

Where Innovation Lives

The most important benefits that a location should offer include networks with other start-ups and established companies, close proximity to research institutes, financially sound investors, and, of course, quality of life in good measure—this is what attracts tomorrow’s talent. And exactly where can the world’s top spots for new and innovative businesses be found?

Text Stina Suwelack, Andreas Weiher



⊙ Silicon Valley

- + Very good funding opportunities; a strong community of start-up founders
- Expensive housing; high-wage workforce



“The time I spent at Stanford University was a huge help when founding my company, both in terms of specialist knowledge and in terms of my network. In San Francisco, innovation can be experienced up close and in person. If I were to found another business, then this is where I’d do it again.”

Nicholas Hinrichsen, Stanford graduate and the founder of Carlypsa. Director of Product, Trades and Wholesale at Carvana, an online platform for buying and selling used vehicles

The Origins of the Start-up Culture

Silicon Valley, home to companies such as Apple, Facebook and Airbnb, is the world’s best-known hub for start-ups. The environment is perfect for new businesses: this is where capital, noted accelerators (Y Combinator, Techstars), and qualified employees are all to be found. The mindset of the community means that nothing is impossible. This is why many of the most innovative ideas continue to originate in California. Companies are able to recruit talented, recent graduates directly from Stanford University and the University of California, Berkeley. There are 15,000 active, predominantly technical start-ups with two million international employees based in the Bay Area. This, however, does create infrastructural challenges, as so many people want to make San Francisco their home. Housing in the city is in huge demand and in short supply, and costs are well above average. The approximately 50-mile commute from San Francisco to Cupertino in Silicon Valley, for example, can take up to one and a half hours during rush hour.

- + A young and creative start-up scene; ideal networking opportunities
- Poor international flight connections; rapidly rising housing costs

⊙ Berlin



“In Berlin, there are all sorts of events where you can meet the right people to add to your network in no time.

People don’t hesitate to recommend you to others, and you have a chance to set up meetings with decision-makers who are relevant for your own business. The city is currently evolving into a hub for blockchain technology, which will be huge in the future.”

Wanja Sören Oberhof, founder and CEO of the private venture capitalist WAQW, Company Builder BridgeMaker, and Krypto AG, a blockchain technology provider

A Meeting Point for Start-ups and Corporations

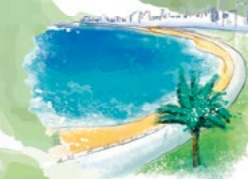
Around 2,500 active start-ups will succeed in creating up to 40,000 new jobs in the German capital by the year 2020. Over the course of one decade, a working start-up ecosystem has emerged here, one that offers ideal working conditions for founders from every sector. The young entrepreneurs specialize in a wide range of industries, including e-commerce, mobility, and fintechs. Berlin’s image as a vibrant, dynamic metropolis attracts young specialists from all over the world. Both German and international corporations have founded digital hubs and accelerator programs of their own in Berlin. These provide a creative environment in which to develop and test innovative ideas before integrating them into everyday operations at other sites operated by the company. The boom in demand has driven the prices for residential properties and office space to new heights, which has resulted in Berlin forfeiting one of its greatest advantages as a location. International investors, however, seem to have confidence in this epicenter of the German start-up scene: Berlin-based start-ups were able to raise almost \$3.4 billion from capital investors in 2017.



“In Tel Aviv, a vibe that’s cool, but also hugely productive, prevails. Hierarchies are flat, discussions are welcomed, and you’re encouraged to leave your own comfort zone. That’s how people come up with creative ideas.”

Orly Glick, Vice President of Value-Added Services at Vintage Investment Partners, a technology investment fund

⊙ Tel Aviv



- + High-caliber technological expertise; keen interest of international companies in collaborating with Israeli start-ups
- Start-ups do not promote themselves sufficiently; very few start-ups focus on the B2C market

Productive Hub in the Mediterranean

There are somewhere between six thousand and seven thousand start-ups in Israel. Most of them are based in the city of Tel Aviv, on the shore of the Mediterranean Sea. Its start-up scene focuses on B2B solutions, attracting companies from all over the world. Here in Tel Aviv, they can find attractive opportunities to collaborate with highly qualified technology experts. Because the Israeli market is small, many business founders concentrate their efforts on innovations that can be adopted worldwide from the start. Office space is available for rent at attractive prices. The state also assists young technology companies: The Israel Innovation Authority, a government agency, offers an innovation visa for entrepreneurs from other countries, as well as tax incentives for investors and different types of grants for startups.



“China is miles ahead of the rest of the world when it comes to adopting new technologies. The most important thing

is to not forget your portable charger. People take care of everything using their smartphone. You don’t take a wallet with you anymore because you don’t need cash. In particular, the online-to-offline market is currently growing in Shanghai in contrast to other start-up centers in China such as Beijing.”

William Bao Bean, Managing Director of Chinaccelerator, General Partner of SOSV, a global accelerator and multi-stage venture capital investor

⊙ Shanghai

- + Good infrastructure; urban districts are making active efforts to create attractive conditions for start-ups
- Air pollution; rising costs of housing

Gateway to China

\$40 billion in venture capital was invested in China in 2017. This is a new record, which the start-up scene in Shanghai will also profit from. Along with private investors, the government, joined by the individual urban districts in Shanghai, is providing support for innovations and enterprise, as these sectors are expected to be a major driver of growth over the next few years. Streamlining bureaucratic processes means that it takes less than a week for founders to register companies. Talented employees from abroad can obtain a work and residence permit much more quickly and easily. Investors who have poured seed money into start-ups shortly after they are founded are compensated by the Shanghai municipal government for any losses suffered, up to a total of \$916,000 per year. Shanghai is the entry point to the Chinese market, the world’s second-largest economy, for many internationally active investors and companies. The city also attracts talent from all over the country. Large technology-based corporations such as Alibaba, Tencent, and Sina Weibo lure them with high wages, which can make it difficult for small enterprises to retain the loyalty of highly qualified employees.



“Vancouver doesn’t have a traditional business atmosphere.

It wouldn’t be unusual for founders to show up in a shirt and jeans to a meeting. That’s something the city shares with the culture in Silicon Valley. The universities are a source of much-needed support. One of my first customers was the University of British Columbia.”

Dr. Damon Ramsey, physician and founder of InputHealth, a provider of software for electronic patient files

Vancouver

- +** Creative atmosphere; high concentration of video and gaming companies
- Poor financing landscape; expensive housing

International Technology Scene

Vancouver is considered to be a melting pot for people from all over. The unique atmosphere not only attracts young talents who wish to work in Vancouver’s technology scene but also the immediate proximity to nature makes the quality of life unusually high. The costs of founding a company are low. Co-working spaces are also inexpensive and provide help with building networks and exploiting synergies with others. The government provides support to young technology companies with tax incentives available through its SR&ED program (Scientific Research and Experimental Development Tax Incentive Program). The proximity to Silicon Valley has resulted in incubators from Vancouver functioning as a stepping-stone to the Bay Area. At the same time, you can observe a migration of talent from the Valley to Vancouver. The financing landscape is still evolving. It is better established in Toronto and Montreal.

South America’s Test Center for Innovations

With nearly 3,000 start-ups, São Paulo is South America’s business incubator. Start-ups put their ideas to the test directly in the city. Infrastructural problems, such as the daily gridlock at rush hour, are being used for testing new mobility concepts in practice. Most start-ups are financed by private investors. The government provides support to new start-ups by means of the Start Up Brasil accelerator, which provides mentoring and financing. The country’s top universities are also located in São Paulo. The majority of the start-ups in the region are still very new. Only a few, such as the Nubank fintech, have already scored successes in major investment rounds, and have been able to establish their business and their idea.



“The entire region of São Paulo is a ‘sweet spot’ for start-ups and tech investors. Along with the opportunity to put different technologies to the test in an urban environment, numerous investors and companies willing to invest in start-ups can be found here.”

Arthur Garutti, Partner and COO at ACE Accelerator, start-up mentor, professor at the Escola Superior de Propaganda e Marketing

- +** Great willingness to invest; an opportunity to field-test ideas at an early stage
- Low maturity start-up network, political instability, and infrastructural problems

São Paulo



“A magnificent cultural transformation is underway in Paris. Young people want to found start-ups and no longer aim to work for established corporations. Paris has learned a lot from Silicon Valley—not to mention the fact that the source of the word ‘entrepreneurship’ is originally derived from French.”

Yasmine Dutoit, founder of My Petite French Box, the first digital concept store for babies and infants that only carries French brands

Paris



- +** The government’s deep commitment to start-ups; openness to founders from all over the world
- High tax rates; rigid labor laws

Presidential Start-up Aid

President Emmanuel Macron intends to turn France into a “start-up nation,” which is why he will be providing founders and investors with support. Imposing a flat-rate tax of 30 percent on all capital income is designed to promote private investments in new technologies. Non-European start-ups can settle in the country for four years under a French Tech Visa when they found a company there. State initiatives such as the Paris Region Starter Pack are actively working to establish Paris as a base for technology companies. Entrepreneur Xavier Niel launched Station F—the world’s largest start-up campus—in 2017. There are start-ups in different seed phases, as well as international start-up programs (Facebook Startup Garage, Thales Digital Factory), and investors all under the roof of the world’s largest incubator. The government is also providing support for women active in the tech scene through initiatives in schools and universities. Paris Pionnières is Europe’s first accelerator that is only open to women. However, not all political measures are proving successful: time-consuming bureaucratic processes and the limited number of international venture capitalists hinder rapid growth for start-ups.

The Digital Epicenter of Africa

Despite its more recent entry into this sector, Cape Town, which now has around 1,200 active technology start-ups, is home to the majority of IT-based companies on the African continent. There are more than 25 co-working spaces in the city, along with 20 local and international accelerators. International technology giants Google and Amazon maintain large offices in Cape Town. The start-up scene is also benefiting from state support. Wesgro, the official agency for promoting regional tourism, trade and investment, is systematically improving the local infrastructure in order to attract investors and provide support to young companies. Investors are profiting from tax incentives, and Cape Town opens the door to the entire African market. Universities are encouraging an entrepreneurial mindset among students: Stellenbosch University, for example, has a renowned accelerator of its own, the LaunchLab.



“The infrastructure and ecosystem in Cape Town are ideal for tech start-ups. Fast and inexpensive fiber optic Internet is available almost everywhere. You can plan for and conduct most of your everyday business activities digitally.”

Boitumelo “Tumi” Menyatswe, tech entrepreneur and Ecosystem Manager at the Silicon Cape Initiative, a community of technology companies, developers, investors, and venture capitalists

Kapstadt

- +** Well-established network of venture capitalists and angel investors; excellent universities
- A small market; equality and inclusion do not always function smoothly



“Bangalore is an innovative and attractive location for start-ups, and one where you can really accomplish something. Traffic problems, however, do have a negative effect on productivity. Solutions need to be found quickly.”

Vikram Ahuja, founder of the Byond Travel travel platform and Parallel XR, a studio for augmented and virtual reality contents. Partner at Kyron Global Accelerator

Bangalore

- +** Inexpensive software development; a large market for digital services (more than 350 million Indians have a cell phone)
- Major infrastructural problems in terms of electricity and traffic

India’s Silicon Valley

Local IT companies first began locating in Bangalore in the 1980s. Their primary focus was on low-cost electronic services and call centers for overseas companies. Since then, start-ups have begun to implement ideas of their own. Around 500 start-ups are currently active in India’s third-largest city, along with numerous technology corporations including Amazon, Cisco Systems, IBM, and Dell. Bangalore has more universities specializing in engineering and technology than anywhere else in India. Many young talents also head overseas for their studies. When they return to their home country, they often bring entrepreneurial ideas with them from all over the world. The government provides support to young start-ups and investors by means of special regulations, such as ones that simplify seed funding by angel investors. One severe problem affecting the city is the inadequate infrastructure: the congestion and poor road conditions mean that employees often spend hours in traffic jams. SAP has changed their employees’ starting time so that they can escape the brunt of morning rush-hour traffic. There are problems with the municipal water and power supply as well.

Hotspot with an Innovative Government

The perfect environment for start-ups: both Sydney’s companies and the Australian government are eager to work with young founders. The government of New South Wales has created an epicenter for the local start-up scene right in the middle of the city: the Sydney Startup Hub, which opened in early 2018. Along with co-working spaces, incubators and accelerators as well as companies are all based here. The Innovation New South Wales government agency is in the same building as well. Start-ups receive a lot of support at the official level, and a new visa process has been introduced for start-ups and employees of start-ups. There are plans to make it easier for young companies to apply for projects tendered by the government in the future.



“Talents, and financing and collaboration opportunities: start-ups will find everything that they need for a successful start-up in Sydney. The universities support students with disruptive ideas. One of the most renowned incubators belongs to the University of Sydney.”

Cheryl Mack, founder of StartCon, Australia’s largest start-up conference

Sydney



- +** High government awareness of innovation-related topics
- Little interest on the part of venture capitalists in late-stage start-ups