the **development of entrepreneurial skills**. Scaling a business fast is a real challenge and despite the fact that an entrepreneur has the best possible planning and organization, there will always be obstacles. There are many internal issues that come with growth including the added and constant pressure for the entrepreneur to reach the next performance indicator. It is precisely these challenges that represent a real learning experience for the founder and help to develop essential business skills. In addition to this, being supported by investors also provides access to an important and interesting network and coaching on strategic decisions. (Soellner,2019).

The second advantage is about **competitiveness**. Indeed, when there is a market opportunity, many companies want to enter it and launch their own product. Growing fast will then give the benefit of being able to fight against rivals. It is already difficult enough to distinguish oneself from others and not growing fast enough could really limit the development of the business (Soellner,2019). Let's take for example the virtual reality hardware maker *Oculus VR*. They started out on Kickstarter (the crowdfunding site for entrepreneurial projects) and were acquired

by *Facebook* some time later for \$2 billion. They illustrate a case of fast scaling and not blitzscaling as they only had 25% of the VR market in 2019. The fact that they sell hardware products and that many consumers are still hesitant to buy it prevents the company from blitzscaling (Solomon,2014).

A final advantage are the **economies of scale** and this is even more relevant and visible in the production sector. The concept behind economies of scale is that as the overall production of the business increases, the cost per unit decreases. This decrease is due to mass manufacturing, investment savings and better supplier relations. A good illustration is the network effects in the digital world. Bringing more people onto a platform creates more value for the users leading to an additional revenue stream or more commissions for the business (Soellner,2019).

iv) **Blitzscaling**

We have now reached the growth level applied by unicorn startups: blitzscaling. As explained previously in the definition of the concept, a business that chooses such a perspective sacrifices efficiency in favor of speed to boost its growth. (Hoffman & Yeh,2018). It is also a complex task to implement. Indeed, unless you are a company like *Amazon* or *Google* with expanding recurring revenues, it will be necessary to convince investors to raise funds and it is even more complicated to convince in a strategy that involves a lot of uncertainty. In contrary, fast scaling involves more certainty with an easier prediction of returns. Worse still, a venture usually needs more financial funds during a blitzscaling phase than during a fast scaling one. The reason for this is that it will be necessary to have enough capital in reserve to cover any damage encountered along the way. However, despite these negative points, it remains a powerful way of development for a startup which, if it accepts the risks that this can generate, will have the opportunity to move forward much faster than the competition. If a business succeeds in persuading the market for capital and talent such as customers, talented employees or relevant partners willing to invest, then it has the resources to go blitzscaling and potentially become a unicorn (Hoffman & Yeh,2018).

So what are the benefits of blitzscaling?

Firstly, the main purpose of many companies is to achieve the **quickest possible growth** and this is what blitzscaling allows. For instance, *Facebook* attained a market capitalization of 500 billion dollars in just 15 years after its creation (Hoffman & Yeh,2018). Another illustration of huge growth in a very short time is the firm offering office and workspace solutions, *WeWork*. *Wework* was founded in 2010 and reached a valuation of \$17 billion in 2017 after receiving a \$300 million fundraising from the large investment group *SoftBank* (Delventhal, 2019). Behind these two practical examples are solutions that can solve problems that affect everyone, such as being able to communicate whenever you want, wherever you want, and being able to find work spaces easily via a platform. For this type of business, the goal is to scale as much as possible to reach a large population and thus create value as quickly as possible (Soellner,2019).

A second advantage is the possibility to create even **more impact on society**. Implementing this growth strategy is impactful in itself but the service or product offered may only be useful and not really impactful. Nevertheless, starting by developing a high revenue business through blitzscaling can then help to create more impactful future projects with the financial funds available (Soellner,2019). As an example, Jeff Bezos who created *Amazon* has grown it by adopting a such a strategy and has thus revolutionized what is called e-commerce. Today, the ambitious entrepreneur wants to conquer the space. In the same way, *Google*, the technology services company that is a giant in the global information arrangement, is now building autonomous cars (Hoffman & Yeh,2018). These two illustrations show that by developing large ventures through blitzscaling, it is possible to use the pool of resources earned to create more impactful projects.

A third important advantage is **monopoly dominance**. Indeed, the faster a company grows, the more likely it is to dominate its market. Startups that decide to apply blitzscaling usually become monopolies without intending it first and being the fastest player does have its benefits. For example, seeking additional funding from investors, then providing more innovation and protection by having the ability to acquire the competition and finally increasing its visibility and branding which will then allow those businesses to hire the best talent and thus support its monopoly position (Soellner,2019). A good example is the platform *Slack*, the market leader in business communication software with over 10 million users per day counted in 2019. Their value creation comes from the fact that they offer a cloud-based solution that is easy to use and

then offers multiple tools for easy communication between collaborators within the same firm. The communication platform went public the same year and therefore received a price of 26 dollars per share to reach a considerable valuation of 15.7 billion dollars. Their development has been mainly through word of mouth and a very well built business plan (Kolakowski, 2019).

To sum up, if there is anything to be learned from these scaling strategies is that it depends on the market dynamics in which the company is present. It doesn't matter if a startup does not have a clear growth approach yet, the most important thing is to focus on the first and most valuable source of revenue: the customers (Soellner, 2019).

The importance of timing

It should now be pointed out that a business could integrate different types of scaling strategies during its life cycle. Again, the social network *Facebook* started with bootstrapping to build its product-market fit. The platform opted for blitzscaling afterwards to support its market power and outperform its competitors. They switched to fast scaling once their product reached a mature stage and finally moved down to slow scaling once they became the leader in their sector (Hoffman & Yeh, 2018). All these steps of progression combined form what is known as the "S-curve" formed by the growth factors (Payoff, output and result) on the y-axis and the time, resources and efforts undertaken on the x-axis (please refer to figure 1 below). We can observe a fairly slow start of growth, then speed up to finally reach a maximum and stabilize.

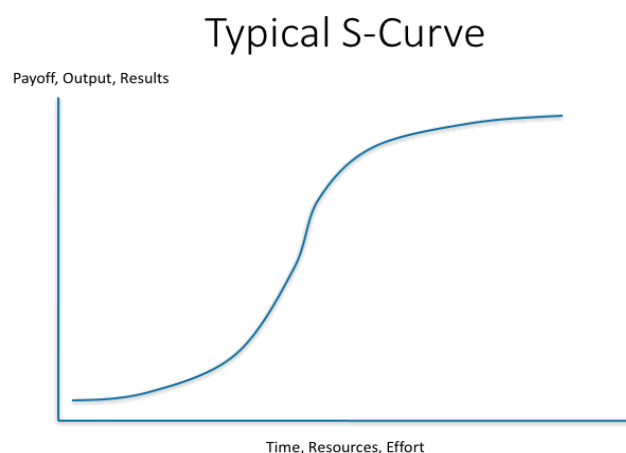


Figure 1 : Typical S-Curve

Source: Martin, R. (2016). What Goes Up... The S-Curve and its many applications. Retrieved from <https://exploitingchange.com/2016/09/08/what-goes-up-the-s-curve-and-its-many-applications/>.

Continuing with the example of *Facebook*, the social network started out as a perfect illustration of blitzscaling. Year on year revenue growth since its creation was 2150%, 433% and 219%, ranging from \$0 to \$153 million in revenue in only 3 years. Nonetheless, after that, they began to struggle and its expansion decreases due to difficulties in monetizing the platform and making the transition to mobile. To act as a response, its founder Mark Zuckerberg made two important shifts by transforming the platform to be mobile-first and then hiring Sheryl Sandberg as COO who then found a new source of revenue for the social network which is advertising. Consequently, these decisions enabled the business to turn its growth around and reach over \$2 billion in revenues in 2010 (Hoffman & Yeh, 2018).

How does this kind of scaling work in practice? Is this a guarantee of success? This is what we will try to understand in the following section by showing companies that have successively applied blitzscaling on one side and others that have failed.

2.1.5 Practical examples of Blitzscaling successes and failures

Success story : *Flexport*

Let's start with a first example of a venture that has successfully applied blitzscaling: *Flexport*. *Flexport* is a global freight forwarding and operating company based in Silicon Valley which was created by founder and CEO Ryan Peterson in 2013. His goal was to digitally disrupt the often too archaic freight-forwarding industry. In the course of the year 2015, only two years after its creation, the startup was able to raise more and more funding from important investment funds such as : *Peter Thiel's Founderfund*, *Ashton Kutcher's A-Grade Investments*, *Bloomberg Beta*, *Google Ventures*, and *Y-Combinator* for a cumulative total of financial support worth \$94 million (Schubarth, 2015). A little more than 2 years after these substantial financing rounds, the logistics business saw its revenues increase by 25% and could count on more than 600 customers (Rogers, 2016). In contrast to most startups applying blitzscaling, *Flexport* was in fact profitable. According to the man behind the project, Peterson, the idea was to make money by focusing on volume growth and become one of the first profitable unicorn startups (Constine, 2016). Arriving in 2017, the company was already opening its fourth place located in North America resulting in a total of seven offices (Petersen, 2017). Within the same year, the logistics business had more than 420 employees in all its offices and estimated a revenue of \$500 million for 2018 alone. The following year, it was then considered one of the

fastest growing private companies with an estimated growth rate of almost 16,000% over 3 years , having grown from 26 employees in 2014 to approximately 1,000 workers in 2018 (Gonzalez, 2018). These numbers show then the huge and impressive impact that this type of scaling can bring to a startup's resources.

During the year 2019, *Flexport* opened once again in Seattle, an environment chosen specifically for its logistical eminence and talent resources (Flexport, 2019). Globally, the operating firm also has offices in San Francisco, New York, Hong Kong, Amsterdam and Shenzhen, which all represent important and meticulously chosen trading centres where the blitzscaling strategy has proven its effectiveness. As a result of this continued overgrowth, the business has gained more than 10,000 customers and suppliers and has more than doubled its revenue over 2017. Taking these data into account, this places *Flexport* in the city stage category. To serve as a comparison, neither *Google*, *Facebook* nor *Microsoft* have reached this level of growth after only four years of existence (Johnson, 2019).

Their willingness to compete in global transport and trade exchange using technology has led the company to raise funds from a major investment fund: *Softbank Vision Fund*. They managed to raise \$1 billion in funding to reach a substantial \$3.2 billion worth which allowed them to acquire the status of unicorn (Konrad, 2019). This colossal source of financing will then enable the logistics firm to rapidly further develop its physical infrastructures and grow its pool of engineers. These two factors refer to their operational efficacy which they had previously neglected by focusing on speed rather than efficiency for the purpose of blitzscaling (Kuratko & al.,2020).

Failure story: *Jawbone*

As we have just seen, some unicorn startups with their millions of dollars of investments raised succeed at blitzscale, others may not be able to. Although a high valuations augurs potentially a bright future for this kind of business and represents an important signal of its future viability, not all unicorns manage to stay alive. This is what we are going to illustrate in this part with the company *Jawbone* which decided to implement blitzscaling but failed to survive in the long term (Kuratko & al.,2020).

Jawbone was an American company founded in 1998 by two Stanford University students and was first called *Aliph*. The startup created a first product called *Jawbone* in 2002, a Bluetooth

headset of military quality, which allowed them to receive a contract by an American federal agency within the same year. Soon afterwards, *Aliph* decided to offer its product to the general public and estimated that it would sell 57.5 million units across the United States by year-end (Wired, 2004).

In the years that followed, the venture continued to boost its sales figures by setting up strategic partnerships with Apple, Best Buy and AT&T, among others. *Aliph* also quickly began to focus on innovation and growth of its main product Jawbone through multi-million-dollar investments received from venture capitalists such as *Khosla Ventures* and *Sequoia Capital*. After a successful launch of this first product (thanks to which they changed their brand name from *Alpine* to *Jawbone*), the venture then decided to broaden their range by launching their own wireless speaker under the name Jambox in 2010. The objective behind such a strategy was to revolutionize the wireless speaker industry. This new project was an immediate success and Jawbone did not want to stop there. Soon after, they had the additional and ambitious idea to enter the rather saturated market of fitness technologies by selling their own UP fitness tracker (Lashinsky, 2015). *Jawbone* finally became a viable company after more than a decade of blitzscaling that served mainly to boost their growth. To do so, they acquired a series of other technology ventures such as *Visere*, *Massive Health* or *BodyMedia* which mainly allowed them to expand their talent pool and IP portfolio. During 2014, massive investments worth \$147 million have been raised from various venture capital firms such as *Khosla Ventures*, *Sequoia* or *Horowitz* (Somerville, 2017). As a result of these significant fundraising efforts, *Jawbone's* value rose to an estimated \$3.2 billion, enabling them to obtain unicorn startup status at that point in time (Kuratko & al.,2020).

However, despite these investments, problems began to arise in 2013. The venture began to experience some serious complications with its various products, including loss of market share. The explanation behind this decline is that they started to reimburse some of their customers and offered them discounts due to hardware problems related to their fitness tracker product and delays in delivery times for instance. A few years later, in 2016, those issues led to the unfortunate ending of the company stopping production and selling their remaining stock (Kuratko & al.,2020).

We can therefore observe here that even with investments of several million dollars raised, the unicorn has not been able to survive in the long term and solve problems related to their launched products.

What happened? What led to this failure when the business seemed so promising ?

After its valorization and obtaining its unicorn status, the business made too many mistakes to be caught up by implementing the blitzscaling strategy for its different products. Unfortunately this is what led to the outright closure. To close this example of failure , let's take up a quote from one of the founders of *Jawbone*, Hosain Rahman, who said “*You have to push your product to the point where it seems like it's going to break*” (Kuang, 2009). This state of mind is then similar to that of Hoffman (introduced at the beginning of this chapter) who stipulate that companies should launch products that embarrass them. However, this strategy of pushing the product to its limits or launching it without being completely finished does not apply to hardware products. *Jawbone's* mistake in applying blitzscaling was to try to develop its hardware with overfunding to eventually offer a physical good that wasn't completely functionable. What they may not have realize is that a hardware repair is expensive as they experienced with their fitness tracker refund and the many discounts offered. If they had opted for a software product, for example, it would have been easier and cheaper to repair as software may be regularly updated at a lower cost. What they should have done is therefore bring all the finishing touches to their hardware to have something complete and then blitzscale to innovate in terms of software updates (Kuratko & al.,2020).

Blitzscaling therefore allows organizations to be valued above the billion dollar mark equivalent to the description of unicorns. It is this valuation that we will look at in the following section by studying how such amounts are obtained and whether or not there is an overvaluation in some cases.

SECTION 2.2 – UNICORN VALUATION MODEL AND CRITERIA

2.2.1 Introduction

Let's first remind ourselves the definition of a unicorn : A unicorn refers to a startup generally active in the field of new technologies or platforms whose valuation is estimated at 1 billion dollars or more before going public (Lee & Lin,2020). In view of these huge amounts worth one or several billions, the question is then about what criteria are taken into account when issuing such a valuation? Do some unicorns tend to be overvalued ?

First of all, valuation methods can be based on a number of elements such as recorded results, market size or the composition of the management for instance. One difference that can be made between the different rounds of funding is the valuation given as well as the level of development of the startup (Reiff,2021).

When it comes to high-growth startups like unicorns, valuation does not seem to be an easy task because their financial structure is actually relatively complex. According to a 2017 study by researchers at Stanford University, a small half of companies valued above \$1 billion dollars are overpriced which could then lead to a financial bubble. Valuation techniques and processes of these unicorns would be entirely biased by their business model. The two authors behind this research, Ilya Strebulaev and Will Gornall, analyzed 116 unicorns out of 200 existing at that time in 2017. They found that the average overvaluation was 48% and that 13 of them were even 100% overvalued. Therefore, those companies that do not reach a minimum valuation of 1 billion should not even benefit from the status of unicorn, so coveted by investors (Gornall & Strebulaev,2017). Indeed, the valuation of these start-ups can be arguable because it is based on evaluations made by venture capitalists and investors who have themselves participated in certain stages of the financing. This raises then a question about the objectivity and reliability of these valuations. Actually, it is not related to the financial performance of the start-up or similar data. Moreover, which is even more surprising is that some of these highly valued businesses have not even generated any profit yet (Lee,2019).

2.2.2 The complexity of the financial structure

Why is the financial structure of a unicorn complex?

Firstly, **the shares issued by this kind of start-up are completely different from the common stocks, debt and equity securities usually issued on the financial markets.** Usually investors receive instead preferable convertible shares which have a protection against the risk of loss called seniority and also an upside potential in the form of an option convertible into common shares (Gornall & Strebulaev,2017) .

The second reason is that **the shares issued are completely different both between companies and especially between the different financing stages.** These different shares depending on the funding round then have different cash flows and control rights. Determining these cash flows and rights in loss situations is essential in corporate finance. These different

groups of shares issued by these companies have drastically different sources of revenue in case of a loss. Each category has a specific return on investment and these return guarantees are classified according to their seniority with common shares often owned by founders and employees in the form of stock options or shares. Those common shares are often inferior to preferred shares and early preferred shares will be inferior to recently issued preferred shares (Gornall & Strebulaev, 2017).

2.2.3 Valuation model and example

To better understand the logic of corporate finance and the valuation model used to measure the financial value of a unicorn, let's look at *Square Inc.*

Square Inc is an American company created in 2009 to facilitate and promote electronic and mobile payments by offering a simple to use service. Almost 10 years later, the service is used by millions of small companies to enable credit card payments, track sales and inventory figures and receive funding. To grow and evolve in such way, *Square Inc* went through seven rounds of financing before going public in 2015 (Cussen, 2021). In 2014, the US company notably reached the Series E funding round and managed to raise \$150 million by issuing 9.7 million Series E preferred shares for a price of \$15.46 per share to a multitude of investors. These preference shares generated as much income as the common shares if *Square Inc* performed well but had additional protections if in contrary the business had poor results. Series E investors were guaranteed to receive at least \$15.46 per share if the company was liquidated or acquired and at least \$18.56 per share in a public offering, in both cases with priority over all other shareholders. These Series E shares were therefore added to the common shares issued by Square Inc as well as the other Series A, B-1, B-2, C and D preference shares. After this Series E financing stage, the high-potential business went through **the “post-money” valuation** which is typically used in the venture capital industry. The post money valuation is then calculated by multiplying the price per share from the most recent financing round by the number of diluted common shares. At that time, Square Inc had 253 million common shares and options and 135 million preference shares for a total of 388 million fully diluted shares. In summary, if we multiply this number of shares by the Series E share price of \$15.46, the resulting post money valuation for Square Inc is \$6 billion (please refer to formula below) (Gornall & Strebulaev, 2017).

Post-money valuation formula :

$$\text{\$6 billion} = 388 \text{ million} \times \$15.46$$

We therefore understand the complexity of such a valuation taking into account that a company can go through so many financing rounds as in this example.

2.2.4 Reasons for overvaluation

When it comes to estimating the value of a company, it is necessary to assume that all shares have the same value. However, start-ups issue on average eight different types of shares; each round corresponding to a different share price. Overvaluation would be then due to the wrong approach to calculation.

The valuation method of a start-up is not similar to that of a mature company with a more stable situation. For instance, public businesses usually have one common class of shares, whereas start-ups will create a new class of shares on average every 1 to 2 years when there is a new round of funding. Moreover, the share value owned by a founder, a business angel (often during the beginning of the launch cycle) or by an investment fund (before an IPO for example) is not the same. The shares do not all give the same rights according to their date of issue. The more the rounds go by, the more the investors expect additional guarantees in exchange for their investment. Taking into account the presence of these preferred shares, which concerns a large majority of unicorns, it is impossible to apply the classic valuation method which would give a valuation of the company artificially inflated by the value of the shares effective at the time of the last issue. Adopting the classical system would therefore lead to a biased estimation (Gornall & Strebulaev, 2017).

In practice, let's give several examples of overvalued ventures. If you take *Space X*, the American company specializing in astronautics and space, it would have been valued at 10.5 billion dollars in 2017 and was actually worth only 6.4 billion at that time, representing a significant overvaluation of 65%. In the same year, *WhatsApp* was also overestimated by 60%, *Airbnb* by 26% or *Twitter* by 21%. As for *Uber* it was overvalued by 12% in 2017 and lost then 2.8 billion dollars. The preservation of such a high valuation would be due to very high hopes placed by investors on the business. Many actors in the entrepreneurial ecosystem such as business angels or investment funds invest millions in young start-ups with high potential and highly valued but not yet profitable, with the objective of receiving a significant return on investment in the future. The question to be asked is whether this ecosystem is not now

constantly looking for a young company with the status of a unicorn, which can then fear the appearance of a financial bubble (Chabal, 2017).

Before being able to address this issue, it will first be necessary to describe the European entrepreneurial ecosystem in a further section of this literature review and what are all the components and factors that influence it. But now let's see what are the different types of investments a venture can benefit from during its life cycle and which are the most common ones helping to reach the unicorn status.

SECTION 2.3 - INVESTMENT TYPES

Before analyzing all types of investments available today, it would be interesting to first identify who are the different stakeholders involved. On the one hand, we have entrepreneurs looking for financing for their project and as it becomes more developed, they progress to consecutive rounds of financing. In this section, we will see that usually a company starts with the pre-seed and seed capital rounds and then moves on to Series A, B and C funding rounds and others that may follow. On the other hand, we have investors who inject capital into a project firstly because they believe in an innovative idea and wish to support entrepreneurs but mainly because they expect a return. That's why, in most of the fundraising in the growth cycle of a business, the investor asks for a share of ownership in the company. This will allow him to receive a certain amount of money once the young venture has grown and generated profits.

Above all, the main challenge for these startups wishing to achieve high growth percentages and thus obtain the coveted unicorn status is to have first the necessary financial resources. Indeed these small businesses do not necessarily have the direct ability to access the capital markets, go public or borrow from large banks in the same way as more mature and stable companies. Therefore, the goal for them is to seek a variety of funding capable of covering their high-risk projects with no guarantee of profit in return.

Fortunately, in recent years there have been new investment alternatives for these young companies, such as defending their project on crowdfunding platforms, receiving help from business angels or raising funds from venture capital firms. These new opportunities have arisen primarily as a result of the economic and financial crises (Block and Sander, 2009) and also taking into account the evolution of the size, location/relocation and the specificities of the market in which the business seeking financial resources operates (De Prijcket et al., 2019).

It is also relevant to specify that each type of financing will be targeted according to the phase in which the venture is in its life cycle or in its growth phase as we have studied earlier in this thesis. Consequently, the different investment types actually go through rounds. Indeed, we will have for example in the concept phase the funding and/or support coming from FFF (for Family, Friends and Fools) or grants for instance. As we move on to the start-up stage, angel investors (which we will define later on in this part) and seed capital may be involved to bring support. Once the company is growing and needs additional resources to develop and eventually reach unicorn status, investments may come from venture capital or private equity firms (please refer to Figure 2 below). As you can see from the graph, the higher the project grows, the lower the risk for the investor and the more new types of investors join and support financially the company.

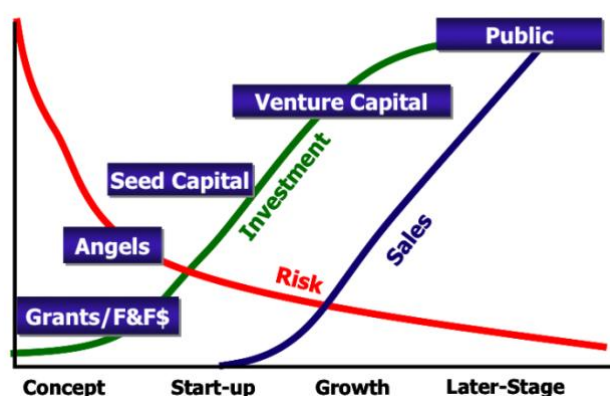


Figure 2 : Company life cycle and investment types.

Source : Funhoff, A. Entrepreneurial Finance : Lesson 1. Louvain School of Management.

We will try to describe in this section the three different categories in terms of financing offered to young high-potential businesses depending on the growth phase in which they are operating : Pre-seed capital, Seed capital and Growth stage financing (Novoa,2017).

2.3.1 Pre-seed capital

In the first phase of a start-up's life where the entrepreneur is only at the idea stage or has a prototype of his project, initial financial funds might be required and this is called pre-seed capital. Pre-seed capital is therefore used to finance this first period of creation and is generally composed of three financial support vehicles (Novoa,2017) :

- i) **FFF or Family , friends and fools** : A classic source of funding that comes into play at the beginning of an entrepreneurial project to help it grow and which refers, as the name suggests, to friends, family or fools (generous benefactors for example) who are willing to lend or give money to help finance the project. In some situations, family members or friends may invest in exchange for a percentage share in the company. The entrepreneur therefore receives funds from a group or an entourage that often has a direct interest in the initiative. To give an idea of the proportion, 35-40% of start-ups launched receive money from friends or family each year (Gordon,2020). It is also easier to raise funds through an emotional channel than a rational one with a required return on investment. This is why young founders often turn to friends, family or fools in the early stages of launching their business (Beci, 2020).

- ii) **Angel investors**: These could refer to experienced entrepreneurs who have, for example, acquired enough money from their former businesses to decide to invest in young ventures or simply refer to investors who want to finance high-potential projects in growth markets. In comparison to venture capital, business angels often invest their own money and moreover at one of the riskiest phases of the startup's life cycle (Novoa,2017).

- iii) **Accelerators**: These are structures offering capital, coaching and workspace in exchange for a percentage equity in the business. A few years ago there were very few of these but today they have evolved and can be found in all the major cities of Europe. Amongst them, the best known are *Seedcamp*, *TechStars* or *Startup Sauna*. (Novoa,2017) .

2.3.2 Seed capital

Seed capital is also one of the first levels of funding in the growth cycle of a startup and refers to an equity-based investment. Simply, those who decide to invest expect a share of ownership in the business in return. This type of investment is usually used to help finance the initial activities of the business, such as market research, financing the first stages of product development or paying mandatory costs (CFI,2021). It is also characterized as financial resources that are essential to get a young company off the ground and find the right product for the right market. The average seed capital in Europe is between €250,000 euros and

€750,000 euros or even €1 million . Common investors providing this kind of funding are angel investors (also present at the pre-seed capital stage), super angels or even already venture capital firms (Novoa,2017). Seed capital is also one of the riskiest investments because it requires giving capital in the early phase of a company's development before it has even generated any profit or revenue. That's why other players such as banks or venture capitalists decide not to invest at this stage. Moreover, it is also one of the most complex types of financing because investors lack the information to make a rational decision. For their capital to be returned and therefore successful, they need to ensure that the project is viable and that the entrepreneur behind the idea has the aptitude and skills to make it happen. However, big technology platforms like *Google* or *Facebook* have been founded by people who did not necessarily have much experience in managing a company. Regardless of the fact that this type of funding remains very risky, there is still a chance of obtaining interesting returns on investment.

As an example of seed financing success, we have the investor Peter Thiel, one of the first individuals to believe in and inject money into Facebook. He was actually the first external investor in the social network and in 2004 he provided \$500,000 for a 10% stake in return. He then sold most of his shares in the business a few years later between 2012 and 2017 and received a whopping \$1 billion (CFI,2021). Nonetheless, more innovative financing vehicles have enhanced this seed capital phase in recent years and thus the entrepreneurial ecosystem in general. This is what we will illustrate now with the example of crowdfunding platforms.

i) Crowdfunding platforms

The problem today is to link entrepreneurs who have a project idea with investors who have the resources to finance it and who are therefore searching for innovative solutions (Kaplan and Lerner, 2010). To turn the idea into a business, the founders have to defend it to potential investors, even before venture capitalists or private equity (which we will describe next). Many platforms or events have been therefore created nowadays to facilitate this meeting between the two parties and thus give entrepreneurs more opportunities to finance their project. That's how crowdfunding platforms came into being. Crowdfunding gives project owners the chance to finance their idea by receiving a multitude of small contributions from a large number of people on an online platform (Mollick, 2014). This avoids all the traditional and more formal financial intermediaries and does not require the help of investors with real expectations of return on investment (Belleflamme et al. 2014). These new digital solutions allow not only to receive money for a business idea but also for a charitable cause or simply a personal project, so it is

not only related to business. In terms of numbers, to date more than \$34 billion has been raised through crowdfunding using simple and user-friendly platforms (Kearl,2021).

Usually there are two type of crowdfunding platforms related to investment in startup projects. On one hand, we have what is called "reward-based" crowdfunding that often gathers hardware products or creative initiatives. Platforms like *Kickstarter* and *Indiegogo* are the market dominators. Any individual can support the project they wish and then receive a material reward in return such as physical or digital products but do not get an equity share in the company. On the other hand, we have equity-based crowdfunding which, as the name suggests, allows financial backers to receive equity in the organization and thus expect potential returns when the startup is able to generate revenues. This type of financing is therefore managed by the platform, which acts as an intermediary by choosing the projects and the investors interested in supporting them, while taking a percentage fee on each transaction made. There are a multitude of equity-based platforms on the European continent and the best known are for example *Companisto* , *Seedrs* or *FundedByMe*. It should also be noted that the legislation related to this specific type of crowdfunding varies from country to country and can therefore create barriers between financial backers and business ideas wishing to raise funds (Novoa,2017).

2.3.3 Growth stage Capital

By this stage, the venture has usually proven the value of its product or service and has already raised financial backing either from the founders' own capital directly or from people around them such as family, friends or business angels (pre-seed and seed capital). As time goes by, the company sees its number of clients growing and aims to expand its activities. The business has then reached a certain level to be at the same stage or above its competitors with their highly valued and recognized product or service. New ambitions are born to develop further, for example by hiring new staff, investing in new work spaces or even preparing an IPO (initial public offering). Of course, this whole cycle of growth and fundraising remains an ideal and sometimes only hypothetical scheme as many startups simply do not manage to obtain sufficient financial resources to get to this stage. The small number of businesses that manage to scale and are lucky enough to have the ambition to expand and thus qualify for further fundraising have had to go through a lot of obstacles and work first. Now that we are entering the next rounds of funding, this gives investors the chance to inject capital in return for percentage shares or equity. What are then called Series A, B and C funding rounds refer to a series of progressive

actions to grow a business through external fundraising after having started by raising pre-seed and seed capital (Reiff,2021).

i) Series A Funding

When a startup gets to the point of having shown improvement in constructing its business model and having achieved good results such as an established customer base, stable revenues or other relevant performance indicators, it has the opportunity to access the Series A funding round to grow and reach new and more ambitious goals. It is therefore usually the level of investment that follows the seed capital round as explained before (Chen, 2020). At this stage, it is possible for the company to offer its product or service to additional markets and this is why it is important to have a well-established plan at this point to generate revenue in the long term. Indeed, most of the time young ventures come up with an idea with great potential that gathers a large number of users but have not yet necessarily thought about a plan to monetize the project. Generally, Series A investments range from \$2 million to \$15 million but these amounts have even increased because of the technology valuation industry and in particular the unicorns. For instance, the average amount was about \$15.6 million in 2020. At this level, financial backers are not only looking for innovative ideas, but above all for a startup with an innovative idea and specially a solid strategy to monetize it in the long term and thus guarantee them returns on investment in the future. Companies going through the Series A round reach a valuation of up to \$23 million. We are already at a fairly high stage of financing but not yet at the billion-dollar level of unicorn status. Those who provide capital to these high-potential businesses come from large venture capital firms, the best known of which are for example *Sequoia Capital*, *Benchmark Capital* or *Greylock* (Fundz,2020b). What is interesting at this stage is that once an investor has injected capital, it is easier to attract others and so on. Business angels might also be present in Series A but have less impact than in the seed capital round. Unfortunately, the reality is that less than half of seed-funded companies manage to generate funds in Series A (Reiff,2021).

ii) Series B Funding

Now we reach the Series B round, the second round of fundraising through financing coming from venture capital firms and/or private equity backers (Smith, 2020). This stage aims to take companies to the next level after the development phase. The main purpose is to consolidate and increase market share. This type of financing provides more opportunities for a business to grow and thus meet the needs of a growing number of users/customers. Usually, the biggest

costs are then in improving and strengthening different departments of the company such as sales, advertising, technology support and especially in hiring new employees. As a result, companies are increasingly in need of financial funding so the average fundraising in Series B is measured at \$33 million. To sum up, startups arriving at this investment round are already very well developed and built. This is reflected in their valuation which averages \$58 million (Fundz,2020a). Series B funding is therefore very similar to Series A in terms of the stakeholders involved with some investors attracting others. The difference is that a new pool of venture capital firms targeting larger investments join the fundraising (Reiff,2021).

iii) Series C Funding and subsequent rounds (Unicorn level)

At this stage, businesses reaching the Series C funding round have performed very well and have demonstrated that they can succeed in the long term without doubts. They are now looking to raise additional funds to develop new products or services, enter a new market or even acquire other businesses. Series C investors inject a lot of money into young successful ventures in order to receive more than double their initial investment. This type of funding targets the fastest and largest growth possible. To become a unicorn, it would be ideal for a startup to reach this funding round while having an effective scale (Reiff,2021).

Let's take the example of a startup selling vegetarian products and having managed to reach the Series C funding stage. Having attained this level, it has already achieved many good results and convinced a number of investors. Selling very well in the US, its goal is now to attack the European market. However, another competitor has already large market share and therefore a significant competitive advantage. Faced with this threat, the founders and investors of the startup want to acquire the competitor to become a true market leader. It is therefore in this type of acquisition that a Series C fundraising could serve as financial support. As the business becomes less risky, a new pool of investors come to the table (please refer to figure 2 in the section about investment types). Consequently, in this funding round, key players such as investment banks, hedge funds or other private equity firms can then join the venture capitalists already mentioned. This is due to the fact that these new financial backers want to confirm their leading position and thus invest significant amounts in successful startups that have already generated revenues as at this stage (Reiff,2021).

Most of the time, a company will stop raising funds from external investors at the Series C round. However, some startups could still continue to Series D and Series E funding. For others, having raised hundreds of millions of dollars in Series C, these startups are already ready to expand globally and no longer need to seek new capital. Many seize the opportunity of Series C to increase their valuation in preparation for an IPO. Having reached this level, these startups return an average valuation of \$118 million for most of them but some reach much greater valuations and can thus claim to obtain the famous unicorn status (Fundz,2020a).

To sum up, from the Figure 3 below, we can get a clear idea of the average investment amounts raised in the different rounds. Valuation methods are now based more and more on concrete data rather than on expectations of the startup's success. However, as we have seen in the previous section on valuation, some of these businesses are overvalued because the estimation model is still quite complex.

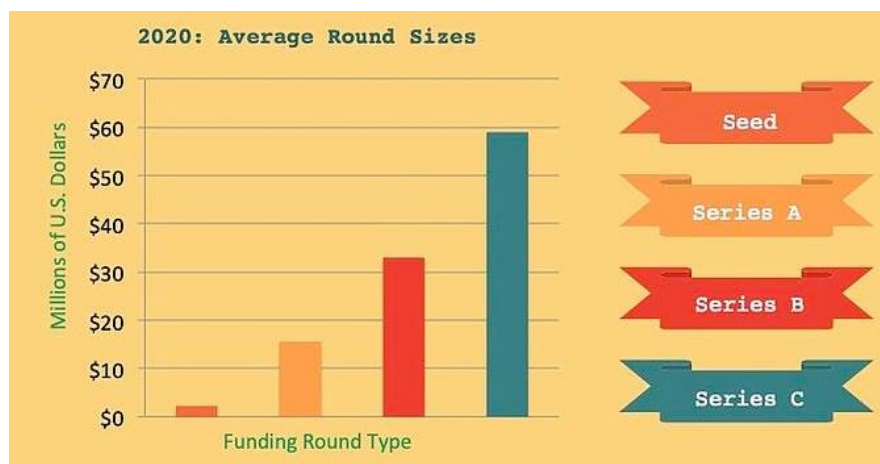


Figure 3 : 2020: Average Round Sizes

Source: Fundz (2020). Series A, B, C Funding: Averages, Investors, Valuations. Retrieved from <https://www.fundz.net/what-is-series-a-funding-series-b-funding-and-more#c> on 06/06/2021.

SECTION 2.4 - SUCCESS AND FAILURE FACTORS

2.4.1 Introduction

Unfortunately, not all entrepreneurial projects manage to raise funds and succeed from start to finish. That is why it seems relevant to know what factors influence the success of a start-up to become ultimately a unicorn. But above all, to understand how to build a high potential company and survive on the long term, it is interesting to analyse what are the elements leading to the failure of these ventures to anticipate and avoid them when they occur.

Today more than 100 million start-ups are created every year, which makes three every second. The problem is that 92% of them will already stop after three years and this remains avoidable. Entrepreneurial failure has unfortunately become the norm and something completely accepted without really questioning the model. Sadly, it is fully integrated in the ecosystem and the impact is not only financial but much more. Indeed, the classic mindset of a venture capital firm, when faced with failure, is to say that despite all those companies that do not succeed, all those that become unicorns will generate huge profits and could therefore compensate for the losses recorded. This remains a very limited vision because the human and mental impact on failed entrepreneurs can be significant. The human aspect is therefore much less considered than the financial aspect when a business breaks down. Many entrepreneurs report having suffered from depression, stress, high anxiety and other mental concerns as a result. Today's social culture mainly shows successful founders by showing in the press those who have raised huge amounts of money for instance because failure sells less, even though it remains very common in many start-up launches (Pride,2018). We will then analyse in this part what are the factors of failure and how it remains preventable for most companies to better understand how a young venture can succeed in the long run.

According to Jamie Pride, a multi-business entrepreneur and investor (which allows him to have both approaches), entrepreneurs are people who do not want to conform to the system. They don't want to work for someone else or for a big company and prefer to make their own contribution to society but many suffer from this and fail to succeed. Starting your own company should be one of the proudest, appealing and exciting projects in the life of a born person and not the other way around (Pride,2018). Paul Graham, the famous author, entrepreneur, investor and creator of a startup accelerator called *Y Combinator*, made the difference in an article between startups that are by default dead and those that are by default

alive. What he means by this is that those that are dead by default are companies that if they continue to operate in the same way by keeping for instance the amount of expenses constant or by no longer increasing revenues and sales, they will not have enough financial resources to survive in the long term. The problem is that most ventures in the early stages of their life cycle are by default dead and ask the question too late to hope to save themselves. Entrepreneurs and project creators are under the illusion that raising funds is enough to keep them going but they are mistaken. Fundraising and reaching the different rounds of financing is not easy, as we saw in the previous section. It requires a well thought-out strategy, a well-constructed business model and, as a company advances in the rounds of investments, investors are expecting even more important results. Moreover, it is important to point out that once a startup has raised a lot of capital it does not mean its future success especially if it is by default dead. On the other side, a business that is alive by default means that it has reached or is close to reaching break-even point and is able to endure with its existing cash. These startups are then in a position to raise funds and think about new ambitions to scale because their business model works well (Graham, 2015).

2.4.2 Success factors

An entrepreneurial success does not come all at once, it requires a lot of efforts and sacrifices such as working hours and hours, not seeing family, friends or relatives, not being sure of your future and taking a lot of professional risks. It is not a long and quiet road, but a road made of obstacles. However, the rewards can be even greater and many start their own business to make an impact, to stop working for someone else, to fulfill a personal need or to control all aspects of a business for example (Feinleib, 2011). The goal here will be therefore to give a list of tips and questions to ask yourself to give the best chance to entrepreneurs to succeed in developing their startup and potentially achieve unicorn status in the long term. It is not a guarantee of success but it will provide the best tools and processes to potentially succeed in its market and eventually grow to avoid maximum failure.

i) Minimum Viable Product (MVP)

First and foremost, the startup must have identified a problem that people are facing and thus offer a solution to that problem. The aim is to develop a product that is easy to use, readily available and that generates the lowest possible costs. An important point is also to identify and know a target market that is large enough to gather a lot of users and thus generate more revenue to grow (Embroker, 2021). Then, which is necessary to ensure success and thus avoid a quick

failure, is to develop, what Eric Ries described in his book and concept *The Lean Startup*, what is called a minimum viable product (MVP) or a first version of the product that represents a very low cost. It is a structured perspective in the development of a startup and a way to confirm the product-market fit. The goal is to test this MVP and to collect a maximum of feedback from potential users. Based on those feedbacks, the young venture will be able to improve its first version by making the necessary corrections and then offer it to consumers again. This forms a cycle and an iteration by testing, correcting, testing and correcting. At the end, thanks to constant innovations, the venture will be able to propose a final version of its product and calculate the real costs associated with it (Ries, 2011).

ii) Business Model Development

The second step to ensure the success of a young venture is the construction of a complete business model. This will confirm that the product or service solves a real problem based on the feedback received and on the first results observed (Embroker,2021). It is often interpreted as a business model canvas which is a tool that is used to transcribe the economic model of a company in a simple way. It is perfectly adapted to the creation phase, and can also be used for the launch of a new product or a new service. A business model provides for key insights on the value proposition, targeted customer segment, the revenue or the cost structure for instance. However, before moving to this stage, the startup must have analyzed its ecosystem, have in mind its mission and vision and have defined a complete business strategy (Carre,2020).

iii) Obtain funding

As we analyzed in the previous section, a startup has several ways to receive investments depending on the life and growth cycle it is in. First, it can bootstrap first by using the financial resources of the founders themselves or from friends and family. Then, in order to develop further, the company can ask for help from external investors via seed capital and the following serial rounds. There are also new financing alternatives such as crowdfunding campaigns that will allow to raise funds from a community of people willing to support the project as we have also seen previously (please refer to sub-section about Seed Capital). Finally, there are the classic methods of funding such as banks, venture capital or credit unions. Nevertheless, it will be more difficult to raise money from them as a young startup that does not yet generate any income and therefore presents a high risk of loss (Embroker,2021).

iv) **Make your startup scale**

A business has several growth strategy options depending on its goals and life stage (bootstrapping, slow scaling, fast scaling and blitzscaling). Founders should first make sure they have reached a product market-fit before thinking about growth. Good examples of growth are expanding into new markets or countries, building a bigger team by hiring new talent or attracting new investors. Automating business processes (sales, marketing or finance aspects) could also be a good way to be more efficient and grow faster (Embroker,2021). The blitzscaling strategy being the most adapted to reach a unicorn startup status because it allows the fastest growth in spite of the uncertainties and the risks that it can generate.

v) **Common features of a Unicorn**

Let's now describe what are the general characteristics of a unicorn that can then serve as success factors for a startup aiming to reach such a status (please refer to Appendix 1). Unicorns often start with a desire to revolutionize, to disrupt the market. Disruption means transforming the already established processes of an industry and bringing a new innovation. Disruptive businesses often offer products that are simpler and less expensive than their higher-end competitors (Hottenstein,2021). Moreover, they are often very attractive to users due to their availability and low price which then allows a young venture to gradually dominate the market with the ambition of becoming the leader. As an example of disruptive services, we have Uber which has disrupted the taxi industry by offering an easy to use service, available anywhere and anytime and at an affordable price. Another illustration is Netflix which revolutionized the video, movie and TV industry by offering an easily accessible streaming service also at a price affordable to all (Embroker,2021).

A second common feature of unicorn startups is their **reliance on new technologies**. They use advanced technologies and software to boost their growth. In particular, the use of software such as CRM (Customer Relationship Management), automated management software or AI (Artificial Intelligence) has become common for companies wishing to increase their efficiency to save time and money (Embroker,2021) .

Unicorns are also predominantly **consumer-oriented**. On average, more than 60% of unicorns have B2C business models, offering products or services available all categories of population at an attractive price . They provide a robust value proposition and a guarantee of how and why their business will deliver value to individuals (Desjardins, 2018).

Finally, unicorn startups are **growth-oriented**. As we saw in the section on growth strategies, they need to scale as fast and as strong as possible. These companies choose therefore an ambitious goal called Massive Transformation Purpose (MTP) for their project like *Google* that wants to “arrange the world information”. An MTP will carry the whole team and motivates them to think outside their comfort zone to be able to achieve it (Ismail et al.,2014).

2.4.3 Failure Factors

What makes so many startups fail? Why is it that 90% of the startups created stop after only 3 years? Many entrepreneurs think that this is due to external factors that have impacted the business but the reality is quite different.

Often, entrepreneurial failure comes from an internal source such as self-destruction and not by an external influence. Indeed, most young businesses are disruptive, especially unicorns. They threaten the competition with their innovation and not the opposite. Ventures that are unsuccessful are not usually challenged by another company but explode on their own. The mistakes often made in pitches to investors are the lack of a well-constructed business model and no real value proposition that stands out and that potential users would pay for. For instance, they have not yet thought about how to monetize their product or service. Many project creators think they have a great idea but do not realize the difficulty and effort involved with it. Before understanding the failure factors it is then necessary to remember the definition of what a startup is. It is defined as a “*temporary organization in search of a business model that is scalable, repeatable and profitable*” (Blank & Dorf,2012) . After a startup has discovered and built a business model that is effective, it converts into a structured company and gives up some of its DNA. This DNA is made up of three factors: founders, funding and business model (please refer to Appendix 2) . The failure of an entrepreneurial project can therefore be linked to these three main causes (Pride, 2018).

In conclusion, creating a startup is a real challenge and reaching unicorn status even more so and there are many elements to take into account to optimize the chances of success. It doesn't come overnight and being an entrepreneur is not a talent that you were born with. By taking a structured view and analyzing what the risk factors for failure are, a business owner increases his or her chances of succeeding, of also raising funds more easily from investors and of finally

standing out from the competition. It is also important not to forget the personal impact that a business failure can have on the founders, not just the financial effect it can create.

CHAPTER 3 – THE EUROPEAN ENTREPRENEURIAL ECOSYSTEM

SECTION 3.1 - DEFINITIONS AND ACTUAL CONTEXT

First of all, let's give a clear explanation of what an entrepreneurial ecosystem means. A first definition describes the concept as the interaction of systemic and framing conditions. In the same sense, just as all living beings are considered in the center of our biological ecosystem, from an entrepreneurial point of view, systemic conditions such as entrepreneurial networks, leadership skills, financial funds, talent, knowledge and support measures are at the heart of the entrepreneurial ecosystem. To continue with this analogy, as far as the biological ecosystem is concerned, a fruitful cycle can be generated between the systemic elements and those which are not material but carry some influence which are considered to be linked together by nutrient cycles and energy flows. Similarly, for the entrepreneurial ecosystem, these energy flows can be represented by successful start-ups with a well-constructed business model that can be scaled globally (Cavallo & al., 2019). Let us now provide a second, more complete and more precise definition of this concept: *“The Entrepreneurial Ecosystem is a set of different individuals who can be potential or existing Entrepreneurs, organizations that support Entrepreneurship that can be businesses, venture capitalist, business angels, and banks, as well as institutions like universities, public sector agencies, and the entrepreneurial processes that occur inside the ecosystem such as the business birth rate, the number of high potential growth firms, the serial entrepreneurs and their Entrepreneurial ambition ”* (Mason & Brown 2014). It is then inferred that an entrepreneurial ecosystem is a set of social, economic, cultural and political factors within a certain area and is improved and developed with the help of different supports that will be useful for growing newly started startups. From these definitions and explanations, we understand that unicorns are part of and define a specific entrepreneurial ecosystem and its different factors mentioned (social, economic, cultural and political) have a considerable impact on the creation of such high-growth and high-value startups.

In the last few years, Europe has seen an exponential increase in the number of its unicorns and the speed at which they are created. Well-known examples include the online marketplace for selling used clothing and accessories *Vinted* from Lithuania, the neo-bank *N26* from Germany and finally the medical consultation booking service *Doctolib* from France. In spite

of this rise in the creation of highly valued businesses, the European continent remains behind other entrepreneurial ecosystems. Although Europe produces 36% of all formally funded startups, it generates only 14% of unicorns globally (please refer to figure 4 below) compared to 50% in the US and 33% in Asia. Moreover, the number of seed-stage ventures in Europe represents only 40% of the total number launched in the United States as proportion of population and GDP (Baroudy,2020).

Europe produces about 36 percent of global start-ups but only about 14 percent of the world's unicorns.

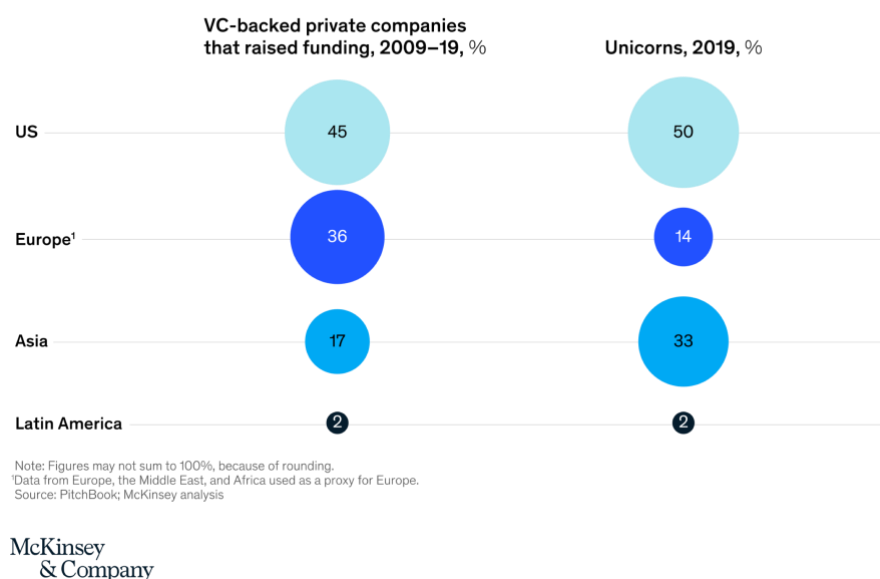


Figure 4 : Europe's start-up ecosystem

Source : Baroudy,K.(2020). Europe's start-up ecosystem: Heating up, but still facing challenges. McKinsey. Retrieved from <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/europes-start-up-ecosystem-heating-up-but-still-facing-challenges> on 10/06/2021.

The European ecosystem has always been less successful than the United States in moving companies from seed status to more advanced stages of funding. To illustrate this, *McKinsey* conducted an analysis between 2009 and 2014 of ventures that received seed capital or business angel funding. It has been found that young European businesses were 30% less likely to progress from seed status to later stages. However, it should be made clear that not advancing to further funding does not mean that companies set up in Europe are straightforward failures. Indeed, looking at the liquidation rates for each round of financing, European startups do not fail more than their American counterparts. Nonetheless, these are therefore more likely to stop after one round of funding and not move on to the next one or fail to get out of it by being acquired or via an IPO. This could have the impact of reducing the attraction of venture

capitalists to invest as they generally look for startups with higher revenues or that are able to do an IPO in order to expect to earn higher financial returns (Baroudy et al., 2020).

Let's now look at the reasons for this European lag in terms of entrepreneurial development and unicorn creation.

SECTION 3.2 - REASONS FOR EUROPEAN DELAY

3.2.1 Markets fragmentation

As Europe is not a single market, this may have negative consequences for the early stages of a startup's growth. Even though the continent has open borders and markets, it is still made up of a multitude of countries with different cultures, languages and governments. For instance, consumer needs and behaviors then vary between nations which may require companies to develop different branding for each. Distribution and marketing processes may also be impacted. The development costs of a European platform are therefore potentially higher than in the United States if we take into account the different payment methods and the different languages to be included. A more complex issue is the set of laws and standards that exist in Europe, which, although fair and clear, are more strict and divided than in the United States, which forms a uniform set. Regulations for setting up a business and all the processes involved vary therefore greatly between European countries. Consequently, the internationalization of European startups is necessary to reach valuations as high as those of American ventures and thus have more opportunities of becoming a unicorn. They will need to develop and grow as quickly as possible. This means that a young European business wishing to attack a target of the same size as the US market would have to develop in 28 countries which are all different from each other in terms of culture and language (please refer to Appendix 3). It was observed that 70% of ventures in Europe needed to have a global online presence to be able to achieve unicorn status, whereas in the US only 50% did. Indeed, most European unicorns have to internationalize not just outside their own country but outside Europe as well to achieve this level, whereas in the US it's less than half (Baroudy et al., 2020).

3.2.2 Major fundraising harder to achieve

Over time, companies in Europe have always found it more difficult to reach more advanced stages of fundraising and therefore to grow more due to a lack of capital supply. This is particularly evident in the Seed D and E funding stages. Therefore, it is quite complicated to compete with the financially favored American startups. The reason for this would be partly due to the risk aversion of European investors. However, the good news is that venture capitalists on the continent have managed to generate more money and bring more support in recent years. American ventures coming from the same sector and with the same results still manage to raise more financial resources and reach higher valuations than their European colleagues though. Another element that could explain this lack of available capital in Europe is the origin of the funds provided to venture capitalist (VC). European VCs generally receive money from governments and corporate investors, whereas in the US the money often comes from pension funds which typically contribute larger amounts. This lack of funds may therefore result in entrepreneurs limiting their risks and not wanting to expand further for fear of not being able to raise sufficient funds. For instance, some European start-ups full of potential and growth might decide to be acquired by a rival instead of trying to grow by their own resources because of fear of risk (Baroudy et al., 2020).

3.2.3 Cultural influence on success

In Europe, businesses are under much more pressure to succeed than those launching in the US, where failure is seen as proof of having tried to launch a project and as a necessary learning lesson. An observation was made that 17% of the German press described entrepreneurship as something positive compared to 39% in the US media (Jacobi, 2018). This European risk-averse culture then leads entrepreneurs to apply more conservative strategies while missing out on growth opportunities. They would then be reduced to building a company that is viable but would not have the ambition to grow to a large scale or unicorn level. An explanatory factor could be this culture of blame for entrepreneurial failures and bankruptcies in some European countries, which leads entrepreneurs to take fewer risks. However, successful start-ups are contradicting this culture now by focusing on maximum growth rather than short-term profits which may inspire others to do the same. Examples include the German platforms *Delivery Hero*, which delivers ready-made meals or *Auto1* the used car platform (Baroudy et al., 2020).

3.2.4 Bringing in talent remains a challenge

On the one hand the cost of human capital related to technology is cheaper in Europe with developers costing on average 50% less compared to those working in San Francisco or New York for instance (Startup Genome, 2019). On the other hand, the continent has problems in bringing in talent. Especially in many European nations, equity and stock options in startups are less attractive to employees. There is also a smaller number of successful, high-growth technology ventures in Europe, which reduces the chances of generating talent and leaders capable of developing companies that can reach unicorn status (Baroudy et al., 2020).

So how does this work in practice? What are the ecosystems that encourage and raise awareness of entrepreneurship in Europe? This is what we will show in the next section by giving a concrete example.

SECTION 3.3 - PRACTICAL EXAMPLE : STOCKHOLM

To illustrate the European entrepreneurial ecosystem, let's take the example of a European city that is considered as super-hub for startups, i.e. area that have a strong presence of entrepreneurs, investors, technology-related talent and other structures or infrastructure for launching new businesses : **Stockholm**. Today Stockholm is considered a factory for creating unicorn startups and among the most competitive cities in the world. The Swedish city has a reputation as a strong area for attracting talent, entrepreneurs and capital. It is also an attractive and innovative city offering a very good quality of life, a dense intellectual capital and a lot of safety. This success is no accident, as it is the result of a deliberate branding strategy driven by a smart urbanization. It is the local and political authorities that have decided on a joint action plan to develop the future Stockholm. It was therefore necessary to create this brand strategy for the city and to bring together under one umbrella all the people who are working on these issues. This is how the *Stockholm Business Region (SBR)* infrastructure was created. The aim of *SBR* is to develop and promote Stockholm as a business and tourism destination, with the ultimate goal of creating growth in the region. In 2006, there was also the foundation of the *Stockholm Business Alliance*, an association between more than 50 municipalities. Its primary mission is to promote the region under a common brand: "Stockholm - The Capital of Scandinavia" to attract foreign investment and talent. Perhaps Stockholm's most important investment was launched in 1995 when the Swedish capital established a company called *Stokab* to build a fibre-optic network. Since then, the firm has been able to provide businesses with an open network, low prices, operational security and high speed, which is one of the main

reasons why so many successful technology companies have been set up in Stockholm in recent years. Sweden is also a technology-driven country. Many innovations have led to the launch of Swedish companies and unicorns that shine on the world stage. These include for example: *Spotify*, which is the number one streaming service today, *Skype* with over 300 million users and which was sold for \$8.5 billion or the *Candy Crush* application and its 500 million players. The Swedish and especially the people of Stockholm, are also very curious about new technologies. They are about to become a cashless society, for instance. Sweden is also a country driven by innovation, with many great names in research and science since the 18th century. Nevertheless, there is also much more to explain the technological achievements of the past decade. The country also receives support from the European Investment Bank, having received for example SEK 15 million in funding for the Swedish investment fund *Luminar Ventures*. In addition to being of great benefit to existing companies, this kind of support and ecosystem provides then an ideal framework for unicorns to flourish (Björner & Zetterberg, 2019) .

SECTION 3.4 - SUMMARY

In summary, the European entrepreneurial ecosystem is developing positively but there are still some aspects to improve. There are actually three specific elements to focus on. Firstly, **the standardization of legislation**. The European continent should make the legal framework clearer for processes related to entrepreneurial activities. The reason is that many companies want to expand outside their national borders to scale as fast as possible. Laws and standards should be re-evaluated in order to attract new talent capable of building and developing high potential businesses. Secondly, Europe should **take advantage of its existing assets**, notably the public sector and its power in B2B sectors, to boost its ecosystem. As a key player, governments should use their influence to encourage entrepreneurship and innovation. B2B activities are indeed well developed in Europe with a strong digitalization on the continent. Moreover, with the Coronavirus, more and more businesses should go digital as well. Finally, Europe should **help provide more funding to startups** to boost its ecosystem even more. This would then help founders to be more ambitious and to become leaders in their market. To do this, governments could support startups by providing more venture capital either through semi-public financing or by encouraging collaboration between companies, universities and the sector (Baroudy et al., 2020).

In the next part and chapter, we will explain the methodology we will adopt to carry out our research and practical analysis in order to derive distinctive criteria to facilitate the development of unicorns especially in Europe.

PART 3 – METHODOLOGY

CHAPTER 4 - RESEARCH APPROACH

SECTION 4.1 – ANALYSIS PLAN

In order to explore and verify what has been found theoretically in the first part, which is the literature review, it will now be a question of observing and analyzing in practice what is the actual situation regarding European unicorn startups and the entrepreneurial ecosystem revolving around them. A global and systematic analysis will be carried out quantitatively through descriptive statistical analysis on Excel on one hand and on the other hand, qualitatively through interviews with unicorn founders, entrepreneurs and experienced executives. The idea is to bring out potentially characteristic features of these unicorns and thus discover what factors in the European ecosystem favor their development, thus answering the main research question of this thesis.

First of all, we will describe the chosen database and provide a current overview of global and European unicorn startups, thus providing general facts and observations from this database.

Secondly, we will focus and perform our analysis on a specific sample which will also be described in detail in the next section and the reasons for its selection. Three aspects of these unicorns will then be analyzed in a relevant and profound way : financial , strategic and organizational.

Finally, we will put our results and observations into perspective by developing a case study of the first and one of the few Belgian tech unicorns : *Collibra*. We will use theoretical research and conduct real interviews with people involved in the creation and evolution of the company.

At the end, the results of our analysis will be discussed to provide a clear and comprehensive summary and make initial conclusions.

SECTION 4.2 - SELECTED DATABASE AND SAMPLE

For this analysis, we will select the 2021 CB Insights database of all the unicorns in the world. At the time of writing, July 2021, there are now more than 700 unicorns worldwide with a total cumulative value of more than \$2 trillion (CB Insights,2021). The aim here will be to analyze the current state of the European ecosystem, which is why we have reduced the list to the 87 European unicorns in existence today. In order to provide a realistic and complete analysis taking into account the time constraints of this thesis, we will reduce the sample to the United Kingdom, Germany and France, which together represent more than 70% of European unicorns (61 in total out of 87) and so are the three largest markets. Finally, we will select the startups that had achieved unicorn status at least two years ago (before 2020) in order to understand the success criteria that enable them to survive in the long term. Taking these criteria into account, we obtain a sample of 33 European unicorns and we will analyze each of them from a financial, strategic and organizational perspective.

PART 4 – ANALYSIS AND DISCUSSION

CHAPTER 5 - GLOBAL OBSERVATIONS AND FACTS ABOUT UNICORNS

Before focusing on this specific selected sample, let's take an overview of the world and European situation. As already mentioned at the very beginning of this thesis, the best known examples of former unicorns are for example *Airbnb*, *Facebook* or *Google*. The three most highly valued unicorns worldwide today are *ByteDance* (the Chinese company specializing in artificial intelligence, which is notably behind *TikTok*) with a value of \$140 billion, *Stripe*, an American fintech valued at \$95 billion, and *SpaceX*, the space company of the famous entrepreneur Elon Musk, which is now valued at \$74 billion (CB Insights, 2021).

A first general analysis of this global database shows that the top 5 countries that have created the most unicorns are the US in first place with 374 unicorns representing more than 50% of the total number (which confirms what was said in the literature review), China in second place with a total of 145 (about 20%), followed by India with 34 unicorns then the European leader, the UK, with 29 and finally Israel with 18 (please refer to Figure 5 below). These initial results confirm therefore what we already found in the literature review.

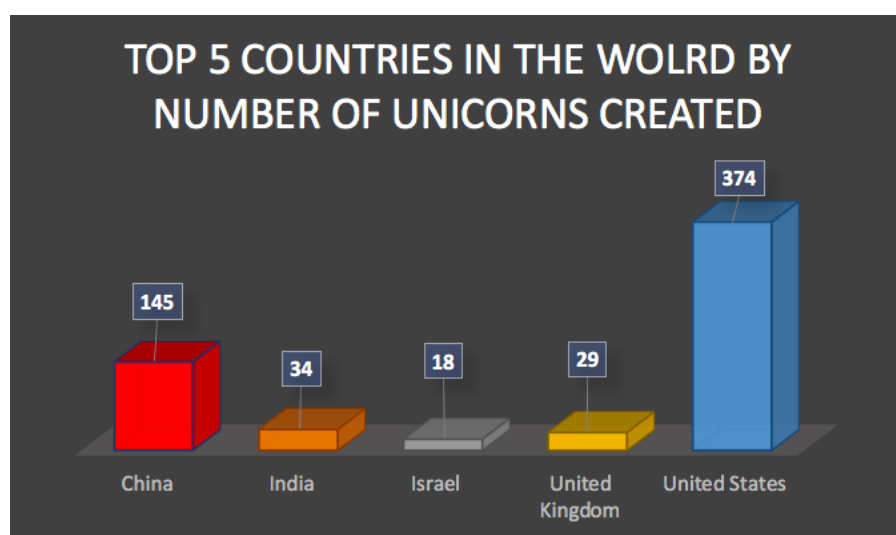


Figure 5 : Top 5 countries in the world by number of unicorns created.
 Source: Extracted by the author from the CB Insights 2021 database

The United States remains therefore the undisputed leader thanks to its large population and its technological power, but this lead is not only due to these two elements. Their strong entrepreneurial spirit and flexible government laws are advantages that make their model difficult to imitate. It was also observed that 10 of the 25 largest entrepreneurial ecosystems come from the US with for example : Los Angeles area with the well-known industrial pole Silicon Valley, New-York, San Francisco, Chicago or Boston. Lately, the country has also been a leader in creating innovative tech solutions in the fight against the Covid-19 pandemic (David & Mitcham, 2020).

The second highest number of unicorns created is in China. This high position of one of the world's largest is not very surprising and is explained in particular by their evolution into an economic superpower in recent years. The country also plans to become the world's largest economy by 2027 by nominal GDP. Their success also comes from a strong transition from an industry-based economy to an environment that favors the creation of innovative technological projects thanks to new government policies. What also helped was the association between industry and academic community, particularly in Zhongguancun, China's silicon valley, a breeding ground for start-ups. According to Sébastien Deletaille, an experienced Belgian entrepreneur interviewed in the context of this thesis, China has nothing to do with the ecosystem or the level of resources, it is exclusively linked to the structure of their market, their protectionism and their ability to create successful companies. It's an incredibly strong economy, and therefore, according to him, China is certainly a country that is threatening to Europe, but it's not threatening because we're missing the boat. It is threatening because they are aligning a whole series of new markets, they are very serious and there is a very great alignment between the centralizing state and the business actors (please refer to Appendix 4 for interview transcript).

This entrepreneurial dominance of these two great countries is not only justified by the fact that they are the world's two greatest powers, but is due above all to years of effort and collaboration on the part of government authorities, major companies, investors, universities and many others involved in the creation of innovations (Yoon,2021). We can therefore highlight once again that unlike Europe, which remains a fragmented market, the US and China are two huge and uniform markets in terms of regulation and language and where competition is seen as a motivating and positive factor, which facilitates the high-growth of all these startups and the

evolution towards a valuation of at least 1 billion dollars also known as unicorn. From this database, it is also observed that globally the categories most represented by these unicorns are in first place the Fintech sector with 127 startups (17.42% of the total number), in second we have Internet software and services with 113 (15.50%) and then E-commerce and direct-to-consumer with 84 unicorns present in this category (11.52%) (please refer to Table 1 in Appendix 4). Other categories that follow closely behind are artificial intelligence, the health industry or supply chain/logistics. From these observed figures, we can easily assume and confirm what was mentioned at the beginning of the literature review by saying that a unicorn is generally a technology platform.

Let's take the case of the most represented sector, Fintech. Its success is due to the fact that it offers something drastically different from what a traditional bank does by managing to transform the traditional distribution channels, which then makes it possible to reach a larger number of people easily and in a short time. Another advantage of fintech is that it can affect all sectors. In terms of payment methods, finance is essentially transactional in nature and the main role of these new platforms is to make transactions easier and faster whether for individual consumers or businesses (PwC,2017). The FinTech industry's ability to disrupt an already well-established traditional banking market and reach a large number of people or businesses globally and quickly makes it an ideal sector to hope to scale massively and become a unicorn startup as a result.

Now that we have looked at the global statistics, let's focus on the European ecosystem. As mentioned before, there are now more than 87 unicorns in Europe and this number is growing day by day despite the fact that the US and China remain the undisputed leaders. Among them, it is observed that 29 unicorns come from the United Kingdom, which is the European leader (if we consider the country as economic member of the European Union without taking Brexit into account) accounting for 33.33% of all European unicorns, Germany is in second place with a total number of 17 startups (19.54%) and finally France with 15 unicorns (17.24%). If we add these three countries together, they account for 70% of the total number of European unicorns, which is why we will concentrate our analysis on these three countries in the following section. Those are followed by countries such as Switzerland (5), Sweden (4) (which we used as an example in the theoretical section above, a real start-up factory) and the Netherlands with 4 unicorns (please refer to Table 2 in Appendix 4). Concerning the most represented sectors, we can observe almost similar statistics to those worldwide with FinTech being the most common category with 26 unicorns (29.89%). The others are classified in E-commerce and direct-to-

consumer with a number of 8 (9.20%) or the healthcare and internet software sectors with 7 unicorns each (8.05%) (please refer to Table 3 in Appendix 4).

In terms of valuation, according to our database, *Klarna*, a Swedish FinTech, is the most valuable unicorn in Europe today with a value of \$46 billion. The e-commerce payments solution has gone through impressive fundraising rounds, raising for instance over \$650 million in September 2020 via a private equity round, doubling its valuation from \$5.5 billion to \$10.6 billion at this time and just recently raised a further \$639 million in June 2021 from SoftBank Vision Fund, a major Japanese technology investment fund (Crunchbase,2021b). This investor appeal and valuation comes from the fact that *Klarna* is one of the most disruptive and promising fintech companies transforming the e-commerce experience for millions of consumers and retailers around the world. The added value of the Swedish unicorn is its "buy now, pay later" business model, which allows consumers to have interest-free financing for their purchases in the form of several installments. This means that *Klarna* first pays the seller once a client has purchased something from the platform who will be able to pay in instalments afterwards. The company has 12 million users in the world with 55,000 downloads daily. It should also be noted that the growing platform has benefited from the Covid-19 pandemic. As a result of this crisis, consumer needs have changed and commerce is now increasingly conducted online. This is one of the reasons for the emergence of numerous online platforms and services capable of adapting quickly to such crises and addressing a large mass of the population easily. As a result, *Klarna* has experienced impressive growth and obtained 35,000 new merchants and 200,000 new merchant partners in 2020, including giants like *Sephora*, *Ralph Lauren* or *Groupon*. To give figures of this hyper growth, a typical characteristic of a unicorn, the Swedish startup saw its volume and revenue grow by 44% in the first part of 2020 and a 36% growth in its year over year which corresponds to \$22 billion and \$466 million dollars respectively. However, this significant growth in volume and revenue did not transform into net profits. Indeed, during 2020, the platform invested heavily to expand internationally and to keep funds available in case of credit losses as a result of the pandemic (De Léon,2020). This is also an observation of the growth strategy adopted by unicorns which means growing as much as possible (often by expanding internationally) despite making profits in the shorter term.

According to the CB Insights database, *Checkout.com*, the FinTech from the UK (competitor to *Klarna*) is the second most valuable unicorn in Europe with a valuation of \$15 billion and in third place are Global Switch, a hardware startup also from the UK, and Celonis, the German unicorn operating in the data management and analytics category with a valuation of \$11 billion each. However, this is not observed in the database but it is worth noting that at the time of writing in July 2021, UK digital bank *Revolut* (also a competitor to *Klarna*) has seen its valuation increase sixfold to a value of \$33 billion after an impressive \$800 million fundraising from SoftBank and Tiger Global . The neo-bank is now the most valuable private technology startup in the UK and the second in Europe. This strong fundraising and value increase illustrates the growing attraction of investors to high-growth technology startups, which could raise concerns about possible speculation or overpricing in the technology market as discussed in the literature review. Indeed, investors have put in as much money in the first semester of 2021 as they have given out of all of 2020 (Megaw,2021).

Now that we have provided a general overview of the state of unicorn startups globally and in Europe, we can focus on the selected sample which is composed of the three countries representing the majority of European unicorns: the UK, Germany and France.

CHAPTER 6 – TOP THREE EUROPEAN MARKETS

As reiterated above, the aim of this section will be to focus on the three European leaders in terms of the number of unicorns created and thus understand what factors in Europe could favor the creation of startups valued at over \$1 billion. The analysis will be done by first providing a brief description of each ecosystem and then, based on the selected data sample, describing the distinctive criteria of the respective unicorns on three aspects: financial, strategic and organizational.

SECTION 6.1 - THE UNITED KINGDOM

6.1.2 The Ecosystem

Let's start with the country with the highest number of unicorns created (with a number of 29 out of 87 in total on the European continent): the United Kingdom. The UK is now a worldwide leader in supporting startups by having many development structures and offering all possible

support in the right environment. One of the main assets of the nation is the quality of its workforce. One of the reasons for their dominance on the European continent is that the country has a technology sector that is growing 2.6 times faster than the nation's economy. Startups in this category receive millions of pounds of investment from venture capital every year. This shows that the tech industry has not been really impacted by the COVID-19 crisis, but rather the opposite. From our analysis of the database, focusing on UK unicorns that achieved unicorn status more than 2 years ago, we can see that of the 17 companies selected, 8 are again mainly from the Fintech sector (corresponding to 47.05%), 3 are from Artificial Intelligence (17.64%) and 2 are in the health category (11.76%). The country offers a number of favorable circumstances for young companies by having a technology-oriented system that can easily adapt to transformations. Many technology and innovation businesses are therefore attracted to the UK due to the fact that a lot of cities have specialized in establishing technology hubs in all sectors which are further supported by the government. This has led to many international companies establishing their headquarters in the country (Tremglobal,2021).

For instance, London is one of the most entrepreneurial areas for the creation of successful start-ups worldwide. In 2019, the British city ranked second with New York and behind the undisputed leader Silicon Valley. Other ecosystems such as Beijing and Boston rank 4th and 5th respectively (Startup Genome, 2020). Among the keys to the UK capital's success are the availability of capital and investment and the emerging talent pool. Indeed, London has a large talent base, particularly in the tech sector known for its easy access and high quality. It is therefore one of the best cities globally to grow a venture into a dominant international business thanks to its many connections to other entrepreneurial ecosystems around the world and the influx of knowledge in the city (London & Partners, 2020). Another of the country's largest cities, Manchester, has also become a true tech entrepreneurial ecosystem thanks in particular to the help of the British government with a series of investments and public/private partnerships with the support in research of giants such as Google or Facebook. It is also a nation where it seems easier to start a business because the professional environment does not generally have a dominant bureaucratic aspect and companies benefit from additional tax advantages with a corporate tax rate of only 19% (Pfeilstetter,2017).

To sum up, the numerous structures helping the creation of startups supported by the government, the technological and innovative nature of the market offering plenty of chances to develop a project and finally the presence of international investors makes the United Kingdom an ideal country for the development of unicorns (Tremglobal, 2021).

6.1.3 Financial Aspects

Let us now turn to the financial side of UK unicorn startups by first providing a brief description of the financial landscape. London currently has the most investment in technology projects after the Silicon Valley. For example, tech startups from United Kingdom raised nearly £11 billion in venture capital funding in 2020 alone. To achieve such figures and to receive so much investment, partnerships have been set up in particular with UK consulates in some 50 countries to raise awareness and encourage investment in the country (Tremglobal,2021). London is an ecosystem with mainly easy access and a certain quality of investment. This availability of capital is a crucial asset to grow a startup and reach unicorn status later on. As an illustration, the average investment in the seed stage is \$650K in the city compared to \$494K globally. The very large metropolis is still attracting the attention of many foreign investors and almost half of its Foreign Direct Investment (FDI) between 2015 and 2019 was in IT and software services. This proves London's power as a technology hub and a real creator of high-potential businesses. For instance, over the past 30 years, the UK capital has created 38 unicorns, dominating any other city in Europe (London & Partners,2020).

What emerges from our analysis of the selected sample of the 17 UK unicorn ventures (combined with data from Crunchbase) is that firstly it takes almost 9 years on average (8.71 to be precise) for these companies to reach unicorn status since their founding date (please refer to Table 4 in Appendix 4). This is in line with our definition of a unicorn as a startup reaching a valuation of at least \$1 billion before 10 years. In terms of the total amount of investment raised since the creation of unicorns to present day, the calculated average is \$1028.937 million, or approximately \$1 billion which is significant and could illustrate the fact that a very rapid growth strategy, such as the one chosen by unicorns, requires definitely a substantial amount of capital. The average valuation is then \$5.88 billion and all those startups analyzed have been financed either by private equity investment or by venture capital, most of which have gone at least to Series C rounds (please refer to Table 5 in Appendix 4). It should be noted that this data is regularly updated for the simple reason that many of these companies will potentially receive further funding and thus increase their valuation over time. The top three unicorns that stand out in the most valuable startup rankings of the UK are fintech and hardware platforms *Revolut*, *Checkout.com* and *GlobalSwitch* with valuations of \$33bn, \$15bn and \$11bn respectively.

We also traced and analyzed the country of origin of investors in UK unicorns to identify trends in the sources of investment in European unicorns. Our results show that 53% of these unicorns (total number of 9 out of 17 companies) received financial support from UK investment firms, 41% received resources from US investors and 24% received Japanese financial funds (please refer to Table 6 in Appendix 4). For the rest, we have mainly China and Singapore (which supported 12% of these unicorns) and other European and non-European countries. We can therefore observe that the United Kingdom does indeed offer a certain availability and potentially easy access to capital. As for the US and Japan, this seems logical because these are two countries with the largest venture capital firms in the world (notably the US firm Tiger Global Management or the Japanese SoftBank Group) which can then inject hundreds of millions of dollars into high potential businesses. It is also noticeable that the higher the financing rounds and the more funds are raised, the more investors come from outside Europe, including these large economic powers.

6.1.3 Strategic and Organizational Aspects

Let's now analyze the strategic and organizational aspects of these UK unicorns behind these multi-hundred million raises and multi-billion valuations to highlight some distinctive elements. Like any company that wants to grow rapidly on a large scale, its ambition is to expand into more markets and reach as many people as possible while satisfying investors or stakeholders. After analyzing each of the UK startups in the sample, more than 12 of the companies are targeting these investments for international expansion particularly in larger markets such as the US or Asian countries. These territories are indeed economically powerful, have large populations and offer favorable conditions for technology companies (the sector of choice for unicorns). In order to scale as much as possible in a short period of time, it is essential to reach a maximum number of people or customers and this is why geographical development seems to be a logical and effective strategy. Another strategic reason behind these large fundraisings for four of these UK unicorns is to make an IPO or go public. By definition, an Initial Public Offering (or IPO) is a way for a private company to raise capital by offering shares to the public. The more a startup wants to grow, the more capital it will need and that is why an IPO also seems to be an efficient solution because the shares will then be sold publicly for more than the initial investors put in. However, this is not a strategy chosen by all small businesses as some prefer to remain private in order to retain ownership control, have less exposure and fewer disclosure obligations (Wertz, 2020). A final strategic use of these million dollar amounts is, as many young companies do, to focus on internal business development. This is illustrated

by injecting capital into technology evolution (R&D), launching new products quickly, acquiring other competing companies to support market dominance or improving the company's financial statements to achieve profitability. For example, we observe that 8 of these 17 highly valued ventures (almost half of them) want to focus the investments they receive on internal business development. We also see that 41% of these UK unicorns (i.e. 7 out of 17) have chosen to acquire other organizations to scale for an average of 3 companies acquired.

On an organizational aspect now, according to our analysis, the average number of investors backing a UK unicorn is 12. Indeed, this number seems high but realistic given the amount of capital needed to scale to a maximum and reach unicorn status. Of course, it is possible that some receive sufficient funding from only a few investors. Most of these high-potential ventures usually have a board consisting of the founders and very experienced industry experts or entrepreneurs. The UK digital bank *Revolut*, for instance, has the former international CEO of Goldman Sachs, Michael Sherwood, as a board member and who can serve as a true advisor and guide in their strategic and organizational decisions (Faridi,2021). Nevertheless, there is a risk for the founders to lose control of their business because of the loss of ownership shares with each arrival of a new investor, who will provide financial support in exchange for a percentage of equity and a return on investment in the long term. There could also be pressure on results and targets to be achieved. It therefore depends on the founders' desired vision for the control of their company. As an example, *Revolut* is backed by almost 42 investors while the financial services company *BGL Group* is supported only by one main financial backer (please refer to Table 7 in Appendix 4).

Regarding the number of employees working in these British unicorns, let's first recall the example we cited in the literature review in the section on the Blitzscaling growth strategy. A former unicorn that has become a tech giant today, *Google*, for example, has gone from 284 to 16,805 employees in just 6 years (Sullivan, 2016) . Such an illustration refers to the overdeveloped growth strategy of unicorns. Putting this into practice and analyzing our sample of English startups now, it is found that the average number of employees in an English unicorn is 1635 (please refer to Table 8 in Appendix 4) . This amount seems very large but reflects the fact that to grow very fast, a startup needs human resources and a pool of talent to reach the next goals and be even better.

However, by recruiting so many people to keep up with growth, isn't there a risk of losing the real company culture that was established at the start?

To retake the example of *Revolut*, many limits have been met and exceeded as a result of their hyper growth. Indeed, former employees spoke of work without pay, unfeasible goals or a huge employee turnover. In particular, there were cases where the startup asked candidates interested in working for them to find dozens of new clients in order to “test” them for the recruitment process. For these candidates, this demonstrated the company's mindset of achieving all its goals no matter what the cost. In particular, many cases of burnout, bullying or wrongful dismissals have been reported as a result. A *Revolut* representative even mentioned that their culture was growing as fast as their organization. What is shocking is that, on average, a person working in a startup stays between 18 months and 4 years while in this digital bank, more than half of the former employees stayed less than 6 months and over 80% less than one year (Mellino, 2019). On the organizational side of British unicorns, it would therefore be interesting to study the impact of overgrowth on the corporate culture and working environment.

SECTION 6.2 – GERMANY

6.2.1 The Ecosystem

Let's look at the second largest entrepreneurial ecosystem in Europe after the UK: Germany. In this section, we will then analyze German unicorns on financial, strategic and organizational aspects as we have just done with the UK and that obtained the status at least 2 years ago, which comes to a total of 9 unicorns.

Firstly, let's talk about the German ecosystem and what factors make it a favorable environment for the creation of unicorns. The country is a leader in the development of innovative and high potential companies and it represents one of the most entrepreneurial nations in Europe, standing out for encouraging and raising awareness of innovation and research across the continent (Ardoxso, 2020). One of the primary reasons for a startup to launch in Germany is the country's position at the center of Europe. The continent is made up of 28 countries so being located there allows therefore easier access to a market of over 500 million people. The nation alone also represents a market of 83 million people and a gross domestic product of \$4 trillion making it the largest European economy. It is simply a powerful entrepreneurial ecosystem providing a range of financial support and advice from private and public structures (German

Startup,2021). According to *Startupblink*, and its ranking of startup ecosystems, Germany is in 5th position out of 125 states (behind countries like the US, China or the UK) and taking into account the Brexit, the Germans will be at the top of the startup ecosystems in Europe (David & Mitcham, 2020).

The business environment is very organized and offers good start-up facilities, good installation structures and many possibilities for financial support thanks to its stable local economy. Germany has a number of venture capital firms such as *Earlybird* which is an international venture capital firm and one of the most experienced in Europe with facilities in Berlin and Munich. The VC is present in Seed, Series A and Series B funding rounds and invests mainly in European tech startups such as one of the biggest German unicorns *N26*. *RocketInternet*, being based in Berlin, is also one of the largest VCs in Germany and has shares in a number of high potential startups. The country also has many experienced business angels and entrepreneurs who can help young ventures get off the ground, such as Christian Vollmann who is known for investing in the early stages of a startup and is an advisor to the German Ministry of Economics on startup policies. The nation provides a number of financial aids through the Berlin Investment Bank which provides venture capital financing, loans and grants. There is also the Federal Ministry of Labor and Social Affairs which has launched a micro-credit platform for young ventures. Finally, there are accelerators and incubators such as *Grant4apps*, which promotes innovation in the medical sector, and the Berlin Startup Academy, which provides support for startups through its network of experienced investors and entrepreneurs. Concerning Berlin, the country's first city and 8th in the world in the ranking of business ecosystems, the most profitable ventures in Germany are located there. This is proven in practice, as an analysis of our sample of nine German unicorns shows that four of them or 44% are based in Berlin (please refer to Table 9 in Appendix 4). Other interesting cities with successful startups are Munich, Hamburg, Frankfurt or Leipzig. Berlin mainly attracts entrepreneurs from the technological and creative sectors especially greentech and proptech (which means property tech or technology related to real estate) businesses (Ardoxso,2020). As far as German unicorns are concerned, according to our observation results, the most represented sector is again Fintech with 33.33% of these startups, followed by the travel category with 22.22% and then other sectors such as data management, transport or health (please refer to Figure 6 below).

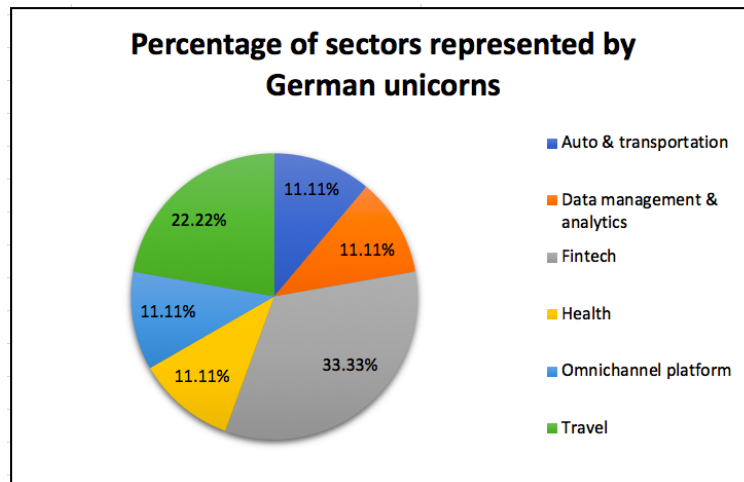


Figure 6 : *Percentage of sectors represented by German unicorns*

Source: Extracted by the author as per data from 2021 CB Insights Database

It is also interesting to note the very international side of the country, with more than ten percent of its entrepreneurs coming from abroad and one fifth of its employees. This is even more striking in the German capital, with 34% of its workers coming from outside the nation. Berlin's ambition is to reach the level of big start-up centers like the Silicon Valley, New York or Tel Aviv and it seems realistic. The more the city welcomes a pool of tech talent into its ranks, the more dynamic and growing their entrepreneurial ecosystem will be (Ardoxso,2020). Finally, another positive and favorable point of Germany for the creation of successful startups such as unicorns is the fact that it is one of the most innovative countries in the world according to Bloomberg, especially in terms of manufacturing, high-tech and patenting. Other benefits of the nation include a stable political situation, well qualified workers and a culture of quality that is well known to Germans (German Startup,2021).

6.2.2 Financial Aspects

Let us now analyze the financial aspect of German unicorns in order to potentially identify distinctive criteria and thus see if we can already find commonalities with UK unicorns. Before doing so, let us give a brief description of the German financial environment.

In the year 2020, startups from Germany received an impressive €6.4 billion in venture capital investments (that's about \$7.5 billion) accounting for an increase of almost 20% compared to the previous year even though there is a reduction in the number of transactions. This growth is explained by the fact that there has been a rise in late stage capital, corresponding to about 2/3 of all VC funding in the country in the past year. However, as most venture capital firms in

Germany invest in the early stages of a startup, many did not attend. The evidence is that the biggest fundraisers in the nation were not supported by local investors. According to a partner at *Picus Capital*, a German-based venture capital firm, this is because the entrepreneurial ecosystem is still quite young there compared to markets such as the United States, which is why many of the local financial backers remain focused on the early stages of startup development and the big investments come from outside the country (Hodgson,2021). This presence of foreign investors during large fundraising rounds is confirmed by analyzing our results for German unicorns.

According to the CB Insights database and by tracing the country of origin of the investors, we observe that 100% of the German unicorns selected here (i.e. 9) are financially backed by a US investment firm, 44% by a German VC and 22% by UK investors. For the rest, they come from Asian countries such as China and Singapore, from Canada and from European countries such as Denmark and Switzerland. We can then conclude that the funds needed for the growth of a German unicorn startup come mainly from outside Germany and Europe, here from the USA. On the positive side, like the UK, there is still a significant presence of local backers and investors as almost half of these unicorns are backed by German investment firms (please refer to Table 10 in Appendix 4) . As far as the average number of years to reach unicorn status from the date of launch in Germany is concerned, it is equivalent to 16 years because one of the German unicorns, *Otto Bock Healthcare*, a high-tech prosthesis company, existing since 1919, took 98 years to reach the famous status (making it the oldest unicorn in Europe) . This is due to the fact that the founder had a vision of stable and slow growth. It is therefore a counter-example to the classic unicorn definition of a business that grows very fast and reaches coveted status in less than 10 years. However, removing this company from the calculation shows that the other 8 startups took on average 6 years to become a unicorn (please refer to Table 11 in Appendix 4). If we now look at the average number of total financial funds raised by these high potential ventures it is measured at 798 million dollars for an average of 6 rounds of investment. As with the UK, it can be said that substantial funds and a number of rounds of financing are constantly required in Germany to support a hyper-growth strategy, characteristic of unicorns, and thus remain the leader in its market. The average financial valuation of a German unicorn is equivalent to \$3.33 billion and the top 3 most valued are *Celonis* with a value of \$11 billion, *Otto Bock Healthcare* and *N26* with a similar value of \$4 billion (please refer to Table 12 in Appendix 4).

6.2.3 Strategic and Organizational Aspects

So what about the strategic and organizational aspects of these German unicorns?

First of all, on the strategic side, as we mentioned for the UK ecosystem, unicorn startups have the ambition to dominate their market at all costs and to grow by reaching the maximum number of people possible. We observed that the majority of the use of fundraising was for international expansion into other markets, a potential IPO or internal development on technology and innovation.

If we take the example of Germany, we observe that once again the majority of the country's unicorns aim to use their investment and millions of dollars in fundraising to expand internationally into other markets, 67% of these startups to be exact. The goal is always to be able to reach as many people as possible quickly in order to be the leader in their sector and scale even more. In practice, the unicorn *Wefox* is using their \$650 million in new financial funds to expand across the European continent first and then target the US and Asia next year (Busvine,2021). Expanding to as many international markets as possible therefore seems to be the primary ambition for growth then. Another strategy used by these German unicorns is to use the large amount of capital available for internal company development, by investing in innovation and technology. This is the case for 33% of them. For example, concerning the unicorn *Otto Bock Healthcare*, their wish in raising millions of dollars is to innovate first in research and partner with health tech startups and universities (Knowles,2019). Another example of an internal development strategy is the German data analytics business also unicorn *Celonis*, which aims to use the new financial resources to develop their marketing and sales and to grow their platform in general (Ohr,2019). Another ambition of 33% of these ventures is to expand their product offerings. This is the case of *FlixBus* wishing to expand its means of transport (Burtin,2021) or the German unicorn *GetYourGuide*, which aims to develop its number of travel experiences (Shead,2019). Finally, other growth strategies targeted by 22% of these unicorns are to acquire other organizations to increase their domination or to aim for a potential IPO, as in the case of those in the UK (please refer to Table 13 in Appendix 4).

As for the organizational aspect, let's focus again on analyzing the composition of the board and the shareholding of these unicorns by looking at the average number of investors per startup. The average per German unicorn is 17 with *Wefox* reaching the maximum number of 38 investors and *NuCom Group* only 1. This is therefore higher than the UK unicorns, which

had an average number of 12 investors. The link can be made with the number of funding rounds these unicorns have had to go through and the diversity of support they want to have. The composition of the board is again usually made up of highly experienced and recognized sector executives and/or entrepreneurs who usually provide key advice to help build a real strategy and grow the business. Germany's most valuable unicorn *Celonis* has a board consisting of Ryan Smith, founder and CEO of *Qualtrics* and Tooey Courtemanche, CEO of the management software business *Procure*. Smith acts as an advisor and collaborating with another *Celonis* board representative and founder of the German tech company *Hybris*, Carsten Thoma (Ohr,2019). As we have seen in the literature review and as the UK example, to scale quickly and widely, a unicorn needs human resources and a pool of talent. This is why we typically see hundreds of people being hired every year in such high potential ventures. Putting this into practice and using Crunchbase data, we observe in the sample of these selected German unicorns that there are on average 1967 employees in each one. The maximum is *Otto Bock Healthcare* with approximately 8,000 employees due to the fact that the company has been in existence for almost 100 years and the minimum is *Deposit Solutions* with 221 workers (please refer to Table 14 in Appendix 4).

As we have seen with the example of the UK unicorn *Revolut*, hiring so many people constantly could create the risk of pressure on the results of each employee and distort the true corporate culture intended by the founders at the launch of the startup.

SECTION 6.3 – FRANCE

6.3.1 The Ecosystem

Let us now turn to the third largest market in terms of unicorn creation, France. For our analysis, we focus on startups that obtained the famous status at least 2 years ago. Of the 15 French unicorns in existence today, our sample, again taken from the CB Insights database, is therefore reduced to 7 companies (which also means that the amount has doubled in just 2 years).

The French entrepreneurial ecosystem is very dynamic and was composed of more than 10,000 startups in 2019 and could rise to 13,000 by 2022 of which almost 1/3 are located in the Ile-de-France department. This is directly confirmed with our database as the 7 selected unicorns all have their headquarters (HQ) in Paris. France is therefore a truly attractive nation because of its tech ecosystem that creates both jobs and growth, which they also call the “French Tech”. It

is a real environment that encourages innovation and attracts more and more entrepreneurs. As Sebastien Lebbe, founder of the Belgian education platform Wooclap and who has many French clients, says in one of our interviews for this thesis: *"You can feel that there is a lot of noise and marketing about the startup world in Paris and you can see that it works. It's this dynamic that makes young people want to create a company."* (please refer to Appendix 4 for interview transcript). In particular, it has been observed that 15.7% of the French population aged between 18 and 64 has the ambition to create a company in the next three years. This is 30% more than the European average or the United States (with 11.9% and 11.7% respectively). The country is therefore a true Startup Nation that they proudly assume. It is also one of the territories in Europe that has the largest number of incubators and accelerators to best support young companies with high potential, they would have no less than 270 support structures. France has also more than 11,000 business angels, including 5,000 active ones who invest an average of €16,000 including the well-known Xavier Niel founder of the telecommunications company *Free*. Between 2001 and 2019, they have invested nearly €550 million and today there are currently more than 3,500 French companies supported by a business angel (Chaltiel,2019). The promising startup and marketplace solutions provider *Mirakl* is today the French unicorn (status obtained in 2020 and therefore not part of our analysis) having received the largest amount of investment in 2020 with 255 million euros raised. The development of tech startups is undergoing impressive growth as three new French unicorns were born in 2020 and five already in 2021, bringing the total to 15 and even more every day since. All this positive entrepreneurial development and the ever-increasing number of startups is due in particular to the policy of French President Emmanuel Macron, who announced in 2019 that he wanted to release an amount of €5 billion in end-stage financing in order to reach a minimum of 25 Unicorns by 2025. This ambition therefore seems quite achievable and on track. In 2020, the Secretary of State for Digital Transition and Electronic Communications, Cédric O, showed his optimism about the number of 25 French unicorns and also the creation of decacorns (valued at more than 10 billion dollars) thanks in particular to the increase in the number and size of fund-raising (Chaltiel,2021).

6.3.2 Financial Aspects

Let's now take a closer look at the distinctive financial criteria of French unicorns, always putting this in perspective with our findings for those from the UK and Germany. Despite the health crisis and economic and financial uncertainty, 2020 was a record year for venture capital activity. A considerable €5.4 billion was raised by French ventures, representing 3% more than

in 2019. However, there were fewer rounds of funding as investors sought to focus their investment on more established startups rather than those in the seed stage. At the European level, there was almost €37.9 billion raised (Moulinier & Richard, 2021).

As we did with the other two countries, let's now focus on our data sample, starting with the number of years it took these seven French startups to reach a valuation of \$1 billion and thus reach unicorn status. According to our results, the average number is 9 years, which corresponds well to the description of a unicorn, with a maximum at *OVHcloud*, which took 17 years to become a unicorn, and a minimum at *Meero*, which took only 3 years from its creation date (please refer to Table 15 in Appendix 4). This meteoric growth of this photo and video agency working with artificial intelligence is due in particular to the fact that the startup raised funds very quickly, having received 1 year after its creation in 2016 nearly 4.1 million euros from *Kima Ventures* (Xavier Niel's investment fund) and from Bernard Arnault, the boss of *LVMH*. In 2018, the startup had already raised more than €45 million. Their added value comes from the fact that they delivers photos and videos around the world in a matter of hours, after editing them with AI for immediate use afterwards (Samama,2019). The average total amount of funding raised by these French unicorns is \$451 million which is lower than Germany and almost half the total amount raised by those in the United Kingdom. Despite this, according to the *EY* venture capital barometer, French Tech has become one of the leading ecosystems in the European Union in terms of fundraising in 2020, even surpassing Germany for the first time but still behind the UK (Fournier,2021).

The average number of funding rounds is 6 and the average valuation of a French unicorn is \$1 billion with a maximum value of over \$2 billion for the car-sharing platform *BlaBlaCar* (please refer to Table 16 in Appendix 4). Finally, as we have analyzed for the UK and Germany, we have traced the origin of investors in French unicorns using CB Insights data. Our results show that once again the 7 startups selected here are 100% backed by at least one US investor and 57% by a French investor. This seems logical given that the United States is one of the countries with the largest investment funds but France is still doing well and proving its support to its high potential startups. For the rest, we find financial supporters from countries like Saudi Arabia, the United Arab Emirates, Sweden, the UK and Belgium (please refer to Table 17 in Appendix 4).

6.3.3 Strategic and Organizational Aspects

Let's now look at the strategic and organizational criteria of French unicorns and put this into perspective with the results found for the UK and Germany to see if there are any similarities. In terms of the growth strategy chosen and the use of fundraising, we find the same objectives as in the UK and Germany: internal development (R&D), international expansion, diversification or launch of new products, recruiting new talent or aiming for a potential IPO. In our sample, we found that 71% have a strategy of using new capital for internal company development. For example, *Meero* had the strategic ambition to use the funds raised to further develop its services dedicated to the photography community. This will be done through new *Mymeero* tools in marketing, accounting or CRM, helping these photographers to improve the management of their activities (Chicheportiche, 2019). The second most common strategy for 57% of these French unicorns (4 out of a total of 7) is to expand internationally, which is again an objective pursued as in the other two countries, as it is an effective way to grow even more and reach as many people as possible. For example, *BlaBlacar*, the transport platform, wants to double its bus network by 2022 by tackling new markets such as India, Brazil and Mexico (Make a move, 2021). Other strategic objectives for 22% of these highly valued startups is to use the new financial funds to diversify its offer and propose new products or to hire new people each year (please refer to Table 18 in Appendix 4) .

On the organizational side, let's look again at the average number of investors backing French unicorns. From our analysis and according to data from Crunchbase, it appears that the average amount is 12 with a maximum of 21 for the *Ynsect* venture and 2 for *Veepee*. It will depend on the company's management objective regarding ownership shares and the number of financing rounds it goes through. Regarding the composition of the board, it is also generally composed of executives or experienced entrepreneurs whose role is to make the unicorn scale and to have an ambition to dominate the whole world. In practice, we have the French music streaming pioneer and unicorn *Deezer* that is managed by Hans-Holger Albrecht the brother of European Commission President Ursula von der Leyen. Although he failed to bring the company to an IPO in 2015 due to poor market conditions and investor complexity, he did manage to take the startup to unicorn status (de Laubier, 2020). The background and personality of the founders can also have a real impact on the success and growth strategy of a young business. In particular, Stanislas Niox-Chateau, a former tennis champion who is obsessed with performance, founded one of the few French start-ups valued at more than 1 billion euros : the medical consultation booking platform *Doctolib*. From the very beginning of his company's launch, he had set

himself very ambitious objectives in his business plan, with detailed figures, which he has since achieved with total determination. What is also astonishing is that the young 33-year-old boss, despite his thousand employees, continues to cultivate a direct link with practitioners. One day a week, he resumes his role as a salesman to go prospecting in France or Germany (Lecluse,2020). Finally, the average number of employees observed is 1783, which is very similar to the amount found in the part about Germany with 1967 workers and the UK with 1635 on average. This shows therefore that it is necessary to hire hundreds of people in a few years to support the growth of a unicorn startup (please refer to Figure 7 below).

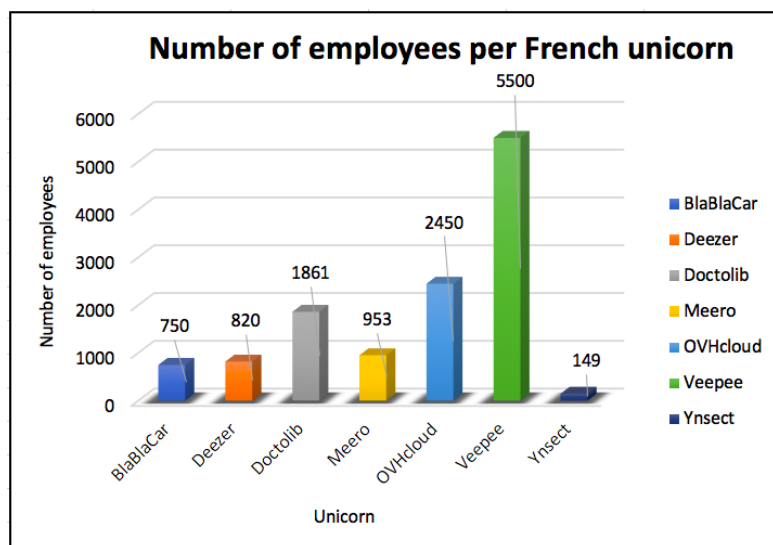


Figure 7 : *Number of employees per French unicorn .*

Source: Results extracted by the author from Crunchbase data (2021).

CHAPTER 7 - CASE STUDY : *COLLIBRA*

To put all this analysis of the three largest European markets in terms of unicorn creation into practice and before discussing the results, it seems relevant to put it into perspective with Belgium by making a case study on the first and one of the few Belgian unicorns : *Collibra*. The analysis will be supported by interviews conducted for the purpose of this thesis with representatives of the Belgian unicorn (please refer to Appendix 5 for interview transcripts).

SECTION 7.1 - COMPANY PRESENTATION AND HISTORY

First and foremost, *Collibra* is a company specializing in data intelligence and was founded in 2008 as a spin-off from the Vrije Universiteit Brussel (VUB), the Flemish university based in Brussels, where the four founders were researchers (Biseul,2019). According to the current chairman of the board of *Collibra*, Tony Mary, interviewed in the context of this case study, the idea was originally born in 2006 when these four young master and doctoral students were working on the subject of data which did not yet have the attraction and impact of today. They just thought that they could and should create a project around it. The four founders just said without pretension and with confidence: "We will conquer the world". It is probably this ambition that has led to the growth they have experienced and the unicorn status. After the financial crisis of 2008 and the application of data protection laws such as the General Data Protection Regulation (GDPR) during the year 2016 or in 2018 with the California Consumer Privacy Act (CCPA), supervisory bodies began to put pressure on large companies and governments which were forced to refine their data processing controls in order to avoid a new crisis (Applegate et al.,2019). This is how *Collibra* came about and took advantage of this opportunity to support its positioning. However, in the early years after their creation, according to one of the founders interviewed, they took a few years to find their product market fit and came to the market too early as they were literally one of the first ventures in the data governance sector. They even threw away the product they developed twice. To be successful, you have to listen to your customers and the market and sometimes it takes time to meet their exact needs. They rejected it twice because it was not what the market wanted. This brings us back to the chapter 2 of the literature review on the success criteria of a startup and a unicorn. It is important to develop a first model of your product or service, also called MVP, and to collect feedback from users as soon as possible in order to make improvements directly.

Currently the venture is mainly based in Brussels, Belgium, where the engineering teams work on the company's main product, but also has offices in Poland for its R&D (Applegate et al.,2019). However, in 2019, as one of *Collibra's* co-founder and former CSO (Chief Science Officer) interviewed, Pieter de Leenher, explains, he and the other three founders quickly realized that they needed to move their headquarters to New York. The reason is that if they wanted their business to succeed and grow, they had to move their operations quickly there simply because their software would sell better in a big market like the US where all the big companies, banks and investment funds are present. According to him, the United States is also a single, uniform and huge market, unlike Europe where regulation is different in each country and it is more difficult to scale rapidly and widely (please refer to Appendix 5 for interview transcripts). During the same year of 2019, *Collibra* was valued at over \$1 billion through a \$100 million fundraising. This was the first time a Belgian tech startup has achieved the famous unicorn status (S.F,2019). In the next sections, we will therefore study in more detail what led to their success, both through a precise definition of their product and, as we have also done in the analysis of the three biggest European markets, describe their financial, strategic and organizational aspects as well as the success factors that led to their unicorn status.

SECTION 7.2 - THE PRODUCT

The company offers a wide range of software to manage, develop and analyze data more efficiently. Today they are present in all sectors and their clients are mainly big banks or multinationals. According to the CEO and co-founder, Felix Van de Maele, data has become a key issue for companies. In recent years almost all businesses have become aware of the importance of their data (S.F,2019). *Collibra* originally specialized in data governance, with the primary aim of bringing data into compliance with regulations. In addition to the international regulations applicable to all companies, already mentioned in the previous section (such as the GDPR or IFRS), banks and insurance companies are also targeted (Biseul, 2019). According to the startup's chairman of the board, they are now the market leader in data governance and data management. Being a global market leader is by the way a criterion for being a unicorn. But what exactly is data governance?

According to Datashift, data governance is defined as a set of standards used by companies to ensure the quality and integrity of their data. Data governance is no longer an alternative for businesses that must constantly base their decisions on their data. This includes people, all sets of actions and technologies related to business data management. *Collibra* becomes therefore

one of the best tools on the market for this purpose and comes as a package that can be customized to the needs of their client, especially to fit their specific culture and business conditions (Huybrechts, 2020).

Since then, the Belgian unicorn has moved on to another challenge: the valorization of data. They have expanded their offer with features that make it easier to use data and analyze it, notably through AI. Then more and more customers were accessing databases hosted in public or private clouds. In 2019, *Collibra* decided to make the transition from a company that sells business management software to a software-as-a-service (SaaS) model. This has resulted in half of their customers moving to the SaaS model next (Applegate et al., 2019). According to the CEO, this SaaS business model is efficient because it generates recurring revenues and all stakeholders share common interests. Their customers can unsubscribe whenever they want, so they need to be constantly convinced that the software allows them to be more efficient in order to retain them. With this extended proposal, *Collibra* is now a leader in data processing software. Of course, the great potential of this market attracts large and well-known companies like IBM or SAP but according to the startup representatives interviewed, they clearly stand out from the competition and offer a unique product. Their biggest rival for them is not doing nothing and there are still many companies that do not use specialized data software like what they provide (S.F, 2019). If you look at their website, the main product is the *Collibra* Data Intelligence Cloud. The potential benefits for the customer are increased revenue (via customer acquisition or product innovation for example), operational efficiency (supply chain optimization), improved risk management (data privacy) and data modernization. Now they insist more on being an expert in data intelligence which covers a range of areas in data rather than just data governance as they started out (Collibra, 2021).

SECTION 7.3 – INVESTMENT TIMELINE AND STRATEGIC CHOICES

In this section we now turn to the types of investments that *Collibra* has gone through, describing the timeline of funding received in detail and explaining how their strategic choices have evolved over time as a result.

First of all, from the beginning, according to one of the co-founders interviewed, they told themselves that they and the other three were not going to pay themselves to invest as much as possible in the development of their company and innovation. They had no children to feed or mortgage to pay so it was a good time to invest in their project and it showed the confidence

they had in their idea (please refer to Appendix 5 for interview transcripts) . Nonetheless, to scale their business, they necessarily needed financial resources. As *Collibra* is a spin-off of the VUB, the support and guidance from the beginning was brought by the university. This is how the investment fund of the VUB, the BI³ fund (for Brussels Imagination, Innovation and Incubation) supported with €800,000 convertible loan to help launch the company. The university has been a real help to them because its research laboratory, *STARLab* , often works on international projects which has allowed the tech company to collaborate with companies from many different sectors. As the founders all started out in research and taking into account these funds from academic sources, they invested primarily in R&D during the first years of activity. According to De Leenheer, many young companies do not invest enough in research or innovation because they do not have enough experience. Their ability to write reports, obtain patents and public funding has enabled them to raise over \$1.5 million in public investment (Applegate et al.,2019). We will see later that this complementarity and knowledge background of the founding team has been a real success factor in their growth and evolution to unicorn status.

A few years and several development phases later, in 2012, *Collibra* was on the 4th version of their software and close to bankruptcy. That's why they managed to receive €1 million from *Newion* Investments in a Series A round because of their desire to become a true data governance platform which allowed them to survive. During 2013, the venture started to really scale and reach hyper growth. They even managed to confirm their first contract worth \$1 million with a large US financial services client. Over the next two following years, the number of employees grew from 30 to 100. The Belgian startup also launched a real online community during this period, calling *Collibra's* users "Data Citizens", allowing them to post and answer questions about the different products, a real forum basically (Applegate et al.,2019).

Arriving in 2015, so only 7 years after the launching, they managed to raise a much higher amount worth \$23 million at Index Ventures with the help of Dawn Capital matching their Series B funding round. To justify this investment, one of the Index Ventures partners described *Collibra* as a new market category and the size of the problem to be solved was large enough for a solution that did not yet exist (Collibra,2015). This is even confirmed by one of the co-founders interviewed who said that a unicorn must be the leader in its market and define it. The strategic use of this new funding was the decision for the team to move their headquarters to New York, United States. As mentioned in the presentation in the section about the company presentation, the aim was to expand their client base and attract large companies.

It was after this stage of their funding timeline that they shifted their business model to the SaaS licensing model guaranteeing them a larger revenue stream. However, this transition was not all positive for the company, which was generating less revenue in the short term in advance to ensure long-term viability. Such a transition in the sales model therefore takes time. As a result, this led *Collibra* to raise new funds in the Series C round only one year after the Series B funding. The company has continued to scale by strengthening and expanding its management team by hiring new experienced executives (such as a CMO, CFO or CPO) who have previously worked in large, high-growth companies. To support this growth, in 2017 they therefore entered the Series C round by raising nearly \$50 million from a pool of investors managed mainly by *ICONIQ Capital*, an investment fund and wealth manager for Silicon Valley figures such as Mark Zuckerberg (S.F,2019). The investment was made as a result of the investors' confidence in the new licensing model and the successful transition of *Collibra's* strategy (Martin, 2017).

In early 2018, things got even more serious as the Belgian data specialist raised nearly \$58 million from mainly *ICONIQ Capital* and *Battery Ventures* again in the Series D round (Applegate et al.,2019). Only a year later, in 2019, the company finally raised more than \$100 million in the Series E round, bringing their valuation above \$1 billion and assuming their coveted unicorn status. The financing was managed mainly by *Capital G*, the investment fund subsidiary of Google (S.F,2019). Finally, in 2020, still aiming to maintain its market leadership, they reached the Series F round and received more than \$112 million in funding from *Durable Capital Partners*, *ICONIQ Capital* and *Index Ventures* for instance. This leads to a total of around 346 million dollars raised for the *Collibra* in only ten years (Crunchbase, 2021a). Another financial distinguishing feature is year-on-year revenue growth. The CEO mentioned in 2019 that they wanted to reach a turnover of 100 million euros this year and two or three years later double that (Biseul,2019). This was confirmed by Tony Mary, the chairman of the board, in our interview when he said that they were able to reach a revenue of about 120 million euros in 2020 and that they should reach a revenue of 200 million by the end of 2021 (please refer to Appendix 5 for interview transcripts) . Doubling its turnover, measured in hundreds of millions of euros, in just two years seems to characterize the growth that a unicorn venture experiences.

In summary, when analyzing this investment timeline, *Collibra* is a perfect example of a unicorn surpassing the 1 billion valuation in 10 years of creation. Starting with public research funds, the venture tech company managed to gain the trust of large investors by first moving

their HQ to the US, evolving their management team but most importantly developing several versions of their product and changing their revenue strategy by choosing the SaaS model. This has allowed them to grow again and again and to have a sustainable business model.

SECTION 7.4 – ORGANIZATIONAL DESCRIPTION

In this section we will look at the organizational aspects of *Collibra*, analyzing in particular how the personalities of the four founders have played a role in the company's success.

We will go into more depth on the success criteria that led the startup to reach unicorn status but having interviewed the chairman of the board and one of the co-founders for this case study, both mentioned that a crucial success criterion in their growth was the founding team. What convinced Tony Mary to join the board was the fact that the team was really complementary in terms of their research, their dynamism and above all their ambition. They didn't hesitate to say that they would conquer and dominate the world. The co-founder also adds that they were really looking for opportunities and did not take into account whether they had the resources to do it or not. They just went for it and had the necessary confidence and ambition to do it. According to the chairman of the board still, they didn't really have any conflict either on the choice of positions, whether to be CEO or CTO, everything was done very naturally and automatically. They have experienced so much growth in recent years that as a result they have had to change and adapt their business model 4 or 5 times. From an organizational point of view, up to 20 employees is one type of business, up to 50 employees another, and up to 100 another and then you need a more experienced management team. It is always a question of adaptation and adjustment. The profile of executives needed to run a \$200 million company operating in four continents is different from the type of executives needed to run a \$10 million company operating in two continents. This is why today *Collibra's* 8-person board includes the CEO, highly experienced and qualified executives and investors to manage the almost 750 employees they employ. They are even aiming for 1,000 people by the end of the year. This number of employees and growth in terms of recruitment is necessary to follow the growth of a unicorn. Their main objective today is still to get more and more market share without necessarily aiming for profitability. Their sales department is therefore composed of approximately 300 people. With such strong growth, it is also important for them to review strictly how they operate at least every 2 years and if you don't, you die, you'll never become a unicorn. It came down to the fact that three of the co-founders left the company at an operational level, not because they

were no good but because they were no longer suited to the very rapid development (please refer to Appendix 5 for interview transcripts).

SECTION 7.5 - HOW DID THEY BECOME A UNICORN? : SUCCESS FACTORS

According to the chairman of *Collibra* interviewed, it is an ongoing story. With this kind of business, the goal is not to make a profit and the plan is that despite their strong growth they will not make a profit for another 5 years. The goal is to dominate and gain market share. Becoming a unicorn is not an ambition, it is the result of strong growth. You don't decide if you are a unicorn, the market decides it once the valuation exceeds 1 billion dollars and that's it. The founders' goal was actually to be a world leader and this ambition was one of the crucial factor in their success because they never hesitated to say from the beginning, "We want to be the global leader in this industry and we want to play the world". The purpose is to acquire the market and that is why investors believed in them. Without a certain amount of ambition it's very complicated to become a unicorn. The founders' background in data research and the board composition filled with experienced people from the sector also played a role in the success they experienced. A company's team should always focus on quality, hard work spirit, drive, understanding of other members, having a certain discipline and focus on execution. These are the ingredients for them to become a unicorn. According to one of the co-founder, they had a truly visionary idea even if they arrived too early. They knew they could and should do something with their idea. The financial crisis of 2008 was also a key point as they took advantage of the stricter data protection regulations to become a real pioneer and leader in data governance (please refer to Appendix 5 for interview transcripts).

Above all, another aspect that has allowed them to grow and gain the confidence of investors is of course having a product that works and that people like. The fact that they have changed their product and business model several times to adapt to customer needs and have an effective business model has led them to success. The shift to a SaaS model that generates more recurring revenues was decisive and gave them credibility with larger and larger financial backers to become a unicorn.

CHAPTER 8 – DISCUSSION

Now that we have conducted a complete analysis of our sample data gathering unicorns from the three largest European markets which are the UK, Germany and France, let's discuss and make a general summary of the observed results. These results will be put into perspective with the case study on *Collibra* that we have just seen and completed with interviews of entrepreneurs and startup experts.

First of all, why are these three countries home to the most unicorns in Europe? The reasons are that they are ecosystems that favor and encourage the creation of start-ups by having a large number of support structures. Support can be provided from the very beginning of a company's launch by the government which sets up unicorn creation policies as the French President Macron does in France via business angels, accelerators or incubators. Three of the world's most entrepreneurial cities and technology hubs are present such as London, Berlin and Paris. They are also environments that encourage the creation of technological projects, innovation and research, which is favorable to the creation of higher growth ventures and therefore unicorns. As Sébastien Lebbe, entrepreneur and founder of the *Wooclap* platform interviewed for this thesis, says, there is for instance a real entrepreneurial dynamic in Paris and in France in general, with many initiatives launched such as the French Tech, the support of business angels such as Xavier Niel and more and more investment funds that are developing . Two factors that also stand out in these three markets are the high availability of capital and talent with the necessary skills to help develop high potential businesses. This is confirmed by Baudouin de Troostembergh in one of our interviews, who is the creator of a Belgian startup studio, saying that our strengths in Europe are that we have a lot of tech and operational talent, we have very good universities with very qualified people coming out of there. The European cultural mix can also be a strength to play on to help a startup expand internationally (please refer to Appendix 5 for interview transcripts).

Other European countries wishing to develop their number of unicorns must therefore first create a real ecosystem bringing together a number of support structures helping at financial, strategic and organizational level. The sector most represented by unicorns in these three European markets is, as we have seen globally, FinTech. The reason is that this sector is completely disrupting the traditional model of big banks by transforming the traditional distribution channels by focusing on easy-to-use online accessibility. It is therefore easier for a startup to grow quickly and greatly in this sector because FinTech allows to reach a very large

number of people in a very short time and everyone needs to make transactions, whether they are individuals or businesses, in the easiest and fastest way possible. This benefit of accessibility to a very large number of people is also applicable to other sectors in which we find the most unicorns, such as internet software, data management or e-commerce.

Furthermore, let's focus on the distinctive financial aspects of these three European markets and its respective unicorns. What we have observed is that the average total amount of funds raised is in the hundreds of millions of dollars, a capital needed to follow the strategy of overgrowth of these companies. It shows the growing interest of investors in high growth tech startups. As we have seen, they have invested as much money in the first half of 2021 as they did in the whole of 2020 (Megaw,2021). According to Sebastien Deletaille, a successful Belgian tech serial entrepreneur interviewed, there is too much cash in the market today and there are not enough opportunities to deploy investments. So there is competition today from investors to deploy their money. It's therefore a good time to be an entrepreneur today because, according to him, it's the investors that are chasing the entrepreneurs and not the other way around (please refer to Appendix 5 for interview transcripts) . In the United Kingdom, the European leader, we observe that startups manage to raise the most money thanks to the greater presence of British investment funds. For the other two countries, more and more local venture capital firms are being developed. However, for the majority of European unicorns, when it comes to raising several tens or hundreds of millions of dollars and thus reaching the billion-dollar valuation, we have observed that the very large amounts of capital raised come from the US , where there are the largest investment funds. This was also proven in practice with the case study on *Collibra* when they decided to move their HQ to the United States because their product would sell better there and most of the big investors are there. Regarding the number of years to reach unicorn status, it was found that in the three European markets the average is under 10 years. This length of time confirms again our theoretical definition of a unicorn.

On a strategic level, what we have observed from European unicorns is that they all have the goal of becoming the leader in their market and reaching as many people as possible no matter what the cost and sacrifice is. *Collibra* has become a global leader in the data governance and data management market and according to its chairman, it is necessary to be a pioneer and leader in your market to be a unicorn. Of all the ventures analyzed from the UK, Germany and France, and also through the case study, we observed that the strategic objectives for growth and use of fundraising are similar. These are: international expansion, internal business development (R&D), diversification or new product launches, acquiring other companies or

targeting a potential IPO. These are all ways to scale as much as possible, to reach as many people as possible and to get as much market share as possible. The result of these growth strategies can therefore lead to a unicorn status.

Finally, from an organizational point of view, what has been observed in these unicorns is first of all the composition of the board. This is generally made up of the founders, the investors but also experienced independents in the sector who are there to advise and help the company to grow to a maximum and achieve its ambitions by bringing their experience and their network. The personality and background of the founders may also explain why some startups manage to become unicorns. We observed this in the case study on *Collibra* and its four founders who are very ambitious and share common interests or the founder of the French unicorn, *Doctolib*, who is a former professional tennis player and always focus on performance. The average total number of investors in Europe is also generally high, exceeding ten. Why ? Because unicorn ventures need more and more financial resources as they grow and the more they develop, the more they attract larger and foreign investors. At the last, we finally observed that the average number of employees found in the unicorns of these three large European markets generally exceeds 1500 people. This proves that to grow at unicorn speed, it is necessary for a startup to hire tens and hundreds of talents every year to hope to reach their goals and dominate the market even more.

PART 5 – CONCLUSIONS

CHAPTER 9 - LIMITS OF THE RESEARCH

Before making a general conclusion of this thesis, it seems important to note the limitations of the research carried out and how it could have been improved.

The first limitation of this research is the length limit imposed on this master thesis and the deadline for submission, preventing further development of the literature review and analysis conducted. For instance, it would also have been interesting to provide more relevant information on the American or Chinese ecosystems, which are the two biggest producers of unicorns worldwide and to carry out additional statistical analyses and interviews as a result.

Secondly, another constraint concerns the data sample selected. The number of startups and therefore unicorns is evolving more and more every day, so it was necessary to make a stop in time to select the number of unicorns to analyze. However, this results in not having the most recent data and therefore the most relevant and complete analysis possible. Another limitation of this database is the number of companies selected. As we decided to reduce our sample to 33 unicorns in order to focus on the three largest European markets and those that obtained status at least 2 years ago, our statistical analysis is therefore reduced and less significant because there are fewer observations to exploit.

A final limitation of our analysis could be related to the interviews conducted and the time limit imposed by the people interviewed. It reduced the scope of our questions and thus the amount of useful insights to be used in our research. Some of them also did not dare to answer all the questions asked because of the risk of revealing confidential or compromising information.

CHAPTER 10 - CONCLUSION AND RECOMMENDATIONS

We have now arrived at the general conclusion of this research thesis on the subject: "Why and how are some startups able to achieve the status of Unicorn? What factors in the European Entrepreneurial ecosystem facilitate the rise of this type of company?". In order to provide a complete and relevant conclusion, it seems logical to now provide an answer to these two questions in a clear and summarized way thanks to all the research carried out.

First of all, to answer the "Why" a startup becomes a unicorn, we can now assume that a startup does not have the specific goal of becoming a unicorn. As a representative of a unicorn interviewed for this thesis said, being a unicorn is the result of a broad and rapid growth strategy and of extreme ambition brought by the founders from the beginning of the company's launch. You don't decide to be a unicorn, the market does once the startup reaches a valuation of over \$1 billion. However, attaining this status is a synonym of success and could give more credibility to potential future investors. It is also worth remembering that the term unicorn refers to the rarity and miraculous nature of these mythical animals. The success of businesses in an ultra-competitive tech market is rare and the very rapid growth in important proportions is somewhat miraculous.

Regarding the "How" to become a unicorn, there are of course many answers to this question and there is no magic bullet. It is the result of many success factors that favor the evolution of a startup towards unicorn status but do not guarantee it either. A first criterion for business success and growth, as many of our interviewees confirm, is the choice of product and market. The technology sector seems to be therefore the preferred choice for a young venture to become a unicorn. The reasons are that firstly the technology has fixed costs and the marginal cost is almost zero. The cost structure of a tech platform is then extremely favorable to growth. The second element is that technology responds to socio-demographic trends such as for instance the need in the financial sector to transform the traditional banking model, to automate the management of a business through software or to digitalize a number of sectors in response to the COVID crisis for example. Starting a tech venture also allows you to reach a large number of people very quickly and thus grow to significant proportions and potentially have more chances of becoming a unicorn. Factors such as founders, funding and board composition are things that can amplify market choice but will not guarantee growth. In summary, developing a product in a growing market and having the right resources to scale the company, whether at the human level by hiring the necessary talent or at the financial level by raising large amounts of capital to become the market leader, are all elements that will facilitate the evolution towards unicorn status.

With regard to the factors that boost the development of unicorns in Europe, it would be first relevant to recall why the continent is behind the United States and China in terms of successful startups creation. European markets are fragmented with different cultures, languages and currencies, which makes it difficult for ventures to expand internationally. It is also more complex to raise larger amounts of money because the biggest investment funds are in the US

and the regulatory framework is stricter and more complicated in Europe. The European culture about success in some countries is also completely different due to the higher risk aversion and the fear of failure which is socially sanctioned more severely than in the US where entrepreneurial failure is seen as positive and a proof of having tried to launch a project. The strengths we have in Europe are , for example, the presence of real entrepreneurial ecosystems and technology hubs like London, Berlin and Paris. Thanks to the presence of support structures like accelerators, incubators, recognized business angels, investment funds and state and government support, these environments make it easier to create high-growth startups and potentially unicorns.

To conclude all this research and the answer to our problem, it is important to remember that unicorn status is ultimately only an indicator of valuation and the result of significant growth (thus similar to a successful start-up if we equate growth with success). It's essential for founders to have the ambition to dominate an entire market with their company and constantly growing without necessarily making a profit. To provide recommendations, Europe should therefore standardize its legal framework to facilitate the international development and growth of its startups but also to facilitate fundraising. The European continent should also leverage on its existing strengths and assets, especially in the public and B2B sectors, to expand its power. Europe has many good universities and talents so a strengthened and improved collaboration between the academic and entrepreneurial world could increase the commitment to research and the creation of innovative projects. It would therefore be interesting to study in greater depth the question of the role and impact of the academic world in the creation of start-ups and the entrepreneurial ecosystem. A unicorn is not only a high-growth startup but above all a company that can change and facilitate the lives of a huge number of people and improve society in a global and positive way. The ultimate goal is to invent or revolutionize a sector by creating a solution to a problem that affects everyone and thus have a global impact.

Let's end with this quote from Brian Chesky, co-founder of the former unicorn and housing rental service Airbnb : *“ If we tried to think of a good idea, we wouldn't have been able to think of a good idea. You just have to find the solution for a problem in your own life.”* (Curtin,2018).

PART 6 - BIBLIOGRAPHY

Applegate, Lynda M., Jeffrey F. Rayport, and Julia Kelley. (2019). Collibra. *Harvard Business School*, Case 820-013.

Ardoxso. (2020). *All to Know about the Startup Ecosystem in Germany*. Retrieved from <https://ardoxso.com/startup-ecosystem-in-germany/> on 17/07/2021.

Baroudy, K., Janmark, J., Strålin, T., Satyavarapu, A. & Ziemke, Z. (2020). *Europe's start-up ecosystem: Heating up, but still facing challenges*. McKinsey. Retrieved from <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/europes-start-up-ecosystem-heating-up-but-still-facing-challenges> on 10/06/2021.

Biseul, X. (2019). *Collibra, la nouvelle licorne européenne du data management*. Journal Du Net. Retrieved from <https://www.journaldunet.com/magazine/static/1418511-qui-sommes-nous/> on 31/07/2021.

Beci. (2020). *Family – Friends – fools : c'est quoi?*. Chambre de Commerce de Bruxelles. Retrieved from <https://www.beci.be/solutions/se-financer/financement-participatif/fff-family-friends-fools/> on 04/06/2021.

Belleflamme, P., Lambert, T. & Schwienbacher, A. (2014). Crowdfunding : Tapping the Right Crowd. *Journal of Business Venturing*, 5, pp 585-609.

Björner, E. & Zetterberg, O. (2019). Stockholm la ville qui fabriquait des licornes. *Banque européenne d'investissement*, pp 5-17.

Blank, S. & Dorf, B. (2012). *The Startup Owner's Manual: The Step-By-Step Guide for Building a Great Company*. K & S Ranch.

Block, J., & Sandner, P. (2009). What is the effect of the financial crisis on venture capital financing? Empirical evidence from US Internet start-ups. *Venture Capital*, 11(4), pp 295-309.

Burtin, Z. (2021). *FlixBus relance sa croissance avec sa nouvelle levée de fonds*. Infonet. Retrieved from <https://infonet.fr/actualite/flixbus-relance-sa-croissance-avec-sa-nouvelle-leeve-de-fonds/> on 21/07/2021.

Busvine, D. (2021). *German 'insurtech' Wefox raises \$650 mln at valuation of \$3 bln*. Reuters. Retrieved from <https://www.reuters.com/technology/german-insurtech-wefox-raises-650-mln-valuation-3-bln-2021-06-01/> on 18/07/2021.

Carre, N. (2020). *Le Business Model Canvas : concrétiser le business model de l'entreprise*. CCI Business Builder.

Retrieved from <https://business-builder.cci.fr/guide-creation/le-business-model/agir-definir-votre-business-model> on 09/06/2021.

Carreyrou, J. (2018). *Bad blood: Secrets and lies in a Silicon Valley startup*. Knopf.

CB Insights.(2021). *The Complete List Of Unicorn Companies*.

Retrieved from <https://www.cbinsights.com/research-unicorn-companies> on 14/06/2021.

CFI. (2021). *What is Seed Financing?*. Corporate Finance Institute.

Retrieved from <https://corporatefinanceinstitute.com/resources/knowledge/trading-investing/seed-financing/> on 05/06/2021.

Chabal,A.(2017). *Start-Up : Les Licornes Font Des Bulles*. Forbes.

Retrieved from <https://www.forbes.fr/entrepreneurs/start-up-licornes-animal-imaginaire/?cn-reloaded=1> on 31/05/2021.

Chaltiel,A. (2021). *L'écosystème entrepreneurial français en 2020*. Medium. Retrieved from <https://adrienchl.medium.com/écosystème-entrepreneurial-français-en-2020-698bc6a3c726> 21/07/2021.

Chaltiel,A. (2019). *Point d'étape sur l'écosystème Startups français en 2019*. Medium.

Retrieved from <https://adrienchl.medium.com/point-d'étape-sur-l'écosystème-startups-français-en-2019-4c0defa4180> on 21/07/2021.

Charlot,C. (2021). *Odoo n'est pas une licorne: c'est une double licorne!*. Trends-Tendances. Retrieved from <https://trends.levif.be/economie/entreprises/odoo-n-est-pas-une-licorne-c-est-une-double-licorne/article-normal-1452619.html> on 02/08/2021.

Chen, J. (2020). *Series A Financing*.

Investopedia. Retrieved from <https://www.investopedia.com/terms/s/seriesa.asp> on 05/06/2021.

Chicheportiche, O. (2019). *LEVÉE DE FONDS RECORD POUR MEERO QUI DEVIENT UNE LICORNE*. BFM Business. Retrieved from https://www.bfmtv.com/economie/entreprises/services/levee-de-fonds-record-pour-meero-qui-devient-une-licorne_AV-201906190213.html on 21/07/2021.

Chicheportiche,O.(2020). *Mirakl devient la 10^e licorne française, quelles sont les 9 autres ?*. BFM Business. Retrieved from https://www.bfmtv.com/economie/mirakl-devient-la-10e-licorne-francaise-queelles-sont-les-9-autres_AN-202009220272.html on 14/06/2021.

Collibra.(2021). *Data Intelligence Cloud explained*.

Retrieved from <https://www.collibra.com/collibra-data-intelligence-cloud> on 01/08/2021.

Collibra. (2015). *Collibra Raises \$23M in Series B Funding; Previews New Product That Applies Artificial Intelligence To Big Data Governance*.

Retrieved from <https://www.collibra.com/newsroom/collibra-raises-23m-in-series-b-funding-previews-new-product-that-applies-artificial-intelligence-to-big-data-governance> on 01/08/2021.

Constine, J. (2016). *Unsexy Flexport scores \$65 million as software eats shipping*.

Tech Crunch. Retrieved from

<https://techcrunch-com.proxy.bib.ucl.ac.be:2443/2016/09/26/freight-forwarding/> on 26/01/2021.

Crunchbase.(2021a). *Collibra*.

Retrieved from https://www.crunchbase.com/organization/collibra/company_financials on 01/08/2021.

Crunchbase.(2021b). *Klarna*. Retrieved from

<https://www.crunchbase.com/organization/klarna> on 13/07/2021.

Curtin,M.(2018). *21 Quotes That Will Ignite Your Spark as an Entrepreneur*. Inc. Retrieved from

<https://www.inc.com/melanie-curtin/21-quotes-about-entrepreneurship-thatll-make-you-think-and-some-thatll-make-you-laugh.html> on 09/08/2021.

Cussen,M.(2021). *What is Square,Inc.?*. Investopedia .

Retrieved from <https://www.investopedia.com/articles/tech/021017/square.asp> on 31/05/2021.

David,E.& Mitcham,J.(2020). *Top Startup Ecosystems in 2020: Ranking 1,000 Cities and 100 Countries*.

StartupBlink . Retrieved from <https://about.crunchbase.com/blog/top-startup-ecosystems-in-2020-ranking-1000-cities-and-100-countries/> on 17/07/2021.

De Laubier, C. (2020). *Cinq ans après avoir renoncé à la Bourse, Deezer devient une licorne, toujours en lien avec Orange, mais pas que*.

Edition Multimedia. Retrieved from <https://www.editionmultimedia.fr/2020/07/20/cinq-ans-apres-avoir-renonce-a-la-bourse-deezer-devient-une-licorne-toujours-en-lien-avec-orange-mais-pas-que/> on 21/07/2021.

De Leon, R.(2020). *Klarna becomes Europe's biggest fintech unicorn at over \$10 billion valuation after mega-round*. CNBC. Retrieved from

<https://www.cnn.com/2020/09/14/klarna-now-europes-biggest-fintech-unicorn-at-over-10-billion-value.html> on 13/07/2021.

Delventhal, S. (2019). *Behind WeWork's Changing Valuation and Canceled Stock IPO*.

Investopedia. Retrieved from <https://www.investopedia.com/articles/investing/092215/behind-weworks-10-billion-valuation.asp> on 03/06/2021.

Delventhal,S.(2019). *How Slack Makes Money*.

Investopedia. Retrieved from <https://www.investopedia.com/articles/investing/012616/how-does-slack-work-and-make-money.asp> on 03/06/2021.

De Prijcker, S., et al. (2019). Relocation to get venture

capital: a resource dependence perspective. *ENTREPRENEURSHIP THEORY AND PRACTICE*. 43(4), pp 697-724.

Desjardins, J. (2018). *Here are some of the traits of \$1 billion unicorn startups*. Business Insider. Retrieved from

<https://www.businessinsider.com/here-are-some-of-the-traits-of-1-billion-unicorn-startups-2018-2?r=US&IR=T> on 09/06/2021.

Dewey, S. (2016). *Home Chef cooks up \$10M series A*. Built in Chicago. Retrieved from

<https://www-builtinchicago-org.proxy.bib.ucl.ac.be:2443/2016/05/02/home-chef-10m-series> on 26/01/2021.

Digimedia. (2019). *Collibra, première licorne belge*.

Retrieved from <https://digimedia.be/content.php?rubric=News&lng=fr&id=22757&title=collibra-premiere-licorne-belge> on 14/06/2021.

Duncan, K. (2012). *How Shopify Became the Go-To Ecommerce Platform for Startups*. Entrepreneur. Retrieved

from <https://www.entrepreneur.com/article/222967> on 31/05/2021.

Dunn et al., (2019). *Ex-Theranos employees describe culture of secrecy at Elizabeth Holmes' startup: 'The dropout' podcast ep. 1*. ABC News. Retrieved from

<https://abcnews.go.com/Business/theranos-employees-describe-culture-secrecy-elizabeth-holmes-startup/story?id=60544673> on 26/01/2021.

Embroker. (2021). *Checklist: How to Become a Unicorn Startup in 2021*.

Retrieved from <https://www.embroker.com/blog/unicorn-startup-checklist/> on 09/06/2021.

Faridi, O. (2021). *Digital Banking Unicorn Revolut Is Reportedly Planning New Round of Funding, Could Value Fintech at Over \$10B*. Crowdfund Insider. Retrieved from

<https://www.crowdfundinsider.com/2021/04/174330-digital-banking-unicorn-revolut-is-reportedly-planning-new-round-of-funding-could-value-fintech-at-over-10b/> on 14/07/2021.

Feinleib, D. (2011). *Why Startups Fail*. Apress.

DOI: <https://doi-org.proxy.bib.ucl.ac.be:2443/10.1007/978-1-4302-4141-6>

Flexport. (2019). *Flexport announces 12th global site opening in Seattle*. Flexport.

Retrieved from <https://www-flexport-com.proxy.bib.ucl.ac.be:2443/blog/flexport-announces-12th-global-site-opening-in-seattle> on 26/01/2021.

Fontinelle, A. (2019). *Startup definition*. Newstex. Retrieved from [https://search-proquest-com.proxy.bib.ucl.ac.be:2443/blogs,-podcasts,-websites/startup-definition/docview/2295365212/se-](https://search-proquest-com.proxy.bib.ucl.ac.be:2443/blogs,-podcasts,-websites/startup-definition/docview/2295365212/se-2?accountid=12156)

[2?accountid=12156](https://search-proquest-com.proxy.bib.ucl.ac.be:2443/blogs,-podcasts,-websites/startup-definition/docview/2295365212/se-2?accountid=12156) on 19/01/2021.

Fournier, A (2021). *Résultats annuels du Baromètre EY du Capital Risque 2020*. EY. Retrieved from https://www.ey.com/fr_fr/news/2021/01/resultats-annuels-du-barometre-ey-du-capital-risque-2020 on 21/07/2021.

Fundz. (2020a). *Series A, B, C Funding Guide: Averages, Investors, Valuations & How to Get Funding*. Retrieved from <https://www.fundz.net/what-is-series-a-funding-series-b-funding-and-more#c> on 05/06/2021.

Fundz.(2020b). *Venture Capital Firms: 700 Top Venture Capital Companies*. Retrieved from <https://www.fundz.net/venture-capital-firms> 06/06/2021.

Funhoff, A. (2019). *Entrepreneurial Finance : Lesson 1. Louvain School of Management*.

Ganti,A.(2020). *Angel Investor*. Investopedia. Retrieved from <https://www.investopedia.com/terms/a/angelinvestor.asp> on 19/01/2021.

Ganti,A.(2021). *Venture Capitalist (VC)*. Investopedia. Retrieved from <https://www.investopedia.com/terms/v/venturecapitalist.asp> on 06/06/2021.

German Startup. (2021). *Ten Reasons to found your Business / Startup in Germany*. Retrieved from <https://german-startup.com/> on 18/07/2021.

Gonzalez, G. (2018). *These are the 10 fastest-growing private companies in America this year*.Inc. Retrieved from <https://www-inc-com.proxy.bib.ucl.ac.be:2443/guadalupe-gonzalez/2018-inc5000-top-companies.html> on 26/01/2021.

Gordon, J.(2020). *Funding from Friends Family and Fools*. The Business Professor. Retrieved from <https://thebusinessprofessor.com/lesson/funding-from-friends-family-and-fools/> on 04/06/2021.

Gornall, Will and Strebulaev, Ilya A. (2017). *Squaring Venture Capital Valuations with Reality . Journal of Financial Economics (JFE)*, Forthcoming, Available at SSRN: <https://ssrn.com/abstract=2955455> or <http://dx.doi.org/10.2139/ssrn.2955455>.

Graham, P. (2015). *Default alive or default dead?*. Paul Graham. Retrieved from http://paulgraham.com/aord.html?utm_source=Everyone&utm_campaign=8a4df160b8-Newsletter_Oct18_Oct24_2015&utm_medium=email&utm_term=0_7e96f7fbe8-8a4df160b8-154511817 on 06/06/2021.

Gutter,V.(2019). *L'introduction en bourse des Licornes, une réalité loin des contes de fées.[Master thesis, Graduate School of Management de l'Université Grenoble Alpes]*. Retrieved from <https://dumas.ccsd.cnrs.fr/dumas-02330913/document> on 15/11/2020.

Herciu,M. (2017). Financing small businesses : from venture capital to crowdfunding. *Studies in Business and Economics*, 12 (2), pp 63-69. DOI: 10.1515/sbe-2017-0022.

Hodgson,L.(2021). *How foreign investors are tapping into Germany's late-stage VC boom*. PitchBook. Retrieved from <https://pitchbook.com/news/articles/foreign-investors-tapping-into-germanys-late-stage-vc-boom> on 18/07/2021.

Hoffman,R. & Yeh,C.(2018). *Blitzscaling: The lightning-fast path to building massively valuable companies*. Random House, New York.

Hoffman,R. & Yeh,C. (2019). *The Blitzscaling Basics*. Strategy+Business. Retrieved from <https://www.strategy-business.com/article/The-Blitzscaling-Basics?gko=3ebb0> on 03/06/2021.

Hottenstein,H.(2021). *What Is Disruption?.* The balance small business. Retrieved from <https://www.thebalancesmb.com/how-business-disruption-creates-new-markets-4586564#:~:text=Business%20disruption%20refers%20to%20any,and%20business%20consultant%20Clayton%20Christensen> on 09/06/2021.

Huybrechts,N. (2020). *Why Collibra is the best data governance tool*. Datashift. Retrieved from <https://www.datashift.eu/blogs/why-collibra-is-the-best-data-governance-tool> on 31/07/2021.

Ismail, S. Malone,M. & Van Geest, Y.(2014). *Exponential organizations*. Singularity University, pp.250.

J'aime Les Startups. (2021) . *Les 13 Licornes Françaises en 2019*. Retrieved from <https://www.jaimelesstartups.fr/les-13-licornes-francaises-en-2019/> on 14/06/2021.

Jacobi,M.(2018). Media judgment of entrepreneurial failure - implications for founders. *Technical University of Hamburg*. DOI:10.15480/882.1630.

JDN. (2019). *Scale up : définition, traduction*. Retrieved from <https://www.journaldunet.fr/management/guide-du-management/1445742-scale-up-definition-traduction/> on 15/11/2020.

Johnson, E. (2019). *Flexport's \$1 billion injection retrigger scale questions*. JOC . Retrieved from https://www-joc-com.proxy.bib.ucl.ac.be:2443/international-logistics/logistics-providers/flexport%E2%80%99s-1-billion-injection-retriggers-scale-questions_20190221.html on 26/01/2021.

Kearl,M.(2021). *Best Crowdfunding Platforms*. Investopedia. Retrieved from <https://www.investopedia.com/best-crowdfunding-platforms-5079933> on 04/06/2021.

Knowles,K.(2019). *"Forget the money, startups" says chief executive of German unicorn Otto Bock*. Financial Times. Retrieved from <https://sifted.eu/articles/otto-bock-unicorn-healthtech-startups/> on 18/07/2021.

Kolakowski,M.(2019). *Slack IPO: What You Need to Know*. Investopedia. <https://www.investopedia.com/slack-ipo-need-to-know-4685622> on 03/06/2021.

Konrad, A. (2019). *Freight startup Flexport hits \$3.2 billion valuation after \$1 billion investment led by SoftBank*. Forbes. Retrieved from <https://www-forbes-com.proxy.bib.ucl.ac.be:2443/sites/alexkonrad/2019/02/21/flexport-raises-1-billion-softbank/#1aa2020a5650> on 26/01/2021.

Kuang, C.(2009). *The invention of Jawbone offers essential lessons for tech start-ups*. Fast Company. Retrieved from <https://www-fastcompany-com.proxy.bib.ucl.ac.be:2443/90183328/the-invention-of-jawbone-offers-essential-lessons-for-tech-start-ups> on 29/01/2021.

Kuratko, D., Harrison,L.,& Neubert,E.(2020). Blitzscaling : The good, the bad and the ugly. *Business Horizons*, 63(1), pp 109-119. <https://doi.org/10.1016/j.bushor.2019.10.002>.

Lashinsky, A.(2015). *Jawbone: The trails of a 16-year-old can't-miss startup*. Fortune. Retrieved from <http://fortune.com.proxy.bib.ucl.ac.be/2015/01/22/jawbone/> on 29/01/2021.

Lecluse,S.(2020). *Les petits secrets du patron de Doctolib, la nouvelle licorne française*. Capital. Retrieved from <https://www.capital.fr/entreprises-marches/les-petits-secrets-du-patron-du-doctolib-la-nouvelle-licorne-francaise-1360994> on 21/07/2021.

Lee,A.(2019). The (Unreality) of The Unicorns: UK tech sector creates one Unicorn startup per month. *Newstex*.

Lee,A.& Lin,K.(2020). How to Transform Sustainable Energy Technology into a Unicorn Start-Up: Technology Review and Case Study. *Sustainability*, 12(7), pp.26. DOI: <https://doi.org/10.3390/su12073018>.

Leuty. (2014). *Newsmaker 2014: Elizabeth Holmes, Theranos mystify, excite life sciences*. San Francisco Business Times. Retrieved from: <https://www-bizjournals-com.proxy.bib.ucl.ac.be:2443/sanfrancisco/blog/biotech/2014/12/theranos-elizabeth-holmes-diagnostics-walgreens.html> on 26/05/2021.

Lewin,A.(2020). *Europe now has 60 startup unicorns*. Sifted. Retrieved from <https://sifted.eu/articles/europe-60-startup-unicorns/> on 14/06/2021.

Linderman,M.(2010). *Bootstrapped, Profitable, & Proud: GitHub*. Signal v. Noise. Retrieved from <https://signalvnoise.com/posts/2486-bootstrapped-profitable-proud-github> on 31/05/2021.

London & Partners. (2020). *London named one of the world's leading startup ecosystems*. Finextra. Retrieved from <https://www.finextra.com/pressarticle/83054/london-named-one-of-the-worlds-leading-startup-ecosystems> on 13/07/2021.

Make A Move. (2021). *Blablacar: La licorne du transport partagé lève 115 Millions d'euros*. Make A Move. Retrieved from <https://makeamove.fr/services/blablacar-levee-de-fonds> on 21/07/2021.

Martin, A. (2017). *Exclusive billionaires' investment club leads Collibra's \$50m Series C*. The Register. Retrieved from https://www.theregister.com/2017/01/18/exclusive_billionaires_investment_club_leads_collibras_50m_series_c/ on 01/08/2021.

Martin,R.(2016). What Goes Up... The S-Curve and its many applications. Retrieved from <https://exploitingchange.com/2016/09/08/what-goes-up-the-s-curve-and-its-many-applications/> on 26/01/2021.

Mason,C.& Brown,R.(2014). *Entrepreneurial Ecosystems and Growth Oriented Entrepreneurship* . OECD. Retrieved from <https://www.oecd.org/cfe/leed/Entrepreneurial-ecosystems.pdf> on 06/06/2021.

Megaw,N.(2021). *Revolut valued at \$33bn to become UK's biggest-ever private tech group*. Financial Times. Retrieved from <https://www.ft.com/content/4d7b739c-ffbb-4a29-ac5b-4e7dfddff5ae> on 18/07/2021.

Mellino,E.(2019). *Revolut insiders reveal the human cost of a fintech unicorn's wild rise*. Wired . Retrieved from <https://www.wired.co.uk/article/revolut-trade-unions-labour-fintech-politics-storonsky> on 14/07/2021.

Melton,J. (2019). *Kroger plans to roll out Home Chef meal kits to 500 more stores*. Digital Commerce 360. Retrieved from <https://www-digitalcommerce360-com.proxy.bib.ucl.ac.be:2443/2019/02/06/kroger-expands-in-store-distribution-of-home-chef-meal-kits/> on 26/01/2021.

Mollick,E.(2014). The Dynamics of Crowdfunding: An Exploratory Study. *Journal of Business Venturing*, 29 (1), pp 1-16.

Moogk,D.R.(2012) Minimum viable product and the importance of experimentation in technology startups. *Technology Innovation Management Review*, 2 (3) (2012), pp. 23-26.

Moulinier,C. & Richard, A. (2021). *Bilan annuel du financement 2020*. Eldorado. Retrieved from <https://eldorado.co/blog/2021/01/03/bilan-annuel-du-financement-2020> on 21/07/2021.

Novoa,J.(2017). *Understanding differences in startup financing stages*. Startup Xplore. Retrieved from <https://startupxplore.com/en/blog/types-startup-investing/> on 04/06/2021.

Ohr, T. (2019). *German tech unicorn Celonis raises over €261 million to extend its market leadership in process excellence software*. EU-Startups.com. Retrieved from <https://www.eu-startups.com/2019/11/german-tech-unicorn-celonis-raises-over-e261-million-to-extend-its-market-leadership-in-process-excellence-software/> on 18/07/2021.

Petersen,R.(2017). *Flexport Finds New Home in Atlanta*. Flexport. Retrieved from <https://www.flexport.com/blog/flexport-office-atlanta/> on 19/01/2021.

Pfeilstetter,R. (2017). Silicon Utopias: The making of a tech startup ecosystem in Manchester (UK). *Suomen Antropologi*, 42(1), pp. 91 – 102.

Porter,J.(2015). *From Near Failure To A 1.5 Billion Sale : The Epic Story Of Lynda.com*. Fast Company. Retrieved from <https://www.fastcompany.com/3045404/from-near-failure-to-a-15-billion-sale-the-epic-story-of-lyndacom> on 31/05/2021.

Pride, J. (2018). Unicorn tears: Why startups fail and how to avoid it. *John Wiley & Sons*.

PwC. (2017). *Les Fintech, nouveau souffle pour le secteur bancaire*. PwC France. Retrieved from <https://www.pwc.fr/fr/decryptages/transformation/les-fintech-nouveau-souffle-pour-le-secteur-bancaire.html> on 13/07/2021.

Ramsey, L.(2019). *The rise and fall of Theranos, the blood-testing startup that went from Silicon Valley darling to facing fraud charges*. Business Insider. Retrieved from <https://www-businessinsider-com.proxy.bib.ucl.ac.be:2443/the-history-of-silicon-valley-unicorn-theranos-and-ceo-elizabeth-holmes-2018-5> on 26/05/2021.

Reiff,N. (2021). *Series A, B, C Funding: How It Works*. Investopedia. Retrieved from <https://www.investopedia.com/articles/personal-finance/102015/series-b-c-funding-what-it-all-means-and-how-it-works.asp> on 05/06/2021.

Reim, G. (2014). *Home Chef adds big backers to bring funding total to \$750K* .Built In Chicago. Retrieved from <https://www-builtinchicago-org.proxy.bib.ucl.ac.be:2443/2014/12/09/home-chef-adds-big-backers-bring-funding-total-750k> on 26/01/2021.

Ries,E. (2011). *The Lean Startup: How Constant Innovation Creates Radically Successful Businesses*. Pearson.

Rogers,B.(2016). *Ryan Petersen's Flexport aims to simplify global freight transport business*. Forbes. Retrieved from <https://www-forbes-com.proxy.bib.ucl.ac.be:2443/sites/brucerogers/2016/02/25/ryan-petersens-flexport-aims-to-simplify-global-freight-transport-business/#7c9cca097dcf> on 26/01/2021.

S.F.(2019). *Collibra, des contrats de plus en plus importants*. Trends-Tendances. Retrieved from https://trends.levif.be/economie/entreprises/collibra-des-contrats-de-plus-en-plus-importants/article-normal-1218331.html?cookie_check=1625842054 on 31/07/2021.

Samama,P. (2019). *QUI EST MEERO, CETTE NOUVELLE LICORNE FRANÇAISE QUI PÈSE UN MILLIARD DE DOLLARS?*.BFM Business. Retrieved from https://www.bfmtv.com/tech/qui-est-meero-cette-nouvelle-licorne-francaise-qui-pese-un-milliard-de-dollars_AV-201906190020.html on 21/07/2021.

Schubarth, C. (2015). Peter Thiel leads \$20M funding of Y combinator grad Flexport. *Silicon Valley Business Journal*.

SEC. (2018). *Theranos, CEO Holmes, and former president Balwani charged with massive fraud [Press release]*. SEC. Retrieved from <https://www-sec.gov.proxy.bib.ucl.ac.be:2443/news/press-release/2018-41> on 26/05/2021.

Shead,S.(2019). *GetYourGuide Joins Berlin's Unicorn Club After \$500 Million Investment From SoftBank*. Forbes. Retrieved from <https://www.forbes.com/sites/samshead/2019/05/16/getyourguide-joins-berlins-unicorn-club-after-500-million-investment-from-softbank/?sh=1cfa2c3df29d> on 18/07/2021.

Smith,T.(2020). *Series B Financing*. Investopedia. Retrieved from <https://www.investopedia.com/terms/s/series-b-financing.asp> on 06/06/2021.

Soellner,S.(2019). *The four types of scaling your business*. Argo Venture Studio. Retrieved from <https://blog.argo-venture-studio.com/the-four-types-of-scaling-your-business/> on 19/01/2021.

Solomon,B.(2014). *Facebook Buys Oculus, Virtual Reality Gaming Startup, For \$2 Billion*. Forbes. Retrieved from <https://www.forbes.com/sites/briansolomon/2014/03/25/facebook-buys-oculus-virtual-reality-gaming-startup-for-2-billion/?sh=442e86ff2498> on 19/01/2021.

Somerville, H.(2017). *Jawbone's demise a case of 'death by overfunding' in Silicon Valley*. Reuters. Retrieved from <https://www-reuters-com.proxy.bib.ucl.ac.be:2443/article/us-jawbone-failure/jawbones-demise-a-case-of-death-by-overfunding-in-silicon-valley-idUSKBN19V0BS> on 29/01/2021.

Startup Genome.(2020). *State of the Global Startup Economy*. Retrieved from <https://startupgenome.com/article/state-of-the-global-startup-economy> on 13/06/2021.

Startup Genome.(2021). *The Global Startup Ecosystem Report 2020 (GSER 2020)*. Retrieved from <https://startupgenome.com/report/gser2020> on 14/07/2021.

Sullivan,T. (2016).Blitzscaling. *Harvard Business Review*, 94 (4) (2016), pp. 45-50.

Tremglobal.(2021). *Startup Ecosystem in the UK*. Retrieved from <https://www.tremglobal.com/articles/startup-ecosystem-in-uk> on 13/07/2021.

Wertz, J.(2020). *Is Taking Your Company Public A Goal You Should Strive For?*. Forbes. Retrieved from <https://www.forbes.com/sites/jiawertz/2020/01/25/taking-company-public-goal-should-strive-for/?sh=36b2cbd9fbd6> on 14/07/2021.

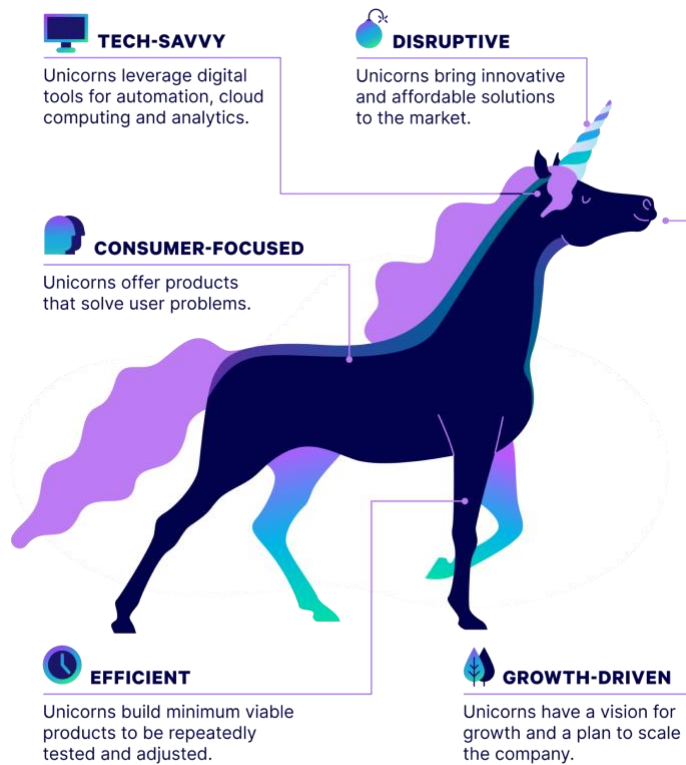
Wired.(2004). *Military Headset Reaches Masses*. Retrieved from <https://www.wired.com/2004/09/military-headset-reaches-masses/> on 29/01/2021.

Yoon,S.(2021). *The 3 pillars of China's booming start-up ecosystem*. World Economic Forum. Retrieved from <https://www.weforum.org/agenda/2021/06/china-booming-startup-ecosystem/> on 13/07/2021.

Zvilichovsky, D.,et al. (2015). Playing both sides of the market: Success and reciprocity on crowdfunding platforms. *SSRN Electronic Journal*, 4. DOI:10.2139/ssrn.2304101.

PART 7 - APPENDICES

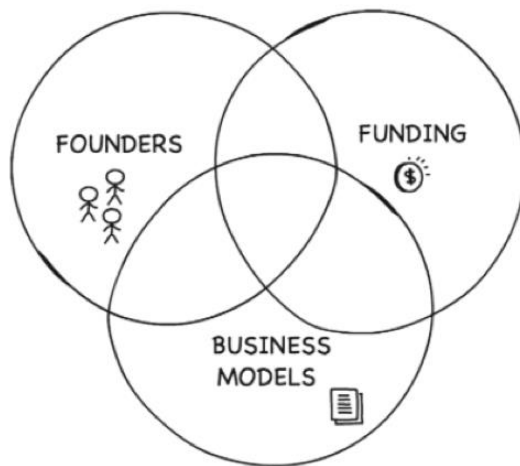
APPENDIX 1: CHECKLIST: HOW TO BECOME A UNICORN STARTUP IN 2021.



Source: Embroker. (2021). Retrieved from <https://www.embroker.com/blog/unicorn-startup-checklist/> on 09/06/2021.

APPENDIX 2 : THE DNA OF A STARTUP

FIGURE 2.1: ANATOMY OF A STARTUP



Source : Pride, J. (2018). Unicorn tears: Why startups fail and how to avoid it. *John Wiley & Sons*.

APPENDIX 3 : GDP DISTRIBUTION BY REGION (%) : EUROPE VS THE US.

The value pool of the European Union (plus the United Kingdom) is similar in size to that of the United States but is highly fragmented among 28 heterogeneous countries with different languages and cultures.

GDP distribution by region, %



Source: Eurostat 2019; International Monetary Fund

McKinsey
& Company

Source : Baroudy, K.Janmark,J. Strålin, T. Satyavarapu,A & Ziemke,Z. *Europe's start-up ecosystem: Heating up, but still facing challenges*. McKinsey. Retrieved from <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/europes-start-up-ecosystem-heating-up-but-still-facing-challenges> on 10/06/2021.

APPENDIX 4 : RESULTS TABLES FOR 3 EUROPEAN MARKETS : THE UK, GERMANY & FRANCE.

Table 1 : Percentage and number of unicorns per sector worldwide.

Category	% of Total Unicorns	Number of Companies
Fintech	17,42%	127
Internet software & services	15,50%	113
E-commerce & direct-to-consumer	11,52%	84
Artificial intelligence	8,09%	59
Health	7,54%	55
Other	7,00%	51
Supply chain, logistics, & delivery	4,80%	35
Mobile & telecommunications	4,66%	34
Auto & transportation	4,39%	32
Cybersecurity	4,25%	31
Data management & analytics	3,57%	26
Hardware	3,57%	26
Edtech	3,16%	23
Consumer & retail	2,61%	19
Travel	1,78%	13
Data management & analytics<	0,14%	1

Source: Extracted by the author on Excel as per data from CB Insights & Crunchbase (2021).

Table 2 : Number and percentage of unicorns by European country.

Country	Number of Unicorns	% of Total
Austria	2	2,30%
Belgium	1	1,15%
Croatia	1	1,15%
Estonia	1	1,15%
Finland	1	1,15%
France	15	17,24%
Germany	17	19,54%
Ireland	2	2,30%
Lithuania	1	1,15%
Luxembourg	1	1,15%
Netherlands	4	4,60%
Norway	1	1,15%
Spain	2	2,30%
Sweden	4	4,60%
Switzerland	5	5,75%
United Kingdom	29	33,33%
Grand Total	87	100,00%

Source: Extracted by the author as per data from CB Insights & Crunchbase (2021).

Table 3 : Number and percentage of European unicorns by sector/category.

Category	Number of Unicorns	Count of Company
Artificial intelligence	6	6,90%
Auto & transportation	4	4,60%
Consumer & retail	1	1,15%
Cybersecurity	1	1,15%
Data management & analytics	4	4,60%
E-commerce & direct-to-consumer	8	9,20%
Edtech	1	1,15%
Fintech	26	29,89%
Hardware	3	3,45%
Health	7	8,05%
Internet software & services	7	8,05%
Mobile & telecommunications	3	3,45%
Other	10	11,49%
Supply chain, logistics, & delivery	4	4,60%
Travel	2	2,30%
Grand Total	87	100,00%

Source: Extracted by the author as per data from CB Insights & Crunchbase (2021).

Table 4 : Average number of years to reach unicorn status since creation in the UK.

Company	Number of years to reach unicorn status
Checkout.com	10
GlobalSwitch	18
Revolut	3
Greensill	7
Oxford Nanopore Tech	7
BGL Group Limited	26
OakNorth	4
Graphcore	2
Rapyd	3
Babylon Health	6
Improbable	5
Monzo	3
Ovo Energy	10
Brewdog	10
Radius Payment solutions	27
BenevolentAI	2
CMR Surgical	5
Average	8,71

Source: Extracted by the author as per data from CB Insights & Crunchbase (2021).

Table 5 : Average total amount of funding raised and average valuation of UK unicorns.

Company	Total Funding Amount (million \$)	Funding round	Valuation (\$B)
Checkout.com	830	Series C	15
GlobalSwitch	4900	Secondary Market	11
Revolut	1700	Series E	33
Greensill	1700	Private Equity	4
Oxford Nanopore Tech	1400	Venture Round-Series H	3
BGL Group Limited	728	Private Equity	3
OakNorth	1000	Series B	3
Graphcore	710	Series E	3
Rapyd	470	Series E	5
Babylon Health	631	Series C	2
Improbable	604	Corporate Round (After Series B)	2
Monzo	648	Series G	2
Ovo Energy	323	Corporate Round	1
Brewdog	377	Private Equity (Crowdfunding)	2
Radius Payment solutions	150	Private Equity	1
BenevolentAI	292	Private Equity	2
CMR Surgical	974.7	Series D	3
Average	1028,9375		5,588235294

Source: Extracted by the author as per data from CB Insights & Crunchbase (2021).

Table 6 : Country of origin of UK unicorn investors

Investors origin	Number of UK unicorns supported	Percentage of total
UK	9	53%
US	7	41%
Japan	4	24%
China	2	12%
Singapore	2	12%
Canada	1	6%
France	1	6%
Sweden	1	6%
Germany	1	6%
Saudia Arabia	1	6%
Hong Kong	1	6%
Israel	1	6%

Source: Extracted by the author as per data from CB Insights & Crunchbase (2021).

Table 7 : Average number of investors per UK unicorn.

UK Unicorn	Average Number of Investors
Babylon Health	5
BenevolentAI	6
BGL Group Limited	1
Brewdog	6
Checkout.com	8
CMR Surgical	15
GlobalSwitch	4
Graphcore	29
Greensill	2
Improbable	10
Monzo	34
OakNorth	9
Ovo Energy	2
Oxford Nanopore Tech	20
Radius Payment solutions	1
Rapyd	16
Revolut	42
Total Average	12

Source: Extracted by the author as per data from CB Insights & Crunchbase (2021).

Table 8 : Average number of employees per UK unicorn.

UK Unicorn	Average Number of Employees
Babylon Health	3000,5
BenevolentAI	75,5
BGL Group Limited	2921
Brewdog	3000,5
Checkout.com	1300
CMR Surgical	375,5
GlobalSwitch	375,5
Graphcore	375,5
Greensill	3000,5
Improbable	750,5
Monzo	3000,5
OakNorth	750,5
Ovo Energy	3000,5
Oxford Nanopore Tech	600
Radius Payment solutions	3000,5
Rapyd	175,5
Revolut	2100
Total Average	1635

Source: Extracted by the author as per data from CB Insights & Crunchbase (2021).

Table 9 : Location of the HQs of German unicorns

German Unicorn	HQ Location
Celonis	Munich
Otto Bock HealthCare	Duderstadt
N26	Berlin
FlixBus	Munich
NuCom Group	Unterföhring
wefox	Berlin
Deposit Solutions	Hamburg
GetYourGuide	Berlin
Omio	Berlin

Source: Extracted by the author on Excel as per data from CB Insights & Crunchbase (2021).

Table 10 : Origin of investors in German unicorns and number of them supported.

Investors Origin	Number of German Unicorns supported	Percentage of total
US	9	100%
Germany	4	44%
UK	2	22%
China	1	11%
Singapore	1	11%
Hong Kong	1	11%
Canada	1	11%
Danemark	1	11%
Switzerland	1	11%

Source: Extracted by the author on Excel as per data from CB Insights & Crunchbase (2021).

Table 11 : Average number of years to reach unicorn status since creation in Germany.

German Unicorn	Founding Date	Date Unicorn Status	Number of years to reach unicorn status
Celonis	2011	2018	7
Otto Bock HealthCare	1919	2017	98
N26	2013	2019	6
FlixBus	2013	2019	6
NuCom Group	2016	2018	2
wefox	2015	2019	4
Deposit Solutions	2011	2019	8
GetYourGuide	2009	2019	10
Omio	2012	2018	6
Total Average			16

Source: Extracted by the author on Excel as per data from CB Insights & Crunchbase (2021).

Table 12 : Average total amount of funding raised, number of funding rounds average valuation of German unicorns.

German Unicorn	Total Funding Amount (million \$)	Number of funding rounds	Valuation (\$B)
Celonis	1400	4	11
Otto Bock HealthCare	815,49	2	4
N26	819	9	4
FlixBus	1200	7	3
NuCom Group	550	1	2
wefox	918,5	6	3
Deposit Solutions	198,5	6	1
GetYourGuide	886,2	12	1
Omio	396	10	1
Total Average	798	6	3,333

Source: Extracted by the author on Excel as per data from CB Insights & Crunchbase (2021).

Table 13 : Strategic objectives and use of investments by German unicorns.

German Unicorn	Use of the investments	General Objective
Celonis	Use the new capital to strengthen its U.S. and global sales and marketing efforts as well as to expand the Celonis platform. Collaboration with universities	Internal development + product development
Otto Bock HealthCare	Investment in innovation, partnership with health tech startups and universities, Stock market listing	Internal development+ IPO
N26	Accelerate N26's product development and strengthen its footprint in its core markets	Internal development + International expansion
FlixBus	Enriching its offer and covering international territories	International expansion + Product development
NuCom Group	NuCom is banking on this growth to become a leading European omni-channel platform for consumer services and lifestyle brands. Accelerating the growth of its portfolio companies	International expansion and Acquisitions
wefox	European Expansion (before US and Asia in 2022) and building branded its sales team and product portfolio. Last funds raised before Potential IPO	International expansion + IPO
Deposit Solutions	Grow the platform by acquiring other banks as clients and expand abroad	Acquisitions and international expansion
GetYourGuide	Hiring more staff, grow their customer base and to broaden their inventory of trips	Product development and Recruitment
Omio	International expansion (Launching in the US and Canada), catering to the new needs of their customers	International expansion

Source: Extracted by the author on Excel as per data from companies.

Table 14: Average number of investors and employees per German unicorn.

German Unicorn	Number of Investors	Number of Employees
Celonis	9	1512
Otto Bock HealthCare	2	8000
N26	18	1375
FlixBus	16	3000
NuCom Group	1	2000
wefox	38	600
Deposit Solutions	11	221
GetYourGuide	35	645
Omio	26	350
Total Average	17	1967

Source: Extracted by the author on Excel as per data from CB Insights & Crunchbase (2021).

Table 15: Average number of years to reach unicorn status since creation in France.

French Unicorn	Founding Date	Date Unicorn Status	Number of years to reach unicorn status
BlaBlaCar	2006	2015	9
Deezer	2006	2018	12
Veepee	2001	2007	6
Doctolib	2013	2019	6
OVHcloud	1999	2016	17
Meero	2016	2019	3
Ynsect	2011	2019	8
Total Average	/	/	9

Source: Extracted by the author on Excel as per data from CB Insights & Crunchbase (2021).

Table 16: Average total amount of funding raised, number of funding rounds average valuation of French unicorns.

French Unicorn	Total Funding Amount (million \$)	Number of funding rounds	Valuation (\$B)
BlaBlaCar	563,5	7	\$2
Deezer	531,8	6	\$1
Veepee	N/A	2	\$1
Doctolib	266,7	7	\$1
OVH	650	2	\$1
Meero	293,4	7	\$1
Ynsect	399,3	10	\$1
Total Average	451	6	\$1

Source: Extracted by the author as per data from CB Insights & Crunchbase (2021).

Table 17 : Origin of investors in French unicorns and number of them supported.

Investors Origin	Number of French Unicorns supported	Percentage of total
United States	7	100%
France	4	57%
Saudi Arabia	1	14%
UAE	1	14%
APAC	1	14%
Sweden	1	14%
UK	1	14%
Belgium	1	14%

Source: Extracted by the author as per data from CB Insights & Crunchbase (2021).

Table 18 : Strategic objectives and use of investments by French unicorns.

French Unicorn	Use of the investments	General Objective
BlaBlaCar	Diversification, internationalisation and innovation	Diversification, International Expansion and Internal Development
Deezer	Expanding into new markets and strengthening its position in existing markets, collaboration with strategic partners	International Expansion and Partnerships
Veepee	Support and transform the development of the platform, invest in innovation	Internal Development
Doctolib	Double its workforce, expand internationally and accelerate its teleconsultation service	Recruitment, International Expansion and Internal Development
OVH	IPO, hiring new employees	IPO and Recruitment
Meero	Addressing the consumer market, accelerating the development of its services	Diversification and Internal Development
Ynsect	Factory construction and internationalisation	Internal Development and International Expansion

Source: Extracted by the author as per data from companies.

APPENDIX 5 : TRANSCRIPT OF INTERVIEWS

Interview n°1- Interview about the Belgian unicorn Collibra and the startup ecosystem with Tony Mary, Chairman of the Board at Collibra (09/07/2021)

AK: Could you introduce yourself and explain your background?

TM: I am 71 years old now so I try to do as little as possible now. In terms of my technology career, I worked for IBM for 20 years, where I was the Country General Manager for Belgium and Luxembourg. I also started my own company and discovered that I am not an entrepreneur. I am a very good executive but not an entrepreneur. I then moved to Belgacom as many IT people did at that time by going to work in the telecommunication sector. Then I worked at Bull, which was a small company at the time. Finally, I worked for the broadcast company VRT for which I was President and CEO. Since 2006, I am no longer an employer but my own employer. I always also say that I am the only IT executive who has been in IT, telecommunications and media.

AK: What is your connection with the Collibra unicorn today?

TM: I am the chairman of the board which means that once a month I organize with the board what we call the board call which means just updating what happened the month before. Then we analyze 4 times during the year the quarters and at those quarter meetings we choose on subject on which we go deep and see what is happening. For the rest of my activities, it is in social cultural environment, I am the board member of several organizations like the *Ommegang Festival*.

AK: How can you explain Collibra's business?

TM: I will do it with one word and if you want to have more insights you can go on the website and you will find what they are doing. I think I can say that *Collibra* is the market leader in what is called data management, data governance and everything that goes behind it. You need a little bit a luck when you start a company and that's they were going to do. We are in fact "happy" that the 2008 financial crisis came because it obliged the national banks to much better manager their data. That was really the major change that happened and suddenly, our sales cycle became a little bit easier because we didn't need to convince that data management and governance was important. That was the start and that brings me to who are the customers of Collibra? Well, today any sector; Banks and the financial sector is still the main one but the pharma is also a regulated industry that needs to be able to explain what their data are. Anybody linked with data needs that kind of software.

AK: Was the 2008 financial crisis an opportunity to launch the company?

TM: No, the company was already launched, the story started in 2006 with four graduates from the VUB who were working on data governance which at that time was unknown because today as one my friend says : "data is the new gold". I can tell you that in 2006 nobody cared about data as an asset. If you did IT , you had to care about data but that was it. Now the data is one of the most important thing that happen. Those four people had then the idea that they should do and could do something while writing their master thesis or PHD about the subject. They said " We are going to conquer the world".

AK: So were they showing a lot of ambition?

TM: If you are not ambitious, you will never become a unicorn. Too many people you meet don't have the idea that the world is their marketplace. The CEO of *Collibra* is still the same than the one that was there at the start. He is 37 years old and is the youngest of the four founders. There is only two left at the moment. There was also a fifth founder who joined when they just started the corporation. They were all graduate students and they rapidly knew that they will need a business development guy. Somebody was then hired out of Microsoft and was the oldest when he joined and he did as a fifth founder the initial business development.

AK: How did Collibra become a unicorn? What were the key points that led to their growth?

TM: There is no key point, it's an ongoing story. In this type of company, it's not about making a profit because Collibra does not make a profit for the moment and we are not going to make profit for the next five years we think. We are just taking the marketplace and that's why people invest in Collibra. Become a unicorn is not an ambition it's the result of your growth, of your desire to grow and this desire to grow is the ambition. Becoming a unicorn is the result of it. You don't decide what a unicorn is , the market decides once you have 1 billion dollars

value period. We didn't have the goal to become a unicorn but to be the world leader. Since the beginning the people from Collibra said "We want to be the world leader of this industry and we want to play the world". That brings me to your question about the difference of Europe with the US and China. In comparison, we are in Europe a very fragmented market. We speak 15 different languages and a very few are big enough to really become a big company. Collibra is present worldwide now. If we had not moved in the US 3 years after the incorporation we would still be very small. You have to go to a big market and the US is the biggest. Again, you don't have the goal to become a unicorn but you have the ambition to be the leader in the industry. I am only the chairman of the board even if I am in Collibra since the beginning but the ambition of the founders was from the start "We want to be a global company and to be the leader". Collibra invented, even if that sounds a little bit arrogant, the industry of data management and data governance.

AK: How was the Collibra valuation done?

TM: I can't exactly answer that because the valuation of Collibra was not done by Collibra but by those who have invested in the company. They started with the seed money which was given by *la Société Régionale d'Investissement de Bruxelles*. Collibra is a spin-off of the VUB, the Brussels University so we also went to them and they invested as well. All of this money was about 1 million but there was no valuation at that time. The goal was just to get the money and convince those seed investors that you have something that might eventually become something. The first time there is a valuation is when the Series A funding round goes on. You don't know how much you are worth, that's the guys from the other side who do, the investors, who analyze your product, your market and the most important thing your talent. You first of all need a product, you need to have somebody who says the product is good otherwise you should not start a company. The best indicator is when someone is giving you money to do proof of concept. If this last person says "I am going to pay you to see if you can work" and if you have that, the product side has an indication that it might succeed. The second most important thing to have to succeed as a startup is people, the team. The team has to focus on quality, working spirit, drive, understanding of the team and the moving on by having discipline and concentrate on execution. That's the success factors to ultimately become a unicorn. But if you are not a unicorn because there are not too many unicorns, those success factors are the same. You need a product, you need a market, you need people who want to buy from you therefore you need a business development department or sales.

AK: This means that when Collibra hired a business developer, it was an important point in their development?

TM: That was not a real hiring because he joined 3 months after the incorporation because the board convinced the founders to do so. None of the founders had any experience in business at that time. Another crucial point then to become eventually a successful company and maybe a unicorn is to have a very dedicated and a very good board. They had the board from which most of the startups can only dream of because I had my network and in the board there was a former CEO of a big organization, a top professor in data management from the University of Leuven (even if the VUB does not have very good relationships with the KUL) but he was one of my good friends so he joined.

AK: Why did you believe in Collibra?

TM: I can tell you a little story when I had just left the VRT at the time. I had a friend of mine who called me and said "Tony now that you don't have anything to do any longer, I have this future son-in-law who keeps telling me about a company that he will create and I have to think a bit about my daughter and if this guy does not have a decent job it's risky you know". Then he told me "Could you look to it because I don't understand anything about ICT?". I said ok and I met the four founders at that time and not the fifth who by the way could not get paid by the others at the beginning as business developer so they made him co-founder of Collibra. There was only €800K for the first 2 or 3 years and the guy was former Senior Business Developer of Microsoft who was paid 3 times the salary the Collibra could give I can tell you. So I met the four guys, they explained what they were going to do, I think I understood them but what I saw, and I always people are the most important thing, I have never seen four so dynamic, voluntary people than those four. I understood a little bit the subject but remember data was not a primary industry at that time so even I was an industry veteran, data management or data governance I did not know much about it. They convinced but they clearly explained but they were going to do and as my friend said, I had nothing to do anymore. I was impressed by them so I helped them to develop their business plan. They developed the business plan and I just brought them my experience then we went to the people who could give money and that was the investment company of the VUB. They invested in 2008 therefore and what happened is that they asked me to be the chairman of the board afterwards. Thirteen years later, I am still the chairman of the board which I am very surprised of given the other investors today.

AK: What is the value proposition of Collibra?

TM: Simply data management, they are the leader of the market. Seventeen out of the 20 largest banks of the world are customers of *Collibra*. Value proposition is data governance and they are adjusting and adapting the product to the needs of the customer which, as they are very dedicated, they really respond in data governance what client need and what businesses need. You have the regulatory bodies that are constantly adding requirements and requests to what is due and they provide it. That's their value proposition. Today, no large company can today work without data governance or data quality software.

AK: How does Collibra generate revenue?

TM: First of all, you should know that we threw away the product we had developed twice. One of the critical success factors is listening to your customers and listening to the market. When the regulators started to request to banks. If you want to be a bank, you had to respond to those regulators on all subjects for your data. The financial crisis in 2008 was also largely due to the fact that data was not available and everybody told everything was fine but it was not the case. The regulators asked the banks and needed to see what is happening with their data. *Collibra* responded to that need. That's one thing. The product has been thrown away twice because it was not what the market wanted. The third time was the right time. The founders started from scratch again and started by selling licenses. Licenses have the advantage to be paid upfront and very quickly, the first capital increase besides the seed money was in 2010. It was very difficult to find somebody, we didn't find anybody in Belgium who wanted to invest so finally we found a company in the Netherlands. This company did the valuation of the company. We pushed as high as possible, they pushed as low as possible, that's how it works. At the end, the company was worth €5 million. They gave 1 million so they got 20%. For the record, this 1 million is actually worth 1 billion now.

AK: Through which investments does the company went?

TM: In the bank capitalist world, you also have levels. This company from Netherlands came in very quickly after the seed money round. We kept growing and for this kind of company the goal is not to be profitable. The goal is to get market share and grow, grow, grow. Today the revenue at the end of 2020 was €120 million and by the end of this year €200 million. There are 750 people working in the company and we think we will have almost 1000 employees also by the end of the year. The ambition is to get market share and the only way to do it is to hire sales people. For instance, I think that today the sales department is 300 people.

AK: Do you think that Collibra has put aside efficiency in favor of speed by having such growth?

TM: No, never ever. We grew so fast that during those last 12 years of existence we adjusted the business model 4 or 5 times already. If you read organizations theories, up to 20 employees its one type of company, up to 50 its another type of company and up to 100 its again something else and for the first time you get second level management team. You then have to adapt and adjust. The type of executives you need to run a 200 million worth company present in 4 continents is different than the types of executives you need to run a 10 million worth business active in 2 continents. When we did the Series B funding round, don't ask me how much they put in because I don't remember, they said that the business model was not good and that they will bring the money to change it. The business model from now should be based on annual recurrent revenue. Instead of licenses where you get the money upfront, you do a 3 years contract with annual revenue that comes in. The value of the company is based on the number of the customers, new customers that you succeed to have in resulting year and revenue growth. That's how investors value.

AK: What are the costs incurred by Collibra?

TM: More than the revenue for sure. There is only one main cost and that's the people. To go forwards, you need more salesman. At the beginning during 3 to twelve months they bring 0 and only costs and we think that after 6 months they should be productive. Therefore, if you have 600 people and get up to 1000 by the end of the year, you have 200 people of cost. The rest of the costs come from a bit from the buildings. We found out then that with the COVID those people can also work from home. We opened a new office on the 1st of April and it has been empty until 3 weeks ago. Since 3 weeks now, people can come and work once a week. There are about 200 people in Brussels. Brussels is one development site, another is in the making in Poland and a last one in Atlanta.

AK: How would you describe the structure of the board?

TM: You have the chairman so myself then the representatives of some of the shareholders . The real board is 7 people. We have been strengthening the board with independent board members as well who we hired for their competences and knowledge. We have people from the marketing and financial world and then a CEO who twice in a his career scaled up venture capital companies. He has then all the experience what you should not do.

AK: A final question: Why do you think Europe is still behind the US and China for example in terms of startups and unicorns?

TM: Maybe it's better to put it from the other side. You get the United States as one big market with 300 million consumers, a lot of the largest companies are still American. One of the success of *Collibra* is that we very quickly understood that if we didn't move to the US we would never have succeed. The company always said "We want to be number one". This mindset is very important. The CEO also says " We want to be the Salesforce of data management" as you probably know the company Salesforces and on the same time, one thing successful thing of *Collibra* is that they have a very strong values system. They will do anything to succeed except not following their own values system. Their values are for example : people is the most important and everything is explained during our meetings: "That's what we stand for". I think one the crucial success factors as well is that we get the new employees hired very quickly into our values system. Having said that, I have never found investors in Belgium because of these regulations systems where *Collibra* was a spin-off of the VUB so the flamish investment companies could not invest in the startup or we should have opened an office in Gent. Concerning Europe, it's not a market we are very local. In the US, you take the market, you write your business plan, you write your marketing plan and you are there. Here, every single place is different. It's very difficult if you are a small company to be active in the marketplace. If you want to win Europe, you should be in the UK, Germany, France, Spain or Italy. That's 5 different languages, 5 different legal systems. Fortunately, only two different currencies, it's too difficult. Very quickly, the business development of *Collibra* moved to NY and now the CEO is in NY because that's where the action and where the money is. The big investors of *Collibra* today are Capital G, the fund of Google and the fund of Zuckerberg. Those people sit there. We were very lucky because they accepted to give us only 80 million because normally its 200 million. It's a different world. One of the success of *Collibra* is then also the investors because those people also in the board of several other companies in different levels of development. We are very severe in the company not because the people are not working good but it's the fifth time we have to change our organization structure which means that we had to let go half of our executives because they are no longer adapted not because they are not good. As you grow so fast, every two years you need to rethink how you operate and if you don't do that you die. You'll never become a unicorn. Quality of people even if that's the major cost but that's 80% of your success and 20% if your product that is also developed by people who know the market. We even had to let go 3 of the founders because they were not adapted to this very fast development.

Interview n°2 - Interview about growth strategies and startup ecosystem with Baudouin de Troostembergh, CEO & Founder at Startup Factory (22/07/2021)**AK: Could you introduce yourself and explain your background?**

BD: So I studied Business Engineering, starting at the University of Saint-Louis and then the Louvain School of Management. Very quickly, I became self-employed and I have been a freelancer for the past 15 years, having already created a few companies and sold some of them, and 5 years ago I founded Startup Factory. Startup Factory is a startup studio, so in simple terms it is a company that creates companies. In 5 years we have created 30 startups and of these 30, 1/3 are working very well, 1/3 are a bit more complicated and 1/3 have stopped.

AK: What criteria do you think a startup should have in order to grow like a unicorn?

BD: The first parameter for the success of a company, in my opinion, is the management, i.e. the people. This is the most important thing. So yes, there has to be a market and a demand, but even if this demand is very large, if the team is not good it will be very complicated. Moreover, even if you have a lot of money, this is no guarantee of success. After that, market demand is still of course important, in the digital age if you decide for example to start a CD shop tomorrow it will be harder to succeed. The team remains the most important criterion, the complementarity of the team. It must be resilient but above all ambitious. Once this is in place, yes, you need money, but when you have a good team in a promising market, capital is not very difficult to find. Today there is a lot of money in the markets and when there are good projects, they attract financial resources very easily and very quickly. Afterwards, to grow, it will also depend on the ambition of the team. There are less ambitious people who may or may not create a favorable climate for hypergrowth. In short, when you have a good team, financial means and a certain ambition, you can go very far.

AK: Does the founding team need to be accompanied by experienced people in the sector to be more successful?

BD: So it is advisable at the beginning to have business angels/investors who have an added value in relation to the business. When aiming at a big growth, it will be more investment funds specialized in a particular sector (for example in the marketplace). So you need several types of investors at each stage of maturity of a company but I would say that at the beginning it is interesting to have business angels who bring a real added value to the project what we call “smart money” in the startup jargon.

AK: Do you think that the overgrowth strategy followed by unicorns can have an impact on efficiency?

BD: Yes, yes, certainly. When you want to go very fast, you necessarily put in a lot of resources and the more resources you put in, the more complicated it is to spend them well. So yes, there is a loss of efficiency, the secret is to find the right balance between the right amount of financial resources and growth. Pushing for growth is fine, but it has to be structured and managed, otherwise the project will be damaged and go off in all directions.

AK: Regarding the European entrepreneurial ecosystem, what are for you the success factors that would lead to the creation of more unicorns and what are the reasons why the continent lags behind the US or China?

BD: So the reasons for our backwardness, I don't think it's related to the fact that people are less capable, no. The reasons are twofold. Firstly, the fact that the markets are much larger, as in the US, where it's a homogeneous market of more or less 300 million inhabitants. So the successful entrepreneurs are often there and the money is also there as the big investors are often there, so it's all a bit linked. What explains why there are more big funds and investors in France than in Belgium, for example, is that in France there are more people who have succeeded again and again because the size of the markets is greater. In China, it's the same thing, the market is gigantic, it's one and a half billion people, so it gives a lot of leverage. Besides all that, it's also a question of mentality with a slightly greater aversion to risk in Europe and a lack of ambition. In Belgium for instance, it's a rather bourgeois country with sometimes a little less ambition and a different relationship to work than the Chinese for example.

AK: What would be the strengths to build on in Europe?

BD: One of the big advantages that we have is the multicultural aspect in Europe and even in some countries where several languages are spoken like Belgium or Switzerland. So when a company has the ambition to go international and expand to other markets, having this multicultural mindset can be a benefit then. We also have a lot of tech and operational talent, we have a lot of very good universities with very educated people coming out of there. But maybe that's the problem too, because these well-qualified people might be less inventive and more likely to want to join a project that's going on. The advantages of Europe are therefore in terms of skills and the ability to adapt to different cultures and markets.

AK: Why is the tech sector privileged to become a unicorn and why does it attract investors?

BD: For me it is only technology projects that can have hypergrowth. You can't replicate this model in more traditional businesses or products. You can have your platform translated into 40 languages quickly, for example, and you have a global reach. The advantage of tech is that you can reach the whole world through the internet. This is not the case for physical products, so meteoric growth can only come from this area. Fintech is also a privileged sector because it has long been dominated by the big banking institutions that were just asking to be digitized and simplified and this is what is happening now. Finance also touches absolutely everyone, like food, so the markets are huge, so the potential is huge.

AK: Do you think that unicorn valuations are sometimes overestimated?

BD: If the unicorn is not yet listed on the stock exchange, there may be a risk of overbidding. As soon as it is on the stock exchange, there is more liquidity and therefore more stability. The valuation is then more credible for me once the company is listed.

Interview n°3- Interview about the Belgian unicorn Collibra and the startup ecosystem with Pieter de Leenher, Co-Founder and Chief Science Officer at Collibra (29/07/2021)

AK: Could you introduce yourself and explain your background?

PdL: Well I did computer science at VUB in Brussels where I specialized in Artificial Intelligence, data was not there yet that was in 2000. Afterwards I did my PHD at the Start Lab VUB on data semantics and semantic web. Therefore, the idea of *Collibra* came out of my PHD lab, my research lab. The co-founders were actually students and Felix was 4 years younger than us. He was a master student when I was a PDH student. So *Collibra* is a true clean spin-off. It's like a very clean story of a spin-off that the Harvard Business School described as a research spin-off. When we started the company, the first year we were actively looking for subsidies and research funding specially in Brussels. The European Commission research money helped a lot. We didn't really have a product market fit yet, it takes a couple of years to find that. I spent some time in Amsterdam also teaching because somebody needed to pay the bills. Then in 2012 actually I stepped down from my academic roles, sometimes I was working on how you deploy a software in a large organization so this was about training, implementation, working with technology partners, consulting partners. Actually at the same time, I wanted to make it repeatable, teachable therefore we could actually build an ecosystem. We, as a software company, could focus on building a software then and rely on this ecosystem to do large implementation basically. At *Collibra*, I was mostly focused on the product as a Chief Science Officer which is a sort of a CTO role and I'm always looking at emerging technologies as well. *Collibra* University for example, if you go there you can check it out by yourself. I was always involved with academia and I still am. In July, I stepped down from my role at *Collibra* and I spent some time building my family and I was at the Harvard Business School at the same time. They told me "you can come to us" so I spent a year at the school during COVID. Last month I actually joined Zenoptics which is a B2B Enterprise Software in the data space and they based in San José. I am based in NY and they are based on the west coast.

AK: So from what I understand, you are no longer part of Collibra?

PdL: Not an executive anymore but I am still of course a major shareholder.

AK: What is the definition of a unicorn startup for you?

PdL: It's a private enterprise that is valued at over 1 billion dollars and that's why we call it a unicorn. It's actually at an early stage so definitely not older than 10 years old of existence. That's the definition for me and of course with a huge growth potential with a year on year growth, it's basically a flagging system. Usually, unicorns are companies that become leaders in their space. That will always be a cloud of competitors that are in a race and the unicorn is considered to be on pole position. To be on pole position means that investors will continue to take you as a preference for investment even though your competitors may become important. You're not going to have two unicorns in the same category.

AK: To be a unicorn, you have to be leader of your market then?

PdL: Absolutely. You have to define the market.

AK: Why is the tech sector privileged to become a unicorn?

PdL: Everything is tech now, right? So if you look back at the age of the worldwide web, e-commerce came out after the 2008 crisis and Amazon survived, Google survived. Then of course tech, software-as-a-service, the model is interesting for the tech companies themselves because it guarantees more revenues, it's good for investors. Of course there is a huge margin of profit with software, with data. Now every sector stepped into that. The revolutionary aspect of technology is also visible in retail, in supply chain, in healthcare, it's everywhere. You take the COVID, our RNA is basically a software. That's a different type of vaccine because it's based on the idea that they inject a piece of software into you that will find ways to neutralize the virus. That will also be revolutionary to resolve cancer, aids in the next years so the acceleration of innovation is just tremendous that's why tech is so important.

AK: What are the success factors of Collibra and how did the company manage to grow so fast?

PdL: What you have to know is first we started in 2008 and we actually didn't really grow the first 4 years, we were too early. The success factor here is that we were really ahead in our idea, that was a visionary idea. Secondly,

we had a great team. We had a team that was relentlessly looking for opportunities and we didn't care about having resources to execute it. We just went for it and it was of course easy because we were all bachelors and we didn't have any responsibilities. If you have a family that's different . I know now and its very difficult. So the relentlessness is important, the " go get it" culture even if you bang your head against the wall all the time. Of course, there is also the execution aspect and hiring the right people. You know Steve Jobs has this quote "A players hire A players and B players hire C players" because B players they find themselves threatened by B players that's why they hire players that are less good. However, if you always hire players better than you, you build a better company. None of the founders worked in a company before Collibra. None of us had seen the insights of a corporation before we launched.

AK: Does the Collibra's founding team was the key to its success at launch?

PdL: The founding team, for sure. The complementarity of our interest that nicely came together. We didn't have conflict like everybody wants to be the CEO, the CTO. Everybody found their sweet spot. I also find very powerful the European landscape as access to subsidies and research money. That allows you as a company and a startup to really invest in innovation early on, to put you in front.

AK: Do you think that the academic world has played a role in your success and should help more startups to develop in Belgium for example?

PdL: Absolutely. The VUB is one of the most beautiful examples of efficient spin-off activities, it has the highest output of spin-offs in Belgium despite its size that is small if you compare with the KUL. So yeah, of course because when you are in a research lab, you see the future, things that people are writing about. If you go on Google Scholar and search "computer science literature" you will find things that will develop in the next years. Not now but in 3 years or 5 years. It also gives you a lot of comfort as a venture working together with research, academia and give the software to students. That helps to create trust and credibility.

AK: Did you feel the need to raise money quickly or did it come later?

PdL: Well, talking about 2008, as founders we could easily say " we are not going to pay ourselves out" because we all invested in this company, I didn't have children to feed or a mortgage to pay. The worst case that can happen to me is that I don't pay my rent. So that was an advantageous position. Secondly, Belgium taught is specifically good because of our top universities in IT and in the same time, it's an affordable taught. I don't know what are the salaries now in Belgium 12 years later but here in the US, for less than 250K a year you don't find an engineer. However, once you get employees its different they need to get paid right? Because you have a payroll. As founders you always to pay your employees or you are going to get in trouble. That's when the money is really needed and getting access to money in 2009,2010,2011 or 2012 for enterprise software did not exist because all the venture capitals went to B2C companies like Google and the apps all that stuff. There were some few companies like IBM but that was it. *Collibra* was one of the first that actually elaborated enterprise software with a few other. Concerning data governance, we were probably the first that actually broke the rule of IBM. Now today, you come with this kind of company without revenue and they give you like \$10 million that's a different story, there is too much cash.

AK: What types of financing rounds has the company gone through?

PdL: That was typical, the timeline was a bit different that it would be now. It would be faster today. So it started with a convertible loan which was facilitated by BI three fund that was specially designated spin-off of the VUB to bring private equity if you could find it in Belgium.

In Belgium, rich people didn't invest in things like tech so far but invested in cookies, biscuits and beers to sell it around the world. Convertible loan we call it private equity. It's a loan that you can convert in stocks when there is a price.

AK: When Collibra raised millions of dollars in funding and became a unicorn, what was the intended strategic goal afterwards?

PdL: To dominate the world. The ambition and the potential was there. The goal was to create a category by itself, I am talking about data governance which was usually a word used by consultants that would charge you \$2000 a day by going to a company and spread an expensive slideck and explain how to govern data that was always like that. We actually, throughout our data governance software, had the opportunity to become owned by the business not the IT. You elaborate the data, analytics and the ownership of the data was mainly in IT. The focus of the CIO

also changed a lot in the last 10 years. I always say to startup founders today that you need to sit together every quarter somewhere in the mountain, in the desert, going outside. That's we did and we went to Normandie or Ostende and we were in NY we did the same here. We sit together and we say: "Ok, let's think strategically" with the founding team like what do you want to do? Build something and sell it? Or do you really want become a category defining companies ultimately becoming public companies?. It's the mindset that is important. If everybody believes something will happen, you can do it. But if you don't seek on this expectation then you don't have a team. If the Red Devils don't think we are going to win the world cup, we are not going to do it.

AK: So was the idea after receiving so much funding to go after new markets or to develop the company internally first? Or both?

PdL: Well, we always focused on keeping Brussels and Poland as the basis for R&D where there is still a considerable amount of engineers there. However, we quickly saw that software are easily sold in the United States because you have bigger companies and you have just this curious drive and exploration here in the US. I've been living here, my wife is American and my family as well. I've been living the American Dream. The mindset here is all about : "Ok let's listen" whether you are a big startup or a small startup, you are innovating so people will listen to you and support you in any way they can because they find it fascinating and cannot do it themselves. They see somebody trying to build something and our software could solve their problems but not only the company but also support people career. If a director buys the software and shows its performance he can eventually become a CIO and its good for his career.

Also because of this relentless experimentation here in the US. The problem of data governance is huge because of you have so much gathered data today and European companies are much more considered for their investments in new technologies and you also have more regulations in general of course. US is also one single market, Europe you have France, Germany, UK, all different markets.

AK: This brings me to the subject of Europe's position and why it is falling behind other continents in terms of unicorn creation?

PdL: People are different. In Europe, you can't just fire somebody like that. I mean in NY it's also hard to fire someone, it's very strict but instead of letting you stay for 2 months in Europe, here they give you a big cheque to leave, some people they just get a year salary to just leave the company. Many Americans find it difficult to hire people in Europe because of the slow process. They can't start immediately because they have to leave their previous company and they can't just leave like that. It takes 6 weeks to 3 months for example and here it takes like 1 week to move from one job to another. In France, it's even harder than in Belgium.

AK: What are the strengths to build on in Europe to create more high potential startups? What should be improved?

PdL: Well, there a couple of things I would wish to be different and it's very hard to change culture. For example in Belgium there is this indifference sometimes to success. In my generation, the generation X, there is this indifference and I have a lot of friends that went to university for 8 years and have two master degrees and then they don't really do anything significant. They just want to do their hobbies or whatever. So there is indifference about success and if you are successful then, people will talk a lot about you. Look what the media do with Marc Coucke for example, if they see success, they try to undermine the whole story instead of looking him as an example and I think we need more examples in Belgium. You can't change people but you can at least change the media. I sometime look at the newspaper and how they still focus on CEO's. The CEO matters but look at the team and the dynamics between founders and management for instance. They should share more the stories of inspirational leaders and I don't see that in the media. You know it's not only about money, but if I talk with VC's now they will say Europe is hot now, it's the "kitchen" of unicorns. The money is flowing to this direction today and that's coming good. In Belgium, we are still pulling each other apart. For example, we have some support structures from Flanders and some other from Brussels-Wallonia but don't we have organizations for the whole country? Why are not we unified like the Red Devils? In Belgium, we are unified around beers and football.

AK: Should we develop more European VC's then?

PdL: Well, they are working a lot, I think there are more and more money flowing today. If you have for example Marc Coucke who invested in *Pairi Daiza* and Durbuy few years ago. The money is changing its direction to tech now. You have also Sofina the company that invested in *Collibra* last year a large amount of money. It's still more late stage capital but that's coming. I am not worried about that and I am certain that your generation is totally different and much more entrepreneurial than my generation. You guys are less like ok I'm going to get a job and I will work there for 30 years then retire.

AK: Do you think the profile of your investors is important and how do you choose them?

PdL: You know when you have someone coming with a lot of money to you, you are not going to say “ Oh you don’t know what we do so I refuse” and of course you have smaller checks that can serve as advisors. Investors can give you also a lot of financial advice which is important when you have to deal with balance sheet, cashflows or else. It’s hard to be a good CEO because you have a lot of stuff to do. I always invest for example in companies that I understand. You want to have an investor that gets along with you. You have to take an helicopter view. Look at the pages of these investors, their portfolios. Investors can invest in companies that are competitors so they invest in ecosystems and portfolios. They want to make sure that by investing there is not something missing for them to stay in pole position so they invest in other companies to share customers. That’s why Google flipped its model by separating a lot of stuff from their real business Google cloud. I always ask to investors why they would like to invest in our companies and if they share our vision but that’s difficult to know it sometimes.

AK: Do you think that with all these huge fundraisings this can lead to speculation and a potential bubble?

PdL: Of course. There was an article last week about the extraordinary rates at which banks lend money to the superrich now. Superrich use their networks to lend money for free. Usually network has a significant value. That’s the risk of course. I would not put everything on one pile. If you look at true enterprise software like Collibra, they really bring true value to a company. You can really measure it and it’s not like inflated products. Concerning a potential bubble, I don’t know but you’re right there is too much cash but where does the cash come from? With COVID now, there are accelerated transformation and we started to look at things differently. You have to look at the history of the US 100 years ago with JP Morgan and the Morgan Family. What happened there is very similar to what is happening now. You have the whole Big Depression was a disaster and if you have the example of Boeing. Everybody didn’t have money anymore to buy cars and did not travel anymore. People were sending more mail and therefore they needed airplanes to transport mail so Boeing said “Ok I’m going to start United Airlines and I am going to just all the US mail”. It’s a similar story to what is happening now with COVID now, people are home and have different needs, the virtual transformation is accelerating. We will also see tremendous innovations in the biotech sector as well with the mRNA that is going to resolve a lot of virus probably or explorations in the space.

AK: What is the risk for a startup to integrate new investors in its shares?

PdL: It’s a trade-off between wealth and control. If you want to have wealth you have to give away control to others. You want to build something bigger, of course you need to invite investors and allow them to have their stake. Many VCs don’t want to have board control necessarily because it also a lot of liability involved and they get suit for instance. A good VC trusts you and believes in the founders/management team.

Interview n°4 - Interview about tech platforms, growth strategies and startup ecosystem with Sebastien Lebbe, CEO & Co-founder at Wooclap (31/07/2021).

AK: As the creator of the Wooclap platform, what were the factors that led to its success?

SL: The first thing that comes to mind is the speed and ease of use of the platform. I think this is the case for many tech platforms but especially for us because *Wooclap* is mostly used by teachers who don’t have much time. The second criterion is that it’s hyper-integrated (on the product side) and it can be used everywhere. Then what made us get so much traction was the relationship with our users and our customers, i.e. the universities. We co-built the platform with the schools and professors so we really have a product that meets their needs. It was really done as a partnership and not something purely commercial. The fact that the UCLouvain did several press releases that were a hit brought us many customers in Belgium and then in France. Usually what companies do is sell license packs and then upsell. For example if you sell licenses to 10 teachers and when those licenses are over, you renew them and increase like that. The goal is to sell as many licenses per university as possible. We didn’t proceed like that and instead we give access to all the teachers and students of the university who have a high volume of use and who will pay less in the end than if they had bought by licenses. Basically what Wooclap does is to invoice 1 year in advance and this allows us to be breakeven directly. This gives us the ability to grow with positive cash flow. This allows the university to be much more comfortable and to communicate more easily on the platform. We are sure to meet their needs than selling by individual licenses and this proves because the net retention rate is 130%. So to sum up, having a fast and easy to use platform that is focused on customer satisfaction is a criterion for success.

AK: Do you think that academic structures like universities can participate in the success of startups and make them evolve towards a unicorn status?

SL: So we sell mainly to universities, that's our main customer so it's different. After that, I'm not sure that going through university is an essential step to success. When I finished my studies 7 years ago, I realised that university didn't help me much. I wanted to start my own business during my studies and I didn't have the opportunity. On the other hand, what is positive is that today this has changed a lot and in particular at UCLouvain with the CPME master or student associations like UStart and other universities are also more active in entrepreneurship now than before.

AK: According to you, what are the positive and negative impacts of having hyper growth like unicorns?

SL: The positive impact I would say is that the more growth you have, the easier it is to access capital. So it allows you to innovate more and have a stronger impact on society. Another positive impact is that it allows you to attract talent more easily because growth is more attractive. On the other hand, the disadvantage is that having such growth can lead to chaos. Internally, if you start recruiting a lot you have to know how to organize it. The fact that you're going very fast also means that you have to make decisions very quickly and humanly speaking it's not always easy. Going to a new market, you see that it doesn't work, you go to other markets, all this can have an impact on some people and this is not to be neglected. For example, we have a very healthy financial situation, we are cash flow positive, we don't spend too much cash. On the other hand, you have companies that need a lot of financial funds and by raising a lot of money, for example, this can create a lot of pressure if the results do not follow. For example, shareholders and investors often put clauses like preferential liquidations where they say that at a certain level the amounts received must be shared. Let's say you raise money and if you sell, the first 40 million is for them. This means that even if you think you have a lot of money at first, later on you may find out that this is not the case because that means you have to sell for almost 200 million to expect to get a real reward. What I was getting at with growth and its drawbacks is that some companies can be cash hungry and want to raise more and more money. The more a company grows, the more it will make investments which are more and more important and as you have to go fast, you ask yourself less questions but the mistakes you make cost you much more. In the end, you have companies that do not manage to reach a financial balance because their cost structure is too high. These startups are therefore obliged to raise funds to hope to be profitable. As an illustration, for a SaaS (Software as a service), the CAC Payback period can be significant (ideally less than 12 months). This means that the faster you go, the more cash you need. Then you have companies like Odoo, for example, which are much healthier companies and have not raised much money to get where they are. However, it took almost 20 years to get to a level like this

AK: What were your strategic objectives after raising a lot of money?

SL: What we said to ourselves was that we were going to accelerate on new markets, we already had very good traction on the Belgian and French markets and therefore by raising money we could go much faster. We also wanted to launch new products to capture more value from our existing customers. In the end we had the growth but we spent less than expected so in the end we have more cash today than when we raised the money.

AK: Why do you think Europe is still behind the US and China for example in terms of startups and unicorns?

SL: The main factor is market size. In the US, it's simple, if you want to start a business equivalent to Europe, there you have a much larger and more homogeneous market. So your ability to scale and raise money to do that is much greater. In Europe, the market is fragmented, it's several languages, several different cultures. A second reason, which is more structural, is that in the US, for example, it's not too serious to fail, you have to get up and move on, and there are fewer regulations. Whereas in Europe, there are many different legal structures between countries, as we can see with the GDPR. Americans have the means to develop more easily than Europeans, who will have many more constraints and will already suffer before being profitable. So in summary for me the factors are really market size, culture and regulation.

AK: What would be the strengths to build on in Europe to develop the entrepreneurial ecosystem and thus foster the creation of startups/unicorns?

SL: For example, if we look at France, the dynamics have been crazy in the last 5 years, especially since Macron came in. The number of unicorns has exploded, I think there were 3 five years ago and now there are about 15. When you go to Paris for example, it's impressive the difference compared to Brussels, when you go there you see that things are happening. You have personalities like Xavier Niel, a French entrepreneur who has started to invest in a lot of startups, you have a lot of investment funds that have developed, President Macron who has launched a lot of initiatives etc. You feel that there is a lot more marketing and noise about the startup world and we see that it works. Moreover, France remains a large market, even if small compared to the US, it is still large. Initiatives that have been launched like Station F are working well and we must continue to capitalize on this. The French Tech has also been launched in France which is a network in many countries helping French startups to develop in other territories and to bring in foreign startups.

Interview n°5 - Interview about growth strategies, fundraising and startups ecosystem with Sebastien Deletaille, Co-founder and CEO at Rosa (04/08/2021)

AK: Pourriez-vous vous présenter en expliquant votre background et ce que vous faites actuellement ?

SD : Ce que je te conseille, c'est de trouver cette information sur mon profil LinkedIn mais globalement je suis entrepreneur dans la tech depuis maintenant 12 ans et notamment avec ma première entreprise Riaktr, j'ai fondé une des 10 grandes boîtes tech belge. Maintenant je suis dans la santé digitale avec l'entreprise Rosa.

AK : Quels sont pour les critères de succès principaux d'une startup ?

SD : Alors pour moi, le critère principal c'est le choix du marché. Un marché c'est quoi ? C'est une combinaison d'un problème et d'une solution et d'un set de concurrents donc ça pour moi c'est le critère déterminant. Le choix du marché est en fait le choix qui va déterminer jusqu'où une boîte va aller, quel va être son niveau de croissance, quelle va être sa capacité à capturer une très bonne part de marché. Ce critère là il est amplifié en fonction des ressources et des équipes. Contrairement à ce que plein de gens clament en disant que le tout c'est l'importance des cofondateurs, des équipes, du financement. Non ce n'est pas vrai, ce sont des choses qui peuvent amplifier le choix du marché mais c'est vraiment ce choix-là qui déterminera le succès.

Tu peux avoir une excellente équipe mais dans un mauvais marché tu n'iras nulle part. Alors que d'être dans un très bon marché avec une mauvaise équipe, tu pourras quand même réussir.

Le point qui est hyper intéressant est qu'il y avait une étude que j'ai lu qui montrait la différence entre la perception des critères de réussite entre les entrepreneurs de la première fois et les serial entrepreneurs. Les « first time entrepreneurs » ont tendance à dire que ce qui est hyper important c'est l'équipe en disant généralement que les critères réussite sont dans cet ordre-là : 1) équipe 2) idée et 3) financement. Les serial entrepreneurs quant à eux vont dire : 1) marché, 2) investisseurs et 3) équipe.

AK : Pourquoi pensez-vous que la technologie est un secteur privilégié pour devenir une licorne ? Pourquoi cette catégorie attire autant les investisseurs ?

SD : Il y a deux dynamiques. La première c'est que la technologie a des coûts fixes donnés et un coût marginal quasiment nul donc en fait la structure de coûts d'une entreprise tech est extrêmement propice à la croissance donc ça pour moi c'est le point de départ. Le deuxième élément c'est que la tech est une solution qui plaît énormément à des nouvelles générations de clients donc c'est un type de solution qui répond à des tendances sociodémographiques donc en fait ces changements font qu'il y a toute une série de marchés qui sont en train d'être changés donc ça c'est la deuxième partie de la réponse. La troisième partie de la réponse c'est qu'en fait souvent en tech tu es souvent à un concurrent qui est non tech donc tu as tendance à casser tous les codes du marché et à faire mal à tes concurrents là où ils ont du mal à te suivre. Donc pour ces 3 raisons là en fait les investisseurs ont tendance à parier sur le modèle de profitabilité futur des boîtes où c'est vraiment une course à celui qui est non pas le « first mover » mais le « first established » donc celui qui arrive à se placer vraiment comme leader d'une catégorie. Une fois que tu es leader dans ta catégorie, tu vas pouvoir délivrer une rente sur le long terme et Google en est le meilleur exemple. Il ne faut jamais oublier qu'un investisseur il ne change pas sa manière de réfléchir en fonction que ce soit une boîte tech ou non tech. Il analyse en fait les opportunités de la même manière et il va poser des questions comme quelle est la taille de marché, quelle est la croissance, quelle est la structure de revenus, quelle est la structure de coûts, quelle est la capacité de l'entreprise à créer des marges qui ne vont pas s'éroder et donc en fait tout sa manière d'analyser reste la même. C'est juste qu'ils appliquent des règles de valorisation qui sont différentes parce qu'eux ont des croyances différentes sur la structures des marges de boîtes tech et effectivement Amazon, par exemple, n'a aucun besoin de profitabilité aujourd'hui mais le jour où ils iront un objectif de profitabilité, ils auront une structure de marges qui sera inattaquable et qui va produire un volume de profitabilité tel qu'ils seront valorisés à une centaine de fois leur revenus.

AK : Pensez-vous qu'il y a de la spéculation dans les levées de fonds et les valorisations des startups aujourd'hui ?

SD : Il y a toujours de la spéculation mais il y a deux réalités aujourd'hui. Il y a une réalité qu'il y a trop de cash dans le marché et donc les gens n'ont pas assez d'opportunités d'investissement et de l'argent sur un compte en banque. D'une part donc tu as énormément de capitaux et pas assez d'opportunités pour les déployer donc tu as une concurrence absolument féroce des investisseurs pour pouvoir déployer leur argent. Aujourd'hui c'est donc un bon moment pour être entrepreneur car c'est les investisseurs qui courent après les entrepreneurs et pas l'inverse. Le deuxième point c'est que dans un même marché à équipe égale, celui qui a le plus de financement a tendance à gagner. Par exemple, *Uber*, c'est pas comme s'ils avaient un produit qui est particulièrement unique ou pas de barrières à l'entrée. Celui qui arrive donc à lever le plus d'argent, à capter le plus de marchés peut potentiellement le « first established player » donc c'est lui qui captera les rentes sur le long terme.

AK : Comment une startup se prépare stratégiquement pour lever des fonds ?

SD : Il y a deux approches de financement des startups. Tu as l'approche « bootstrap » et l'approche « fundraising ». Au passage, en fonction de ton idée, une approche est plus désirable que l'autre. Parfois les gens disent par défaut vont vers l'approche bootstrap et par défaut vers le fundraising mais en fait ils n'ont pas analysé quels étaient les besoins de financement de leur startup compte tenu de leur marché. Donc dans l'hypothèse où le fundraising est la bonne approche, donc en fait en Belgique on a cette naïveté par rapport aux US ou à l'Asie où les attentes des investisseurs vont être différentes en fonction du stage de l'entreprise. Si tu es au stade du « pre product-market fit » cela se situe généralement entre le seed funding et le Series A (tu peux être au round de Series A avec un pre product-market fit par exemple). Globalement dans ces étapes là, ça va surtout se concentrer sur la croyance du marché, sur la croyance de l'attraction, sur la croyance de tes premiers signaux. Donc le Series A, c'est la croyance dans les fondateurs, dans ce qu'ils ont déjà réalisé, dans le potentiel. Si tu vas plus loin, vers le Series B, c'est essentiellement sur base de tes metrics. Les metrics c'est ta capacité à dire « voilà où j'en suis, de semaine en semaine ou de mois en mois je grandis de plus en plus vite ». En fait avec ces metrics là, c'est là que les investisseurs peuvent se dire qu'ils sont face à une boîte qui peut devenir une licorne sur 5 ans parce qu'elle arrive à faire 100% de croissance et que quarter en quarter cette croissance faiblit à hauteur de 10% et non pas à hauteur de 30%. C'est un travail de metrics, c'est un travail de créer des systèmes qui font que tu continues à faire de la croissance et ça c'est le travail le plus dur du fondateur, qu'en haute croissance, d'être constamment capable d'étendre ton marché, de stretcher ton produit pour avoir une valeur propre qui est claire mais qui en même temps capte d'autres segments de clients.

AK : Quels sont les objectifs stratégiques après une levée de fonds ?

SD : En gros, une licorne c'est doubler de taille pendant une décennie. Dire ça c'est facile, délivrer c'est incroyablement difficile. Moi je suis arrivé à doubler de taille pendant une demi décennie et j'y suis pas arrivé après c'était trop chaud. Je pense que c'est plus lié au fait que j'étais pas dans un bon marché mais on a certainement fait des erreurs avec les gens qu'on a recruté. A nouveau, à chaque stage de l'entreprise tu as des besoins différents et la difficulté de l'entrepreneur fondateur c'est quand il s'accroche au rôle de CEO alors qu'il a n'a pas forcément l'expérience pour amener sa boîte au stade suivant et ce stade suivant a lieu approximativement tous les 18 mois. Un moment donné, tu dois accepter que tu deviens incompetent par rapport aux besoins de l'entreprise, par rapport à ce qu'elle doit délivrer.

AK : Quels sont les aspects organisationnels qui changent quand une startup devient une licorne ou lève autant de fonds ?

SD : Le stade licorne cela n'a plus aucune importance, les structures absorbent les fonds sans problèmes. Ton problème n'est jamais « quand tu es déjà licorne », ton problème c'est que tu as plein de stades où ça peut casser. En gros, ton premier stade : 0 à 15 personnes c'est là où t'as l'essentiel des échecs, c'est l'enchaînement des conflits fondateurs. Entre 15 et 50, c'est une phase de structuration de la boîte, c'est une question de mettre en place les process. Tout le monde ne peut partir en vacances quand il le souhaite, il faut qu'on mette en place un comité de direction, il y a une délégation des responsabilités. Entre 15 et 50 c'est donc un deuxième seuil. Entre 50 et 100, là c'est la partie où tu commences à avoir les premiers égards en termes de culture. Moi je me suis arrêté à 130 donc je ne peux pas juger pour les étapes suivantes mais on m'a dit que la prochaine étape c'était 250 et après 250 c'était assez régulier. Il y a moins de choses nouvelles. Généralement quand tu passes le seuil des 250 c'est que tu ne seras plus dans le même pays donc là tu vas avoir d'autres types de difficultés comme l'extension géographique qui revient à presque lancer une nouvelle boîte donc tu as toutes les difficultés de différence culturelle, de trouver les bonnes personnes, etc... Au stade où tu commences à être dans des Series B, ta formule de revenus et de coûts elle est déjà connue et extrêmement prévisible. Tu es capable de dire que pour que je grandisse le revenu d'autant, j'ai besoin d'autant de leads et pour avoir autant de leads, j'ai besoin d'autant de

sales guy et pour avoir autant de sales guy j'ai besoin d'autant de sales development reps. Tout ça c'est des formules, c'est du reverse engineering de dire « pour atteindre un tel objectif, j'ai besoin de ça ».

AK : Quels sont les risques et impacts négatifs d'une levée de fonds ?

SD : Lever des fonds , c'est toujours la même chose : de la dilution d'une part, c'est des changements de gouvernance et c'est aussi assumer qu'à partir du moment où tu rentres dans cette cour , tu délivres tu restes et si tu ne délivres pas tu pars. Il y a un bon article dans le Harvard Business Review sur le « Founders dilemma » et sur la question « do you want to be rich or do you want to be powerful ? ». Les deux vont très rarement ensemble et donc avec le fundraising, très probablement tu seras riche mais pas powerful. Très vite, tu seras amené à laisser la main à des investisseurs qui sauront mieux que toi.

AK : Comment se compose le board d'une startup se compose-t-il ?

SD : Tu as trois profils dans un board d'une entreprise tech : tu as les fondateurs, les indépendants et les investisseurs. Si tu es en contrôle total de ton board , tu peux décider de l'ensemble des personnes qui sont dans ton board en disant par exemple « je veux que des personnes représentants fondateurs et des indépendants qui sont favorables aux fondateurs » c'est comme tu veux. Tout cela c'est de la négociation. Généralement les investisseurs vont exiger d'avoir des protections, des droits de veto pour défendre leurs intérêts et c'est en échange de ça qu'ils te donnent de l'argent. Chez *Riatkr*, on était dans une configuration habituelle, les fondateurs avaient autant de position dans le board que les investisseurs et les fondateurs avaient la possibilité de nommer. Donc d'une certaine manière, on avait la majorité des voix dans le board.

AK : Comment décrire l'écosystème entrepreneurial européen aujourd'hui ? Pourquoi le continent est-il en retard face aux US ou la Chine ?

SD : Il y a deux raisons en réalité. La Chine pour moi cela n'a rien à voir avec l'écosystème ou le niveau des moyens c'est exclusivement lié à la structure de leur marché, à leur protectionnisme et qu'ils ont la capacité de créer des mastodontes. C'est incroyablement soutenue comme économie et donc pour moi la Chine c'est certainement un pays qui est menaçant pour l'Europe mais ce n'est pas menaçant parce qu'on loupe le coche. C'est menaçant car ils sont en train d'aligner tout une série de marchés, ils sont très sérieux et il y a un très grand alignement entre l'état centralisateur et les acteurs de l'entreprise. Si tu compares l'Europe avec les US, il y a essentiellement deux difficultés. La première c'est que les États-Unis ils ont connu les premières vagues, ils sont déjà donc dans la 4^{ème} génération des boîtes technologiques à haute vitesse donc en fait des gens qui ont grandi dans une scale-up sont beaucoup plus aptes à recréer des scale-up. L'Europe est en train de créer sa première vague de scale-up donc on va avoir notre deuxième et troisième vague d'ici 5 à 10 ans. Comme je te l'ai dit, pour créer une scale-up, il faut doubler de taille pendant 10 ans donc les gens qui vont sortir maintenant de licornes comme *Doctolib*, *Alan*, *Odoo*, ce sont des gens qui vont capter des idées et lancer peut-être des licornes dans 10 ans. Aujourd'hui, le plus désavantage concurrentiel entre l'Europe et les États-Unis est que les US ont vraiment été les premiers à mettre cet écosystème en place donc ils savent comment faire grandir donc eux sont déjà dans des générations suivantes par rapport à nous. Le corollaire de ça c'est que la qualité des investisseurs, des équipes, du recrutement est supérieur à l'Europe. Aux US si tu as besoin d'un VP Growth tu as énormément de candidats et ces candidats très liés aux investisseurs américains qui vont eux-mêmes dire « à ce stade, tu as besoin d'un nouveau Chief Product Officer je peux te mettre en contact avec celui qui a fait booking.com parce que j'ai investi dans sa boîte » donc en fait cette maturité elle existe aux États-Unis et pas encore en Europe. Elle existe dans certains endroits d'Europe comme Londres, Paris, Berlin ou Amsterdam mais pas avec la même profondeur qu'aux États-Unis.

AK : Sur quelles forces l'Europe doit jouer pour booster son écosystème ? Quels sont ses avantages ?

SD : Pour moi, ce sont les européens qui sont aux États-Unis. Il y a un truc qui me dépasse qu'on ne fait pas et que l'Italie a commencé à faire c'est de dire « tous ces entrepreneurs européens qui ont été dans la Silicon Valley et qui ont créé des belles choses, revenez en Europe vous ne paierez pas de taxes ». On a pas de problèmes de financement en Europe c'est faux. Par contre, c'est très compliqué d'avoir des gens de qualité, qui savent le faire et il faut leur donner les ressources nécessaires pour que ces entrepreneurs européens pour qu'ils le fassent chez nous et pas depuis les États-Unis. Quand tu prends la French Tech, par exemple, c'est du branding mais ce n'est pas avec ça qu'on crée *Doctolib*, *Alan* ou les autres boîtes qui réussissent en France. Par contre, ce qui est bien c'est que Macron dise voici les éléments de politique pour favoriser l'émergence de licornes en France, on se donne un objectif. La plateforme d'investissement en France elle était déjà active avant que la French Tech soit lancée. Ce n'est pas dans les foires ou les conférences que les scale-up sont établies. Par exemple, en France et on a encore un peu ce problème en Belgique, où vont les gens les plus malins qui sortent d'école d'ingénieurs ? Ils vont dans des boîtes de conseil, c'est bien mais ce n'est pas comme ça que l'on crée une licorne. Donc c'est

comment tu arrives à capter les gens pour qu'ils quittent les grandes entreprises et qu'ils arrivent à lancer des boîtes et qu'ils le fassent avec des bonnes personnes sur les bons problèmes. Le grand truc sur lequel l'Europe ne fait pas bien les choses par rapport aux États-Unis c'est qu'aux US ils ont tendance à avoir des très gros plans d'investissement soutenus par l'état pour faire émerger un écosystème tech. L'armée par exemple a joué un rôle extraordinaire pour la mise en place de toute une série de marchés. Qu'est-ce qu'on fait par rapport à ça en Europe ? Si tu forçais toutes les administrations publiques belges à déployer 2% de leur budget dans des startups tu crées de la demande. C'est bien mieux de créer de la demande que de donner des subsides.

