

## **The New Global Entrepreneurial Model**

Thank you Juan Jose; my name is Blake Winchell and I add my welcome to His Royal Highness the Prince of Wales and his colleagues from the Prince's Youth Business International.

I am a member of the International Advisory Board, and a visiting professor in Entrepreneurship, at the IE Business School. But my real job is managing a venture capital fund in Silicon Valley and am here to inform you that the very technologies that I have been investing in for the past 20 years are making me, and others like me, obsolete. Here is the reason why.

For many types of companies, there is a new entrepreneurial model in the Valley. It is creating companies that are fast, flexible, powerful, distributed, leveraged and most of all, cheap to start. And that model is putting venture capital firms like mine out of business.

Some of my students have asked me why the global ground zero for entrepreneurship and venture capital is Silicon Valley.

I give them the same answer that Willie Sutton gave when he was asked why he robbed banks – ‘because that’s where the money is’. And the traditional startup model has required a lot of money; millions of dollars to get started, tens of millions of dollars to become profitable and in many cases, hundreds of millions of dollars to reach a liquidity event.

My VC colleagues and I have been all too happy to feed this voracious appetite for capital, and in the process of funding these startups we have taken 70 – 80% of the company’s equity for ourselves. That party appears to be coming to an abrupt end.

The new entrepreneur is using coding tools to build functionality in a few weeks that used to take dozens of man-years of C++ programming. They are introducing prototype products in a matter of months, receiving feedback from the marketplace and refining and re-launching their products, in a perpetual cycle of experimentation based on real-time customer feedback.

Companies of the tech boom a decade ago were often run by MBAs and produced, funded and then stuck to an often inflexible business plan that had binary outcomes - they either succeeded or failed. The new entrepreneur is nimble and responsive, and will execute multiple strategic pivots to stay ahead of a rapidly changing competitive and consumer marketplace. Finally, they are everywhere and nowhere, for with cell phones, wireless networks, sms messaging, Facebook, Twitter, Wikipedia and Google there is no need for huge organizations in one place being commanded centrally.

The new entrepreneurs test their ideas in a couple of months with a few thousand dollars, when it took last-decade startups multiple years and millions of dollars to do the same thing.

They can execute in a year, with a million dollars, what their predecessors took 3 years and \$10 million to accomplish. This generation of entrepreneurs grew up in an electronically connected world and they are leveraging every aspect of that technology in their new ventures.

As a result, they no longer need me and my buddies to, paraphrasing Jerry McGuire, 'show them the money', because they just don't need a lot of money. These new entrepreneurs still must stay close to their customers, but those customers are no longer Intel, Cisco, Microsoft or HP. Their new customers are individuals or companies that could be anywhere in the world, and they can stay customer-connected 'through-the-cloud' rather than 'down-the-street'. They still need to stay close to their supply chain, but this, too, can be done in a much more efficient manner virtually rather than physically. And, finally, there is diminishing need to be headquartered near their investors, because the money and its managers no longer controls the company. The entrepreneurs just don't need that much of it.

So, while this may be bad news for my fellow Silicon Valley VCs, it's good news for global entrepreneurs. Using tools from the very companies that we have funded in the past, they can now start companies from anywhere in the world, unconstrained by the physical location of their customers, suppliers or capital.

Finally, this Evolutionary Entrepreneurship is also fueling Revolutionary Entrepreneurship. The same economic characteristics of the new entrepreneurial model I have just described – nimble, flexible, connected, distributed and powerful – have been at the center of the revolutionary political seismic shifts that are taking place in Tunisia, Egypt, Libya, Yemen, Jordan and Bahrain. The disruptive political entrepreneurs in those countries are using their mobile phones, sms messaging, Facebook, Google, Wikipedia and Twitter to communicate, coordinate and then disintermediate their oppressive dictatorial political regimes in much the same way as our oppressive dictatorial venture capital regimes are being disintermediated by their economic entrepreneurial brethren.

The entrepreneurs of tomorrow are the youth of today, and there is no better way to sustain this global economic evolution, and global political revolution, than to nurture their education and development. We honor the Prince's Youth Business International's dedication to the nurturing of young entrepreneurs worldwide.

Welcome to IE and thank you.