THE VENTURE MINDSET AND THE ERA OF DISRUPTION

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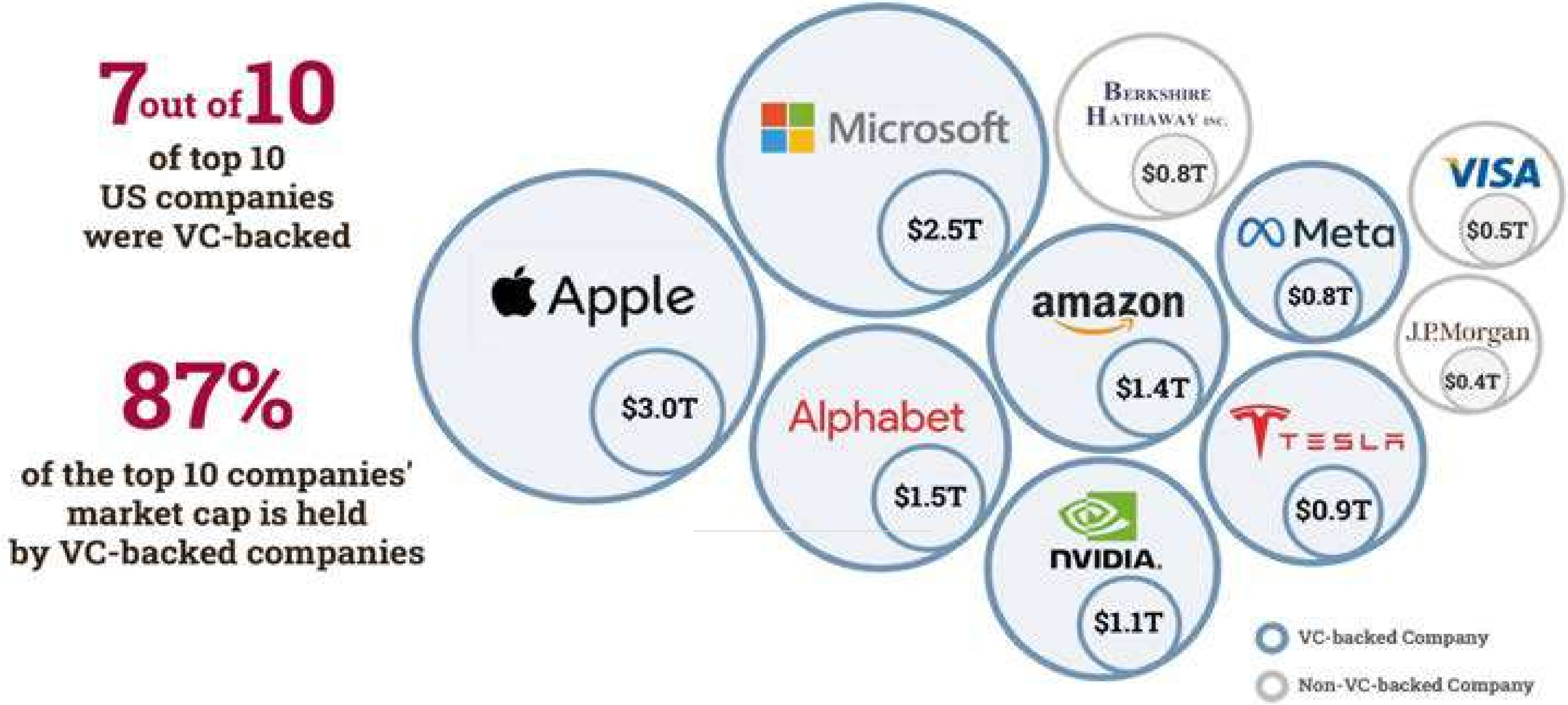
Top 7 US companies are VC-backed



The figure shows the market capitalization (in trillion dollars) of top-10 US publicly traded companies as of July 11, 2023. Circle sizes are proportionate to market capitalization. "VC-backed company" means that the company was funded by venture capital when it was privately owned prior to its public listing.

SOURCE: Ilya Strebulaev, Venture Capital Initiative, Stanford Graduate School of Business (07/2023)

Venture Capital has a disproportionally high impact

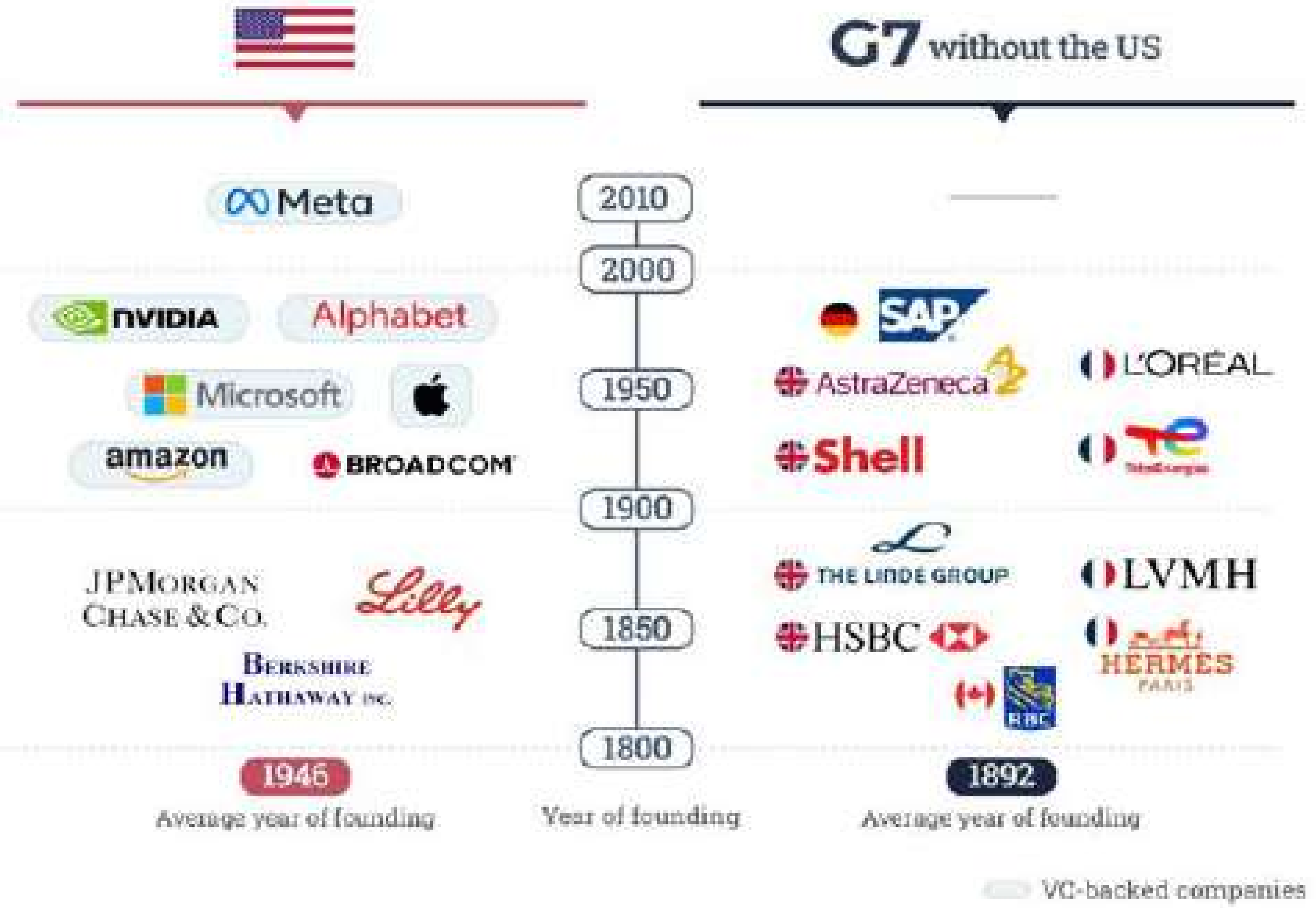
VC-BACKED COMPANIES AS A PERCENTAGE OF PUBLIC U.S. COMPANIES FOUNDED SINCE 1979

50% Total Number

92% Research & Development

Source: Gornall and Strebulaev (2022)

Age and VC backing of top companies in the US and G7



Data is presented for the top 10 companies by market capitalization as of June 8, 2024 in the US (left) and the remaining six G7 countries (right). In cases of mergers and acquisitions, the founding year is determined by the main acquiring party, or by the older of the two companies in the case of a merger of equals.
SOURCE: Ilya Strebulaev, Venture Capital Initiative, Stanford Graduate School of Business (07/2024)

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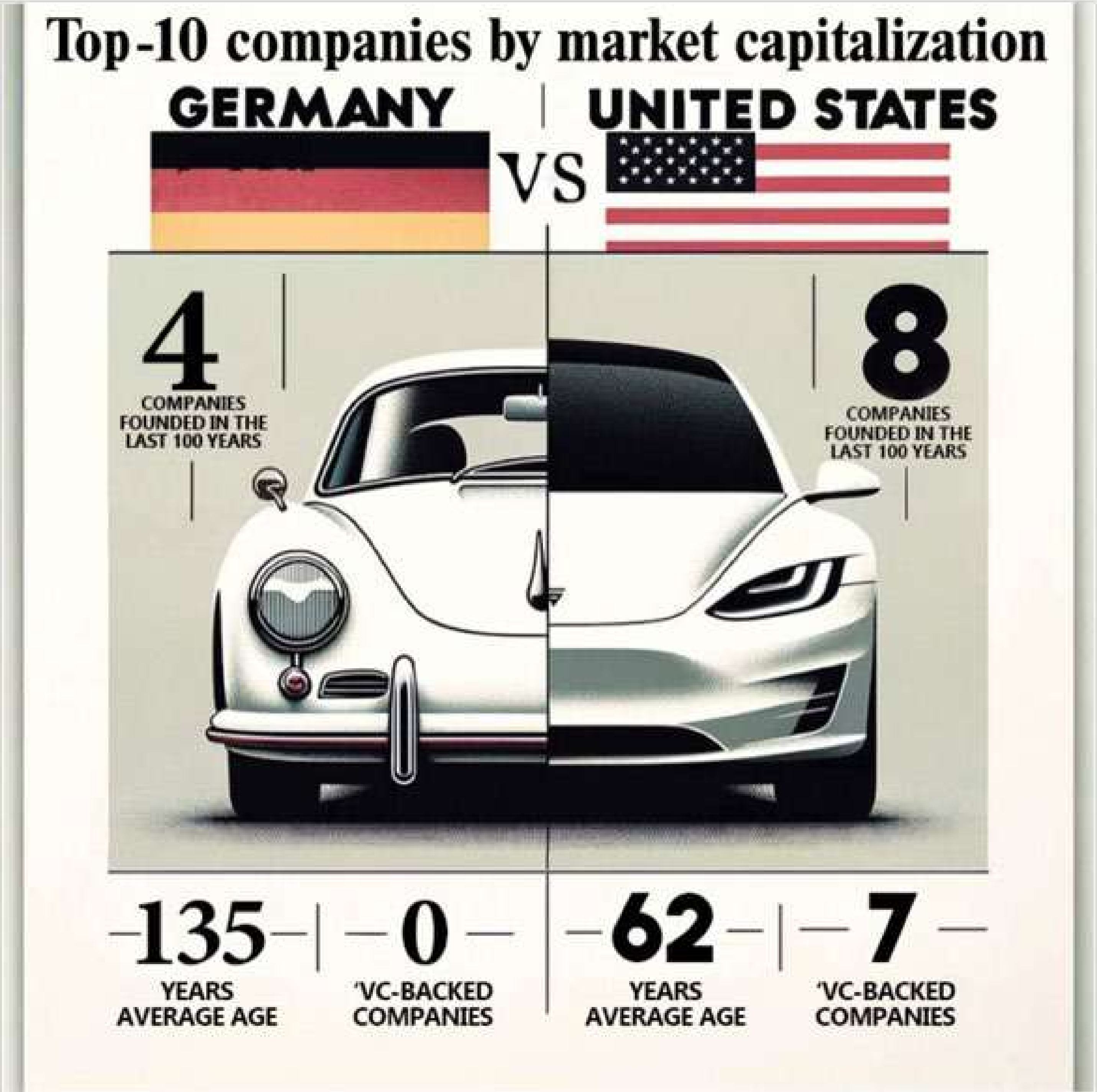
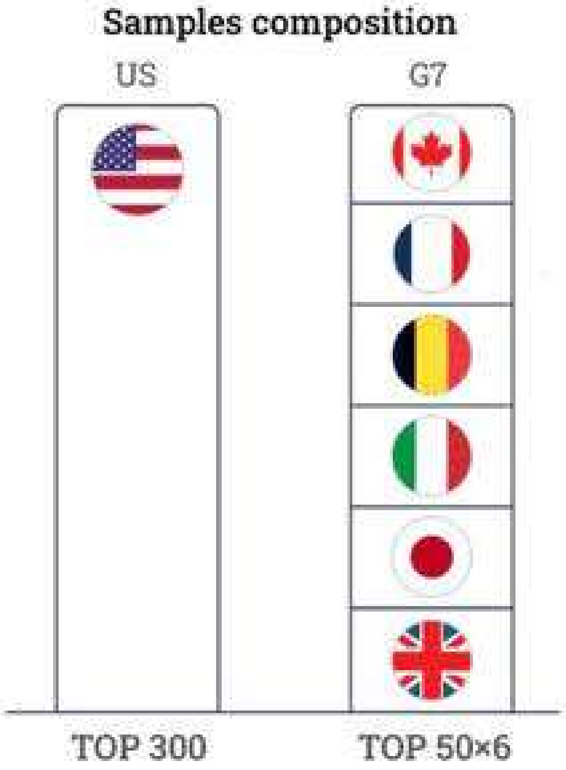
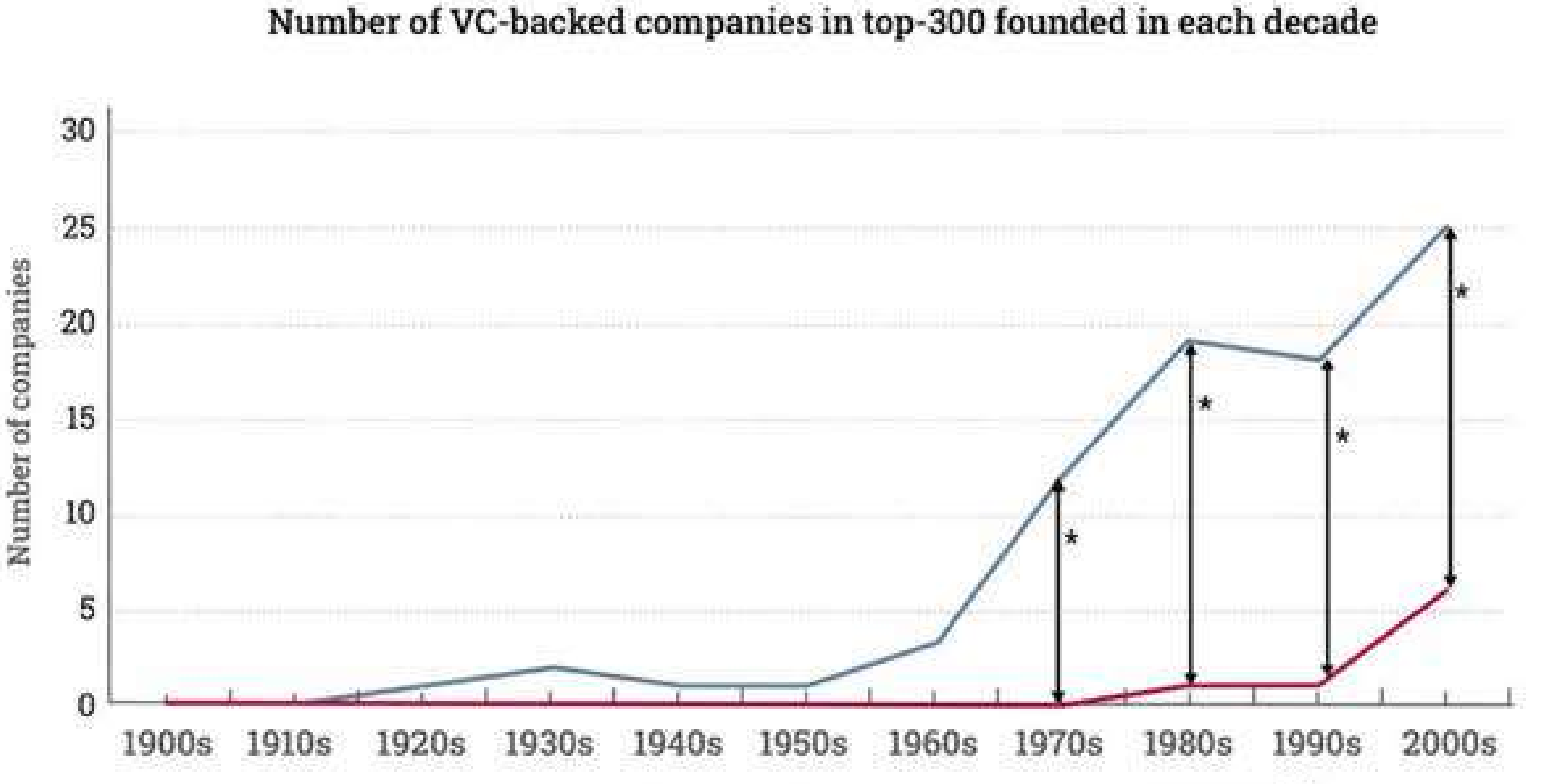


Top-10 companies by market capitalization
GERMANY
UNITED STATES
VS
4
COMPANIES FOUNDED IN THE LAST 100 YEARS
8
COMPANIES FOUNDED IN THE LAST 100 YEARS
135
YEARS AVERAGE AGE
0
'VC-BACKED COMPANIES
62
YEARS AVERAGE AGE
7
'VC-BACKED COMPANIES

Venture capital <u>caused</u> all these changes





★ reject at **5% significance level** null hypothesis "there is no difference between number of US and G7 VC-companies in top-300"

Blue line shows a number of VC-backed companies in the current top 300 public companies in the US founded in each decade. Red line shows the number of VC-backed companies among top 50 public companies in each of the six other G7 countries (Canada, France, Germany, Italy, Japan, and the UK) founded in each decade. We consider a company to be VC-backed only if it was financed in its early stage by a VC fund. In particular, we exclude companies that received financing from VC funds only at later stages, as well as companies that received funding only from private equity funds. We define a VC fund as a fund managed by either an institutional VC firm or a corporate VC arm of an established company.

SOURCE: Ilya Strebulaev, Venture Capital Initiative, Stanford Graduate School of Business (03/2024)

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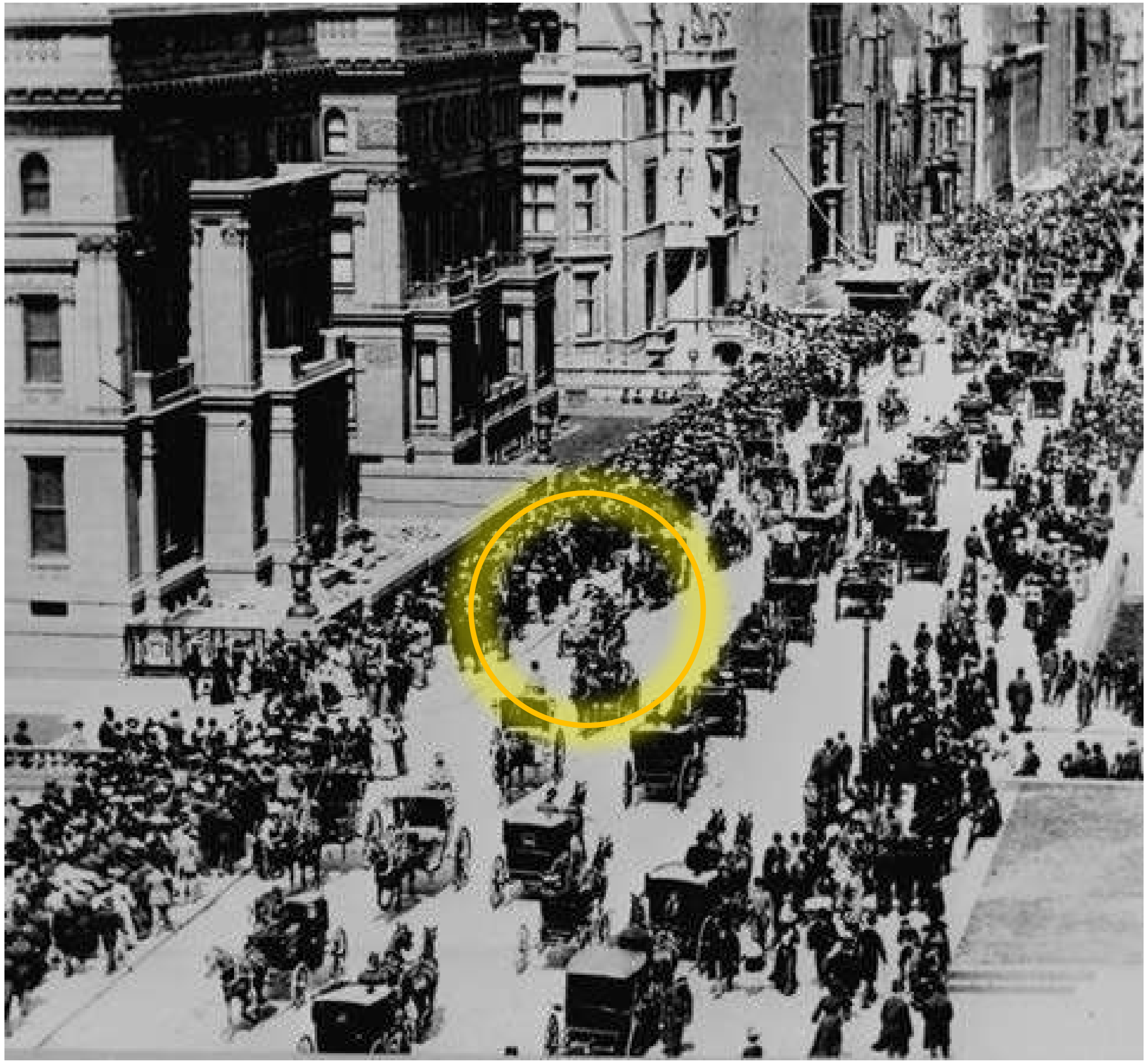
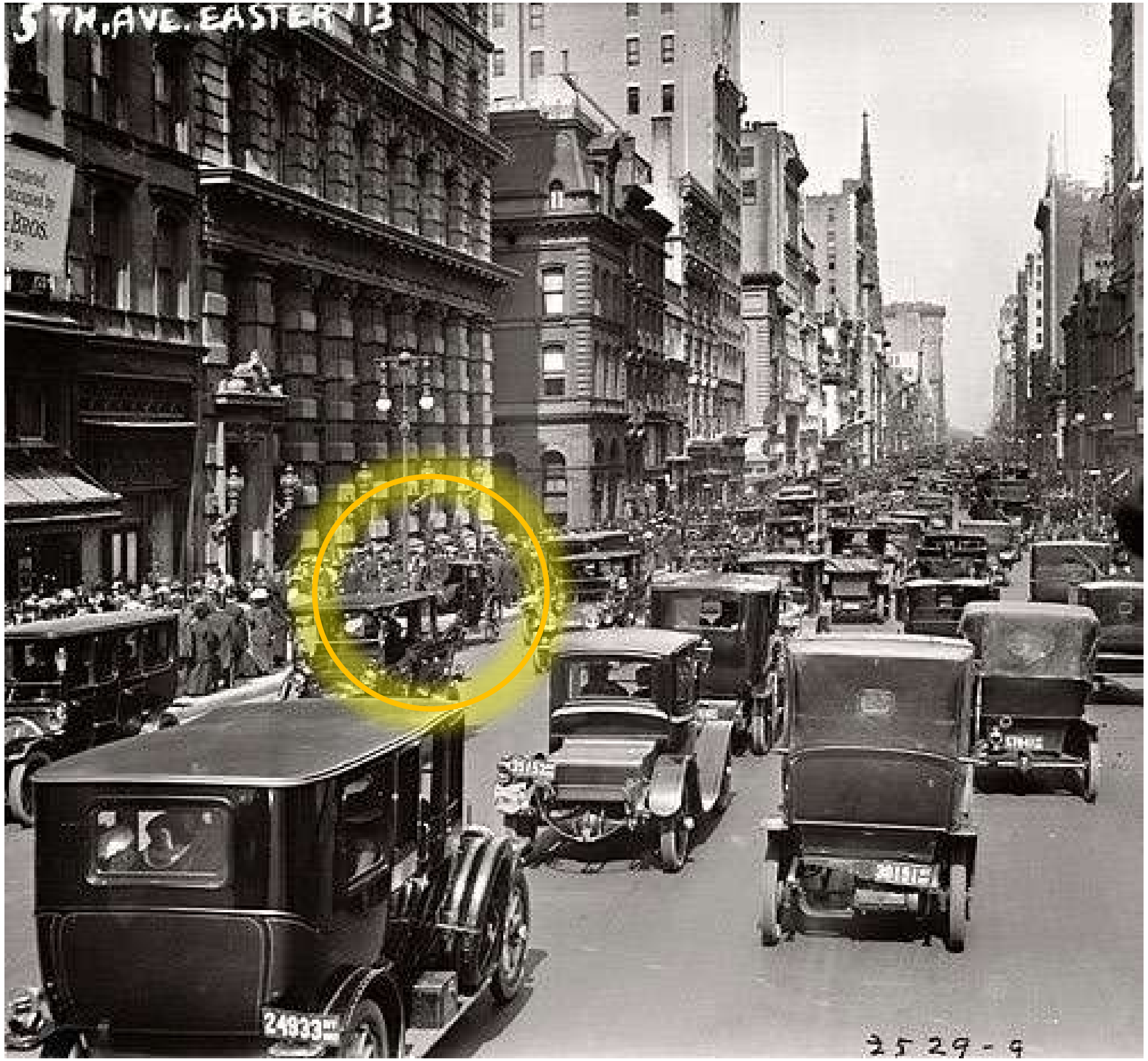
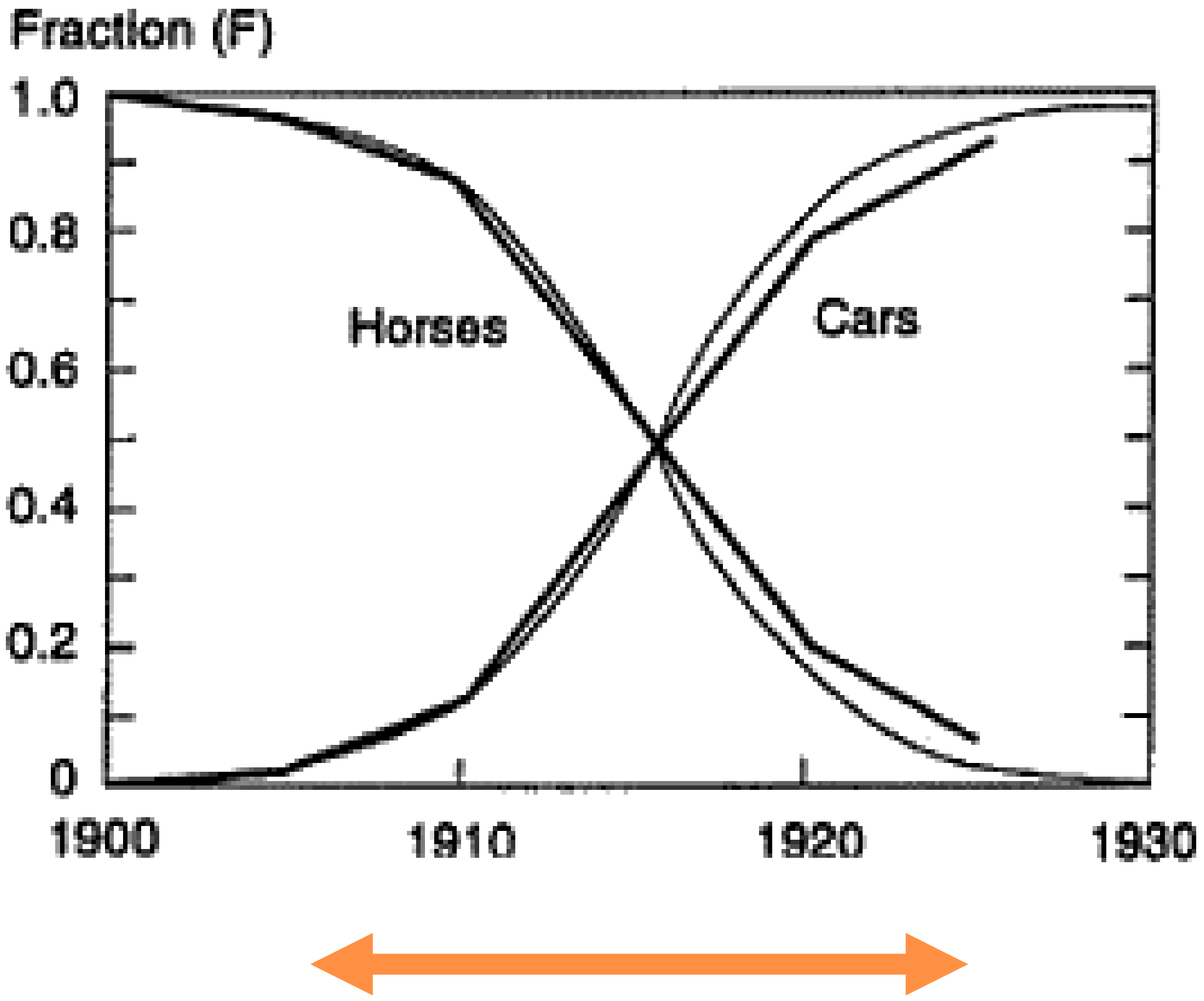
Easter Parade in New York City, 1900



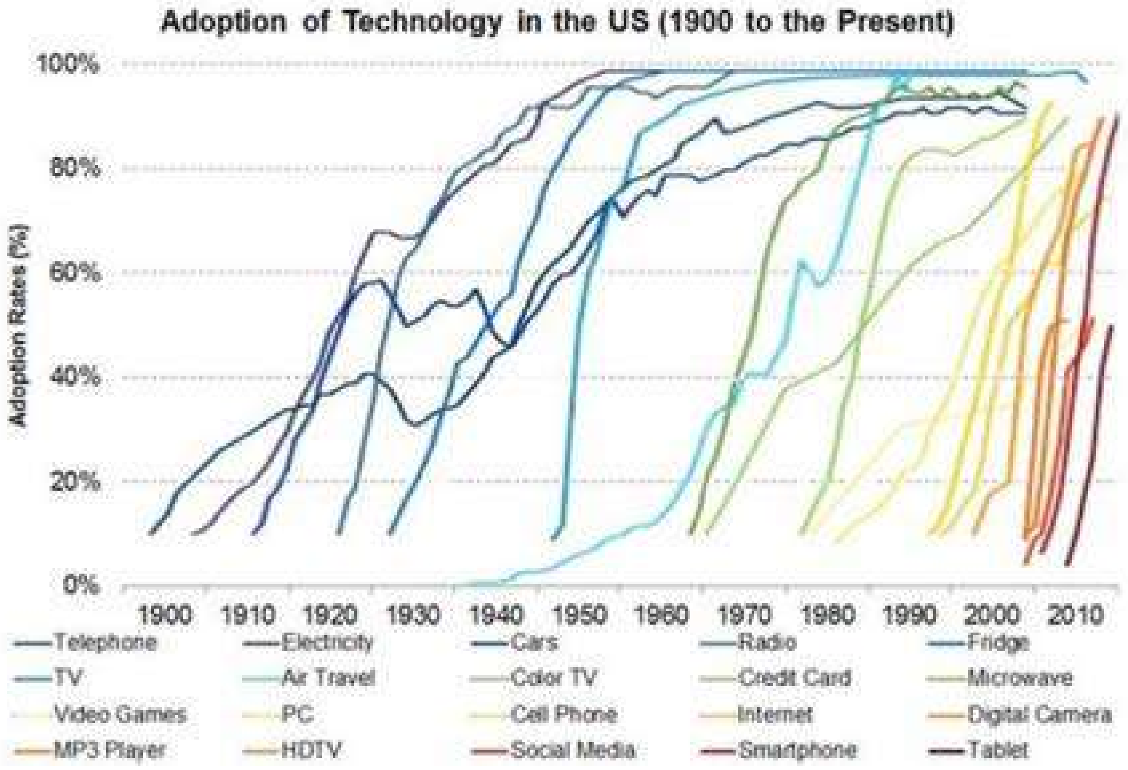
Easter Parade in New York City, 1913

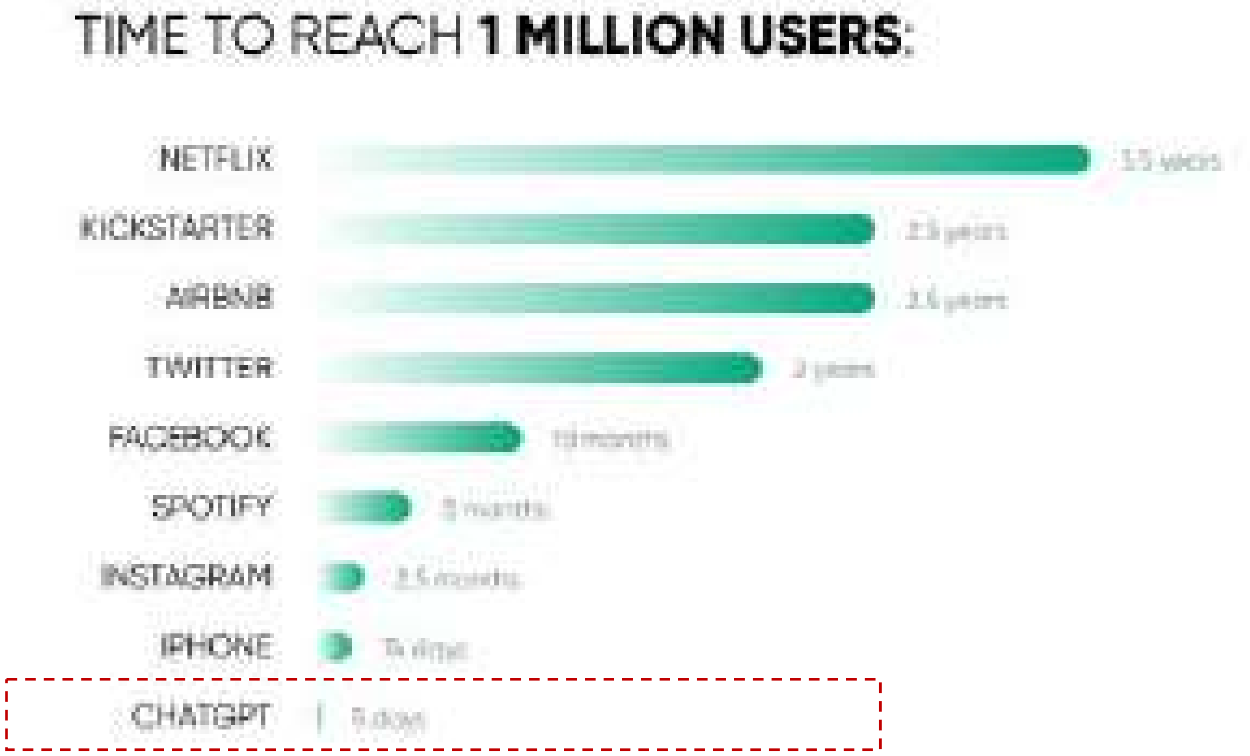


It took one generation for cars to replace horses



Innovation moves faster than ever today

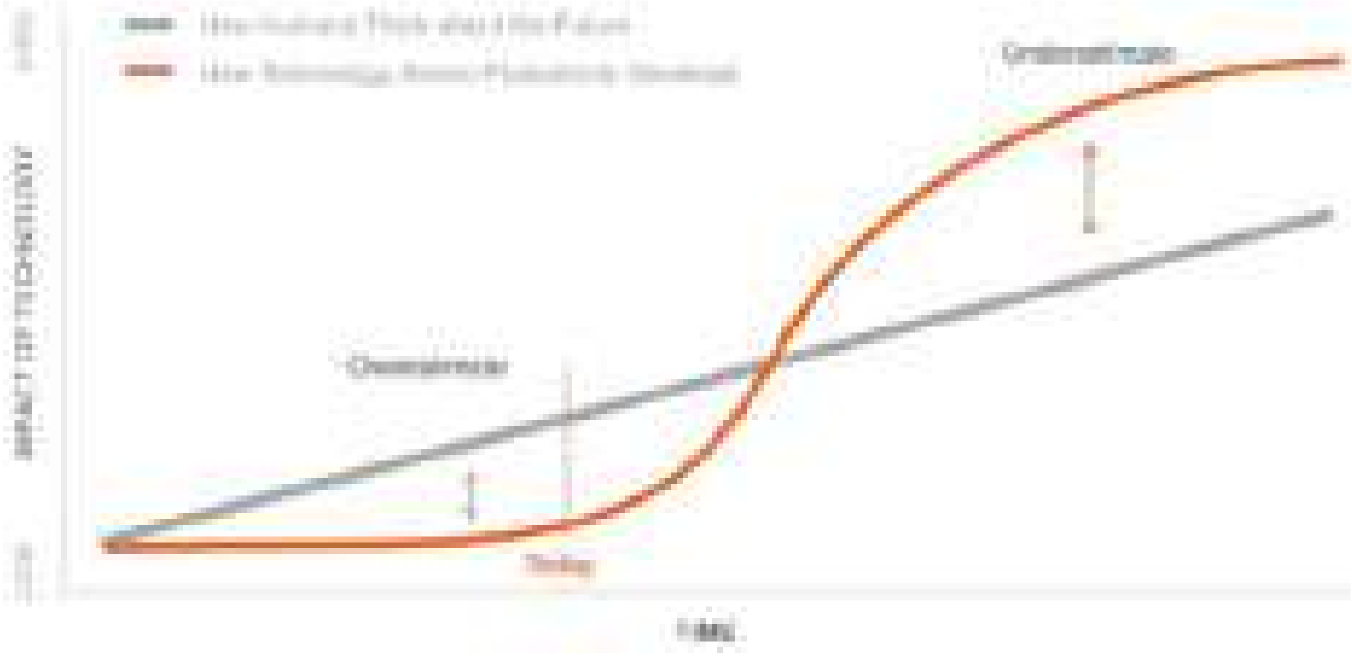




The Most Important Lesson in Innovation

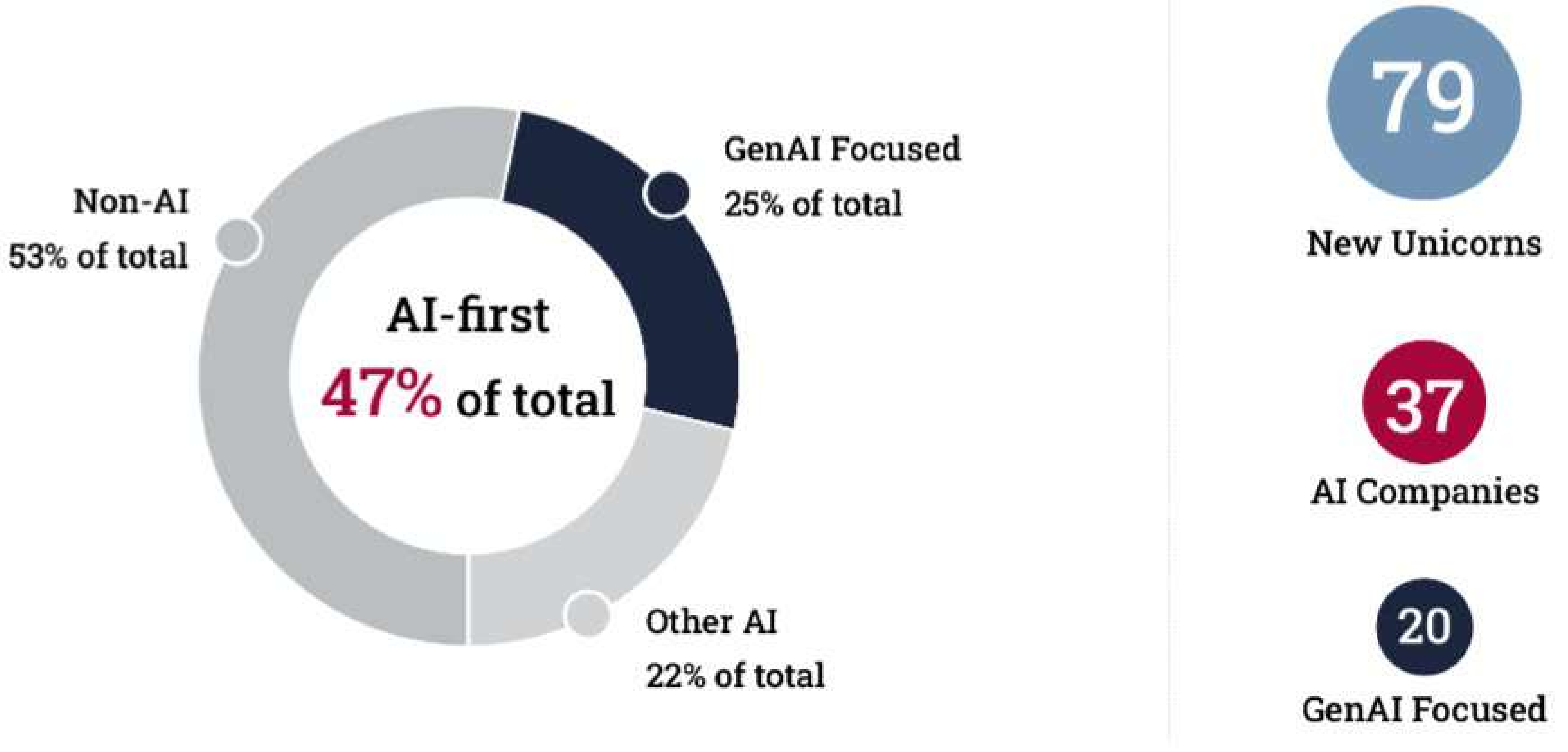
“We tend to **overestimate** the effect of a technology in the short run and **underestimate** the effect in the long run”

Roy Amara



Map of New US Unicorns (2024)

The 2024 US Unicorn Class



SOURCE: Ilya Strebulaev, Venture Capital Initiative, Stanford Graduate School of Business (01/2025)

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Nine key principles of the Venture Mindset

1 Business model

Home Runs Matter, Strikeouts Don't

DO: Make many small bets

AVOID: "Failure is not an option" mentality

2 Deal sourcing

Get Outside the Four Walls

DO: Build a diverse network

AVOID: "Not invented here" syndrome

3 Initial screening

Prepare Your Mind

DO: Invest upfront to learn

AVOID: Analysis paralysis

4 Due diligence

Say No 100 Times

DO: Create a large pipeline

AVOID: Fear of missing out

5 Selection criteria

Bet on the Jockey

DO: Put people above process

AVOID: Process above people

6 Decision making

Agree to Disagree

DO: Promote disagreements

AVOID: Groupthink and consensus seeking

7 Follow-on rounds

Double Down or Quit

DO: Allow flexibility

AVOID: Escalation of commitment

8 Incentives

Make the Pie Bigger

DO: Reward value creation

AVOID: Limited upside for leaders

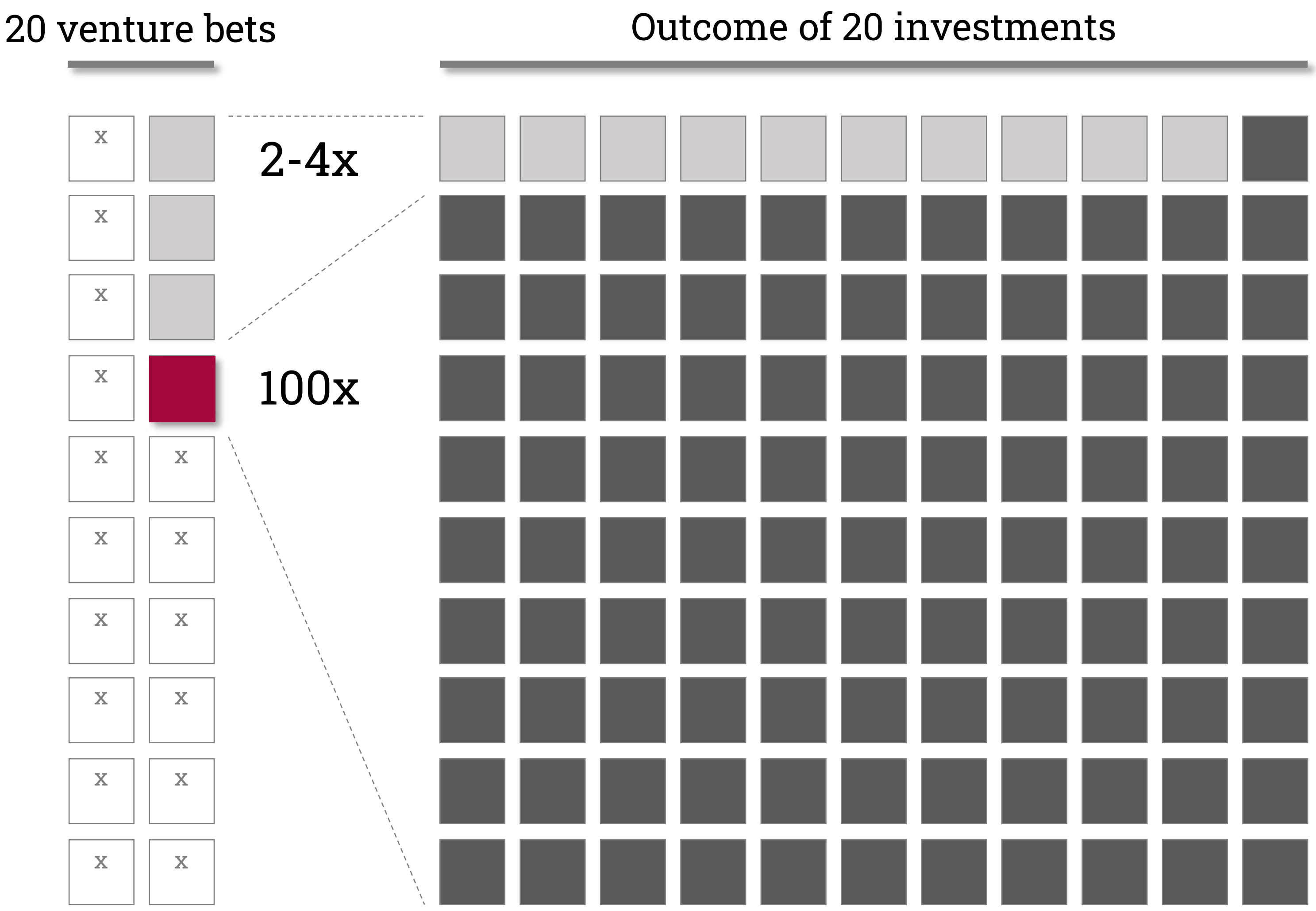
9 Exit

Great Things Take Time

DO: Think long term

AVOID: Short-termism

For Success to Strike, Embrace Failure



VCs chase "outliers" and ignore failures

"If you invest in something that doesn't work, you lose 1x your money. If you miss Google, **you lose 10,000x your money**."

Bill Gurley, Benchmark

"Errors of **omission** are much bigger than errors of **commission.**"

Alex Rampell, a16z

Bet on the Jockey

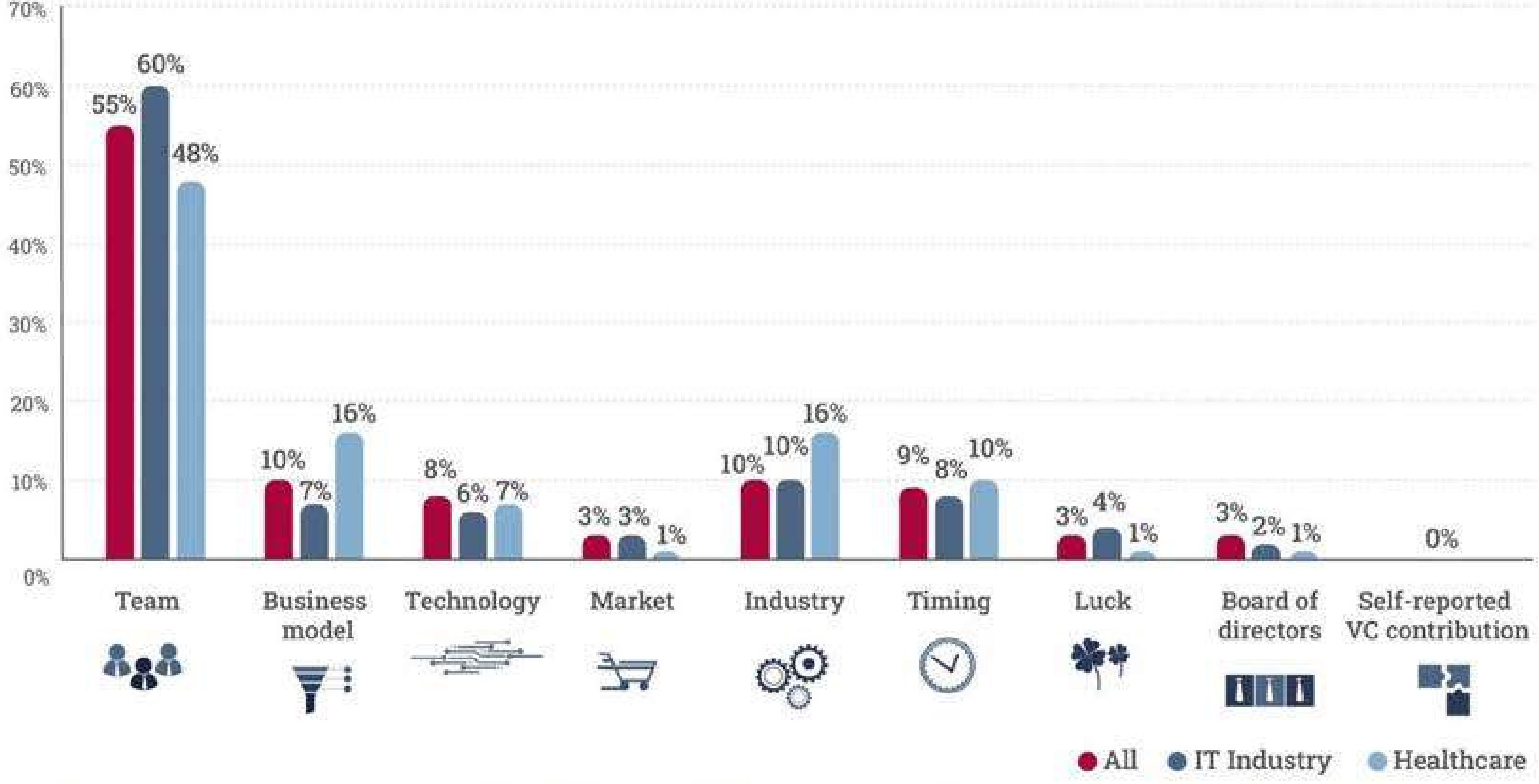
"Jockey"

- Founders
- Startup employees

"Horse"

- Business Model
- Product
- Technology
- Market

Startup failure factors



Data covers results of the major survey of VCs, In one of the questions, we examined the key reasons behind startup failures. For this question, full response was received from 511 VCs, including 120 specializing solely in the IT industry and 78 in the Healthcare sector. Percentages represent the share of survey participants who believe that this factor of failure is the most significant of all. All percentages have been rounded.

SOURCE: Ilya Strebulaev, Venture Capital Initiative, Stanford Graduate School of Business (02/2024); Gompers, Gornall, Kaplan, and Strebulaev (2020).

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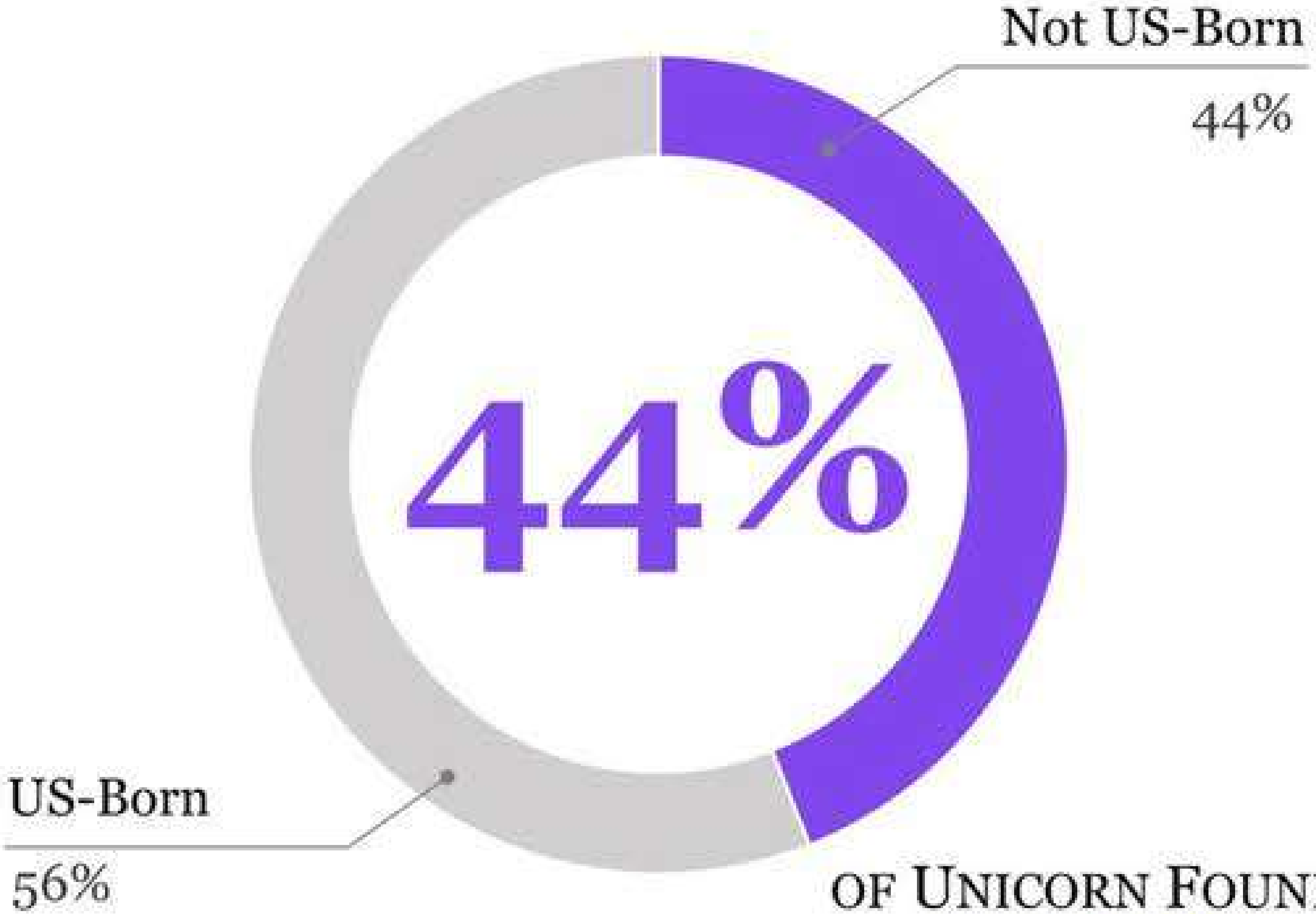
WHERE WERE UNICORN FOUNDERS BORN?

Number of Founders = 1078

Number of Unicorns = 500



OF UNICORN FOUNDERS ARE NOT US-BORN

Top 10 Countries for Not US-Born

- **India – 90** founders
- **Israel – 52** founders
- **Canada – 42** founders
- **UK – 31** founders
- **China – 27** founders
- **Germany – 18** founders
- **France – 17** founders
- **Russia – 14** founders
- **Taiwan – 12** founders
- **Ukraine – 12** founders

Data covers 531 US companies that became unicorns between 1997 – 2019.

Source: ILYA STREBULAEV, VENTURE CAPITAL INITIATIVE, STANFORD GRADUATE SCHOOL OF BUSINESS (01/2022)

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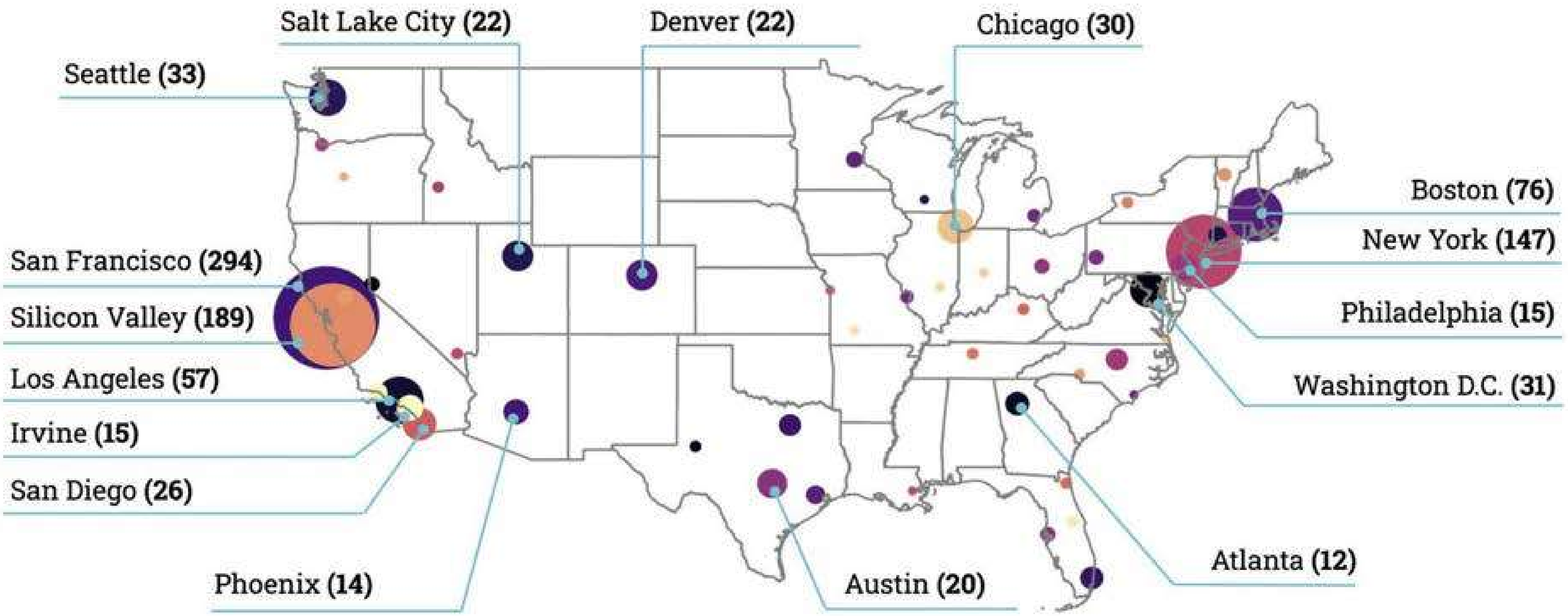
Agree to disagree
Conviction beats consensus

venrock

M12

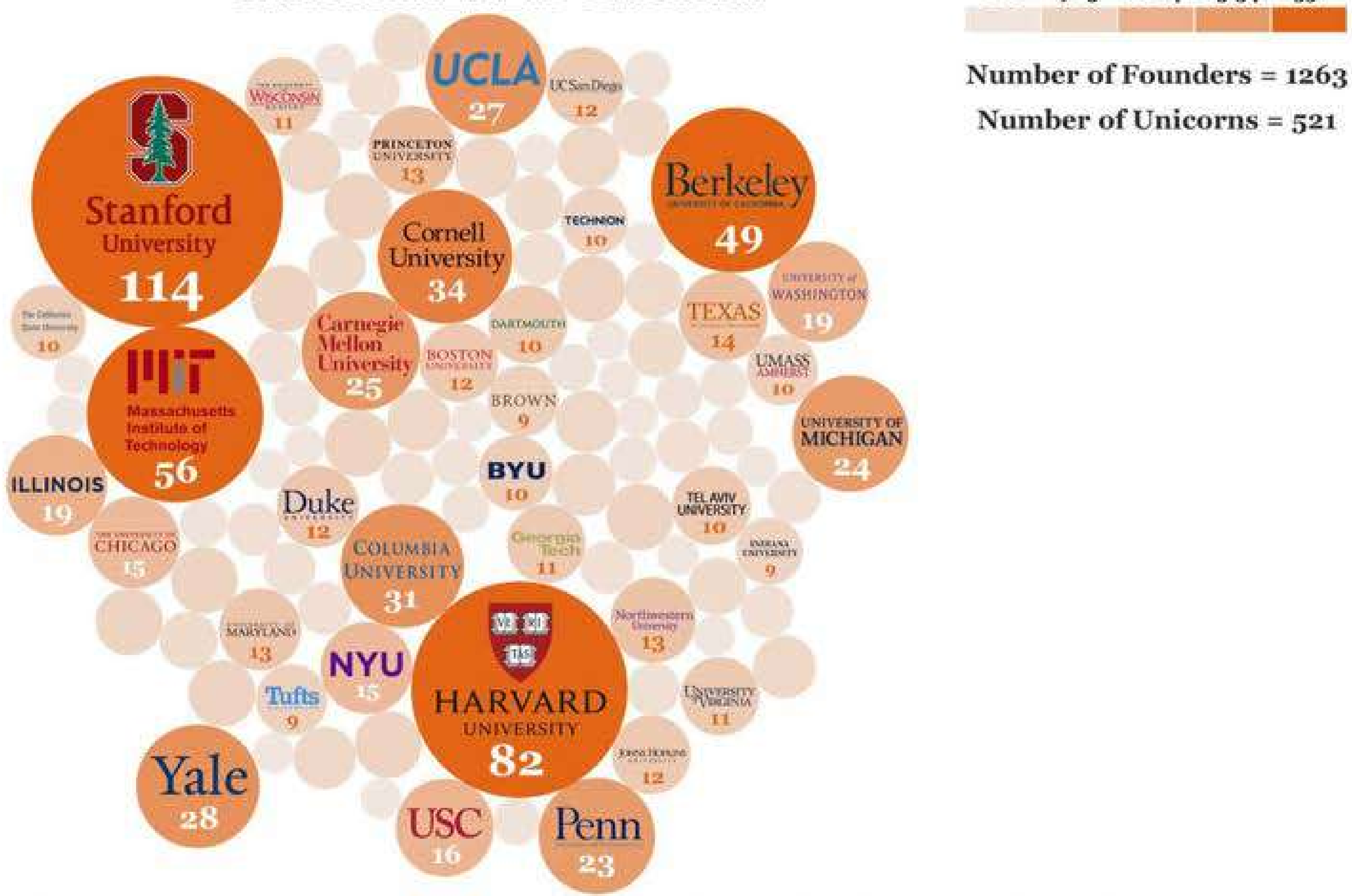
Unicorn clusters in the US



Data covers 1,110 US-based VC-backed companies that became unicorns between 1997-2021. The figure shows the current headquarters of the sample companies.

SOURCE: Ilya Strebulaev, Venture Capital Initiative, Stanford Graduate School of Business (12/2022)

UNIVERSITIES AND UNICORNS



Values show the number of unicorns in which a founder/co-founder is a graduate or faculty/staff member of this university. Data covers 531 US companies that became unicorns between 1997-2019.

Source: Ilya Strebulaev, Venture Capital Initiative, Stanford Graduate School of Business (11/2021)

More data and insights in the Unicorn Report

What It Takes to Build a Unicorn: All Facts and Insights in One Place

"Unicorn Report" by Stanford Professor Ilya Strebulaev offers a data-driven exploration of billion-dollar startups. Based on research of 1,200+ US unicorns, this digital book covers founding teams, geographical insights, and venture capital impact.

Contents include:

- Path to unicorn status
- Geographic distribution of US unicorns
- Founding team dynamics
- Profiles of unicorn founders
- Educational backgrounds
- Professional experiences of founders
- Industry analysis
- Impact of venture capital

As a Patreon supporter, you'll receive:

- Full access to the digital book
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This is an evolving project, and your support helps drive continued research into the startup ecosystem. Join us in exploring the world of high-growth companies and the people behind them.

SCAN ME

ANY QUESTIONS?

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