

svb



Silicon Valley Bank

2020 Global Startup Outlook

Key insights from the Silicon Valley Bank
Startup Outlook Survey



Startups see bright conditions in 2020

Silicon Valley Bank is pleased to present our 11th annual **Startup Outlook Report**, capturing entrepreneurs' perspectives on the health of the innovation economy. For our 2020 report, we drew on 1,100 responses from technology and healthcare founders and executives based in the US, the UK, China and Canada.

The headline. Two-thirds of these entrepreneurs tell us they expect business conditions to improve in 2020, underscoring the resiliency of the innovation sector. This level of confidence has essentially remained unchanged over the past few annual surveys, even in the face of shifting economic and political headwinds and increasing scrutiny of the tech sector.

The 2020 results underscore a few key themes. There's rarely been a better time to be an entrepreneur; almost all are planning to hire, and most of those who are attempting to raise capital report that they are successful. In many ways, technology has reduced the cost of entry, allowing companies to more quickly solve for product-market fit or move on.

But there's another part to the story. As technology becomes embedded in nearly everything we do, the debates grow louder over who should have access to tech jobs and why most leadership roles still go to white males. Front and center now at the highest levels of many governments are discussions about how to handle data privacy and cybersecurity issues. And more than ever, we are all talking about the real-world impacts of the technology revolution.

Entrepreneurs are not ones to shy away from tough problems; in fact, they thrive on the pursuit of solutions. We do this report every year with the goal of helping startups, policymakers and the public understand what drives the innovation economy, and we hope you find useful information that can help you succeed in 2020. Let us know what you think.



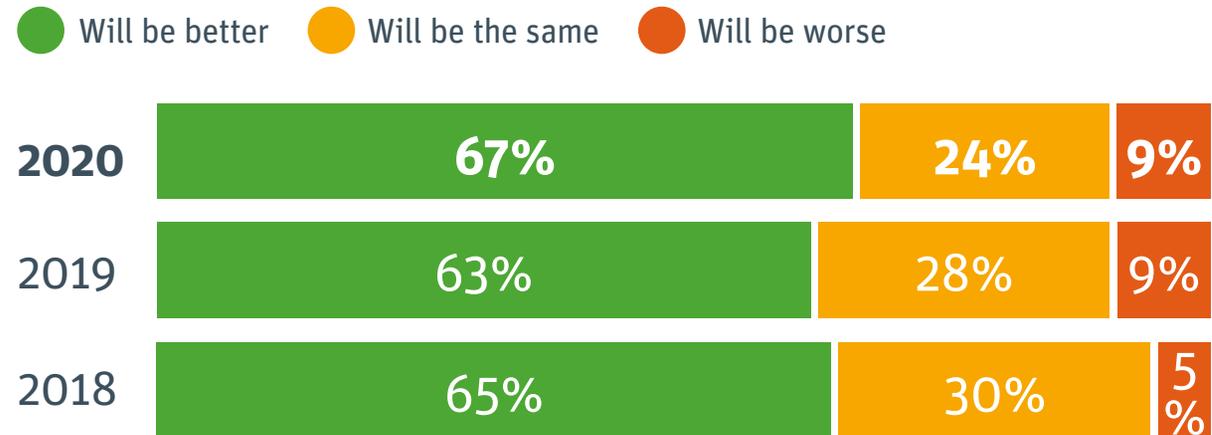
Greg Becker
CEO, Silicon Valley Bank

Two-thirds of startups say 2020 will be better

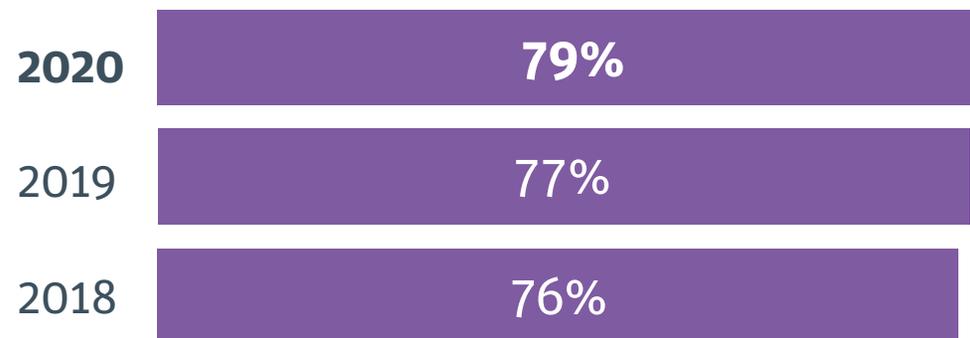
The innovation economy continuously adapts to change, and entrepreneurs are optimistic by nature. Despite the dramatic political and economic transitions under way, startups consistently share a positive forecast for improving business conditions.

In addition, 79% of startups plan to hire in 2020, underscoring their critical role as job creators.

Describe your outlook for business conditions for your company in the coming year.



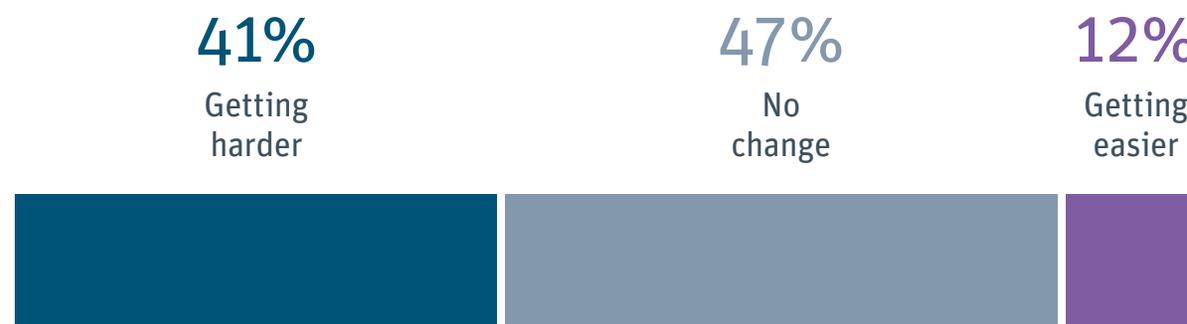
● Percentage that plan to hire



Capital abounds, but it's not easy to access

While there is no shortage of investors, they are increasingly selective about how and when to invest. Just 12% of startups say it's getting easier to raise funding, while 41% say it is getting harder. Even so, for those startups that sought capital in 2019, all but 11% were successful, and 56% said they raised their most recent round in less than six months.

What is your view of the current fundraising environment for companies like yours?



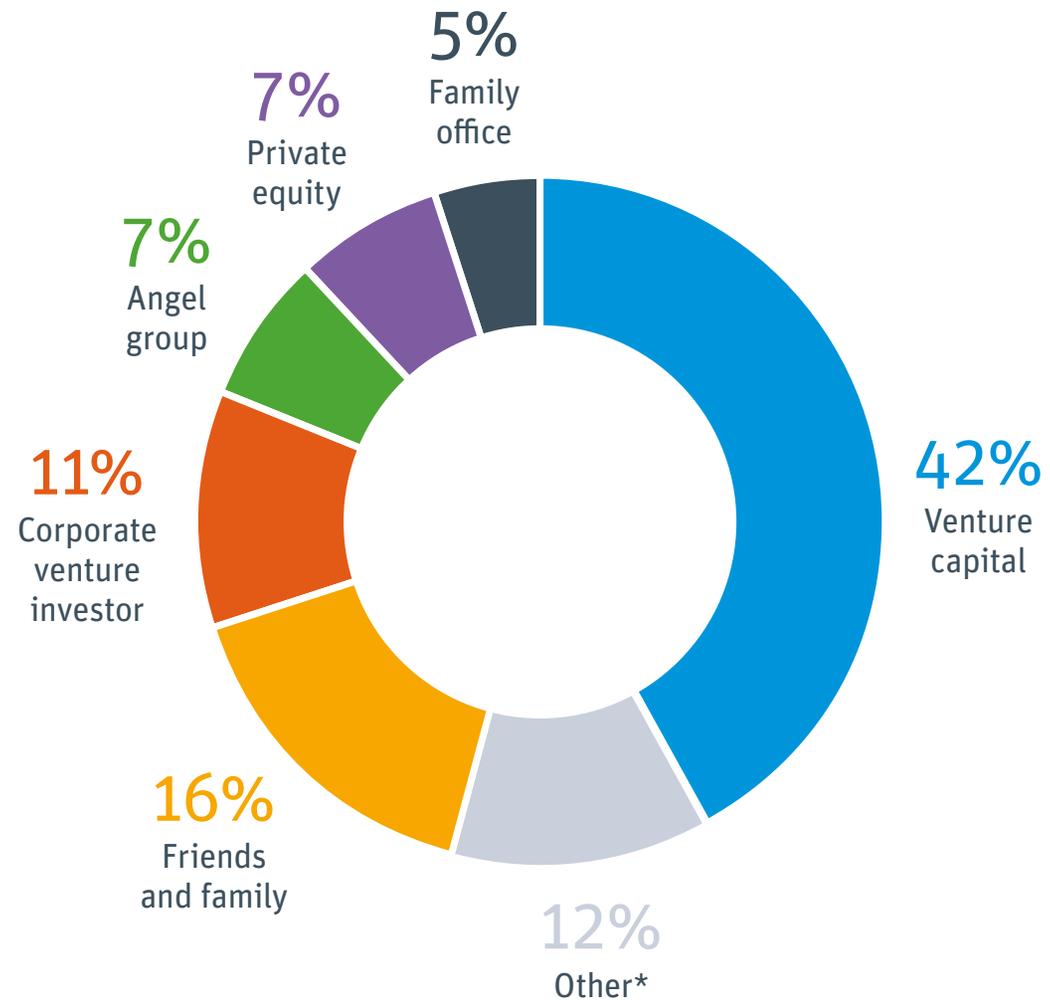
“As an early-stage, diverse (with women and minority co-founders) medtech company, access to pre-Series A and A financing is a monumental challenge.”

Co-founder, US medical device company

Startup capital comes from many sources

With the rise of non-traditional sources of capital, startups report that they are tapping a variety of funders. Venture capital, however, was still the top source for those that recently raised capital.

If you raised private capital in 2019, what was the primary source of funding?

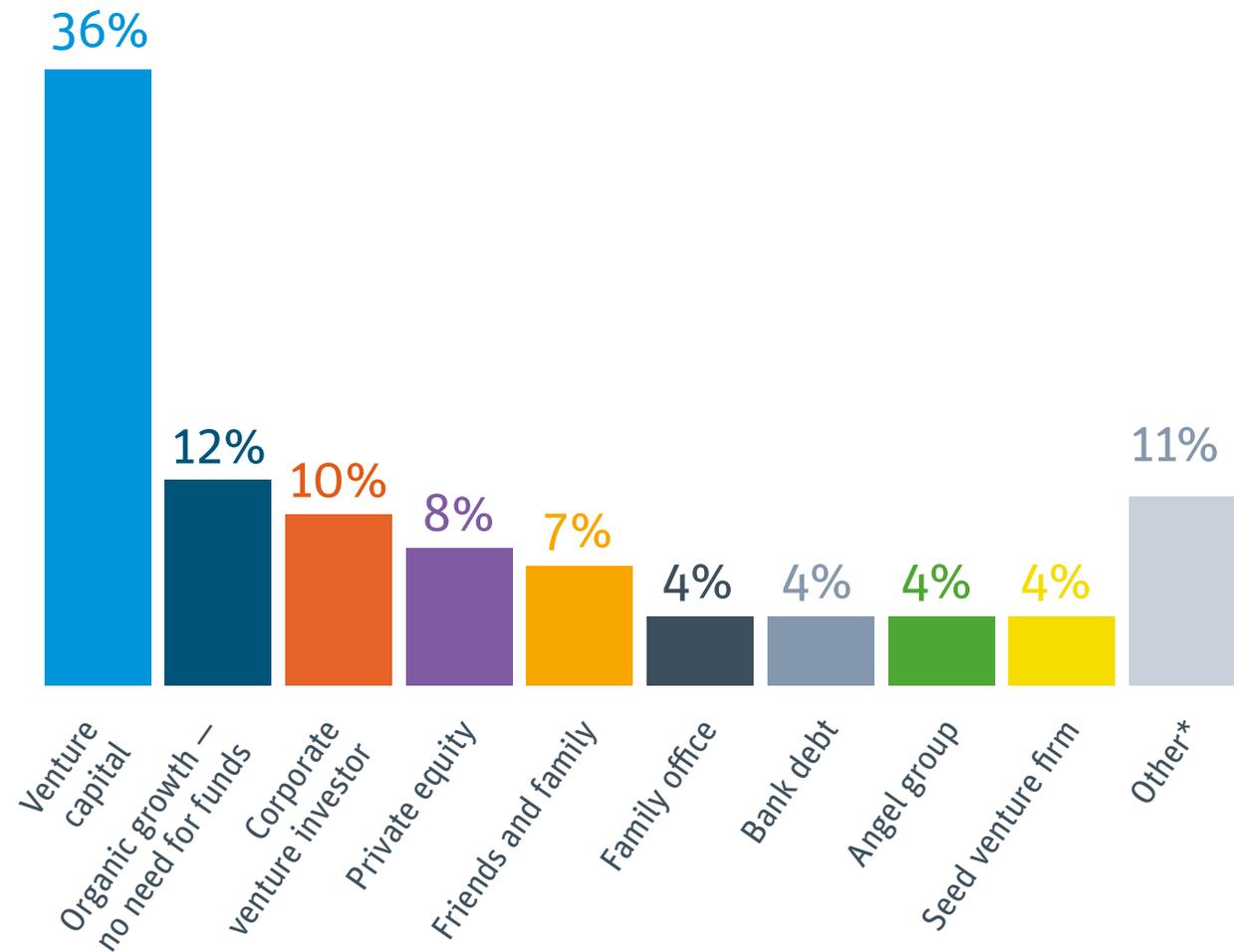


*Other includes seed venture firm, accelerator/incubator, government grant, bank debt, crowdfunding, ICO and IPO.

Venture capital still dominates

Startups again expect venture capital to be their next source of funding. Interestingly, 12% of startups do not plan to raise money in the near future but to instead rely on organic growth.

What do you expect your next source of funding to be?

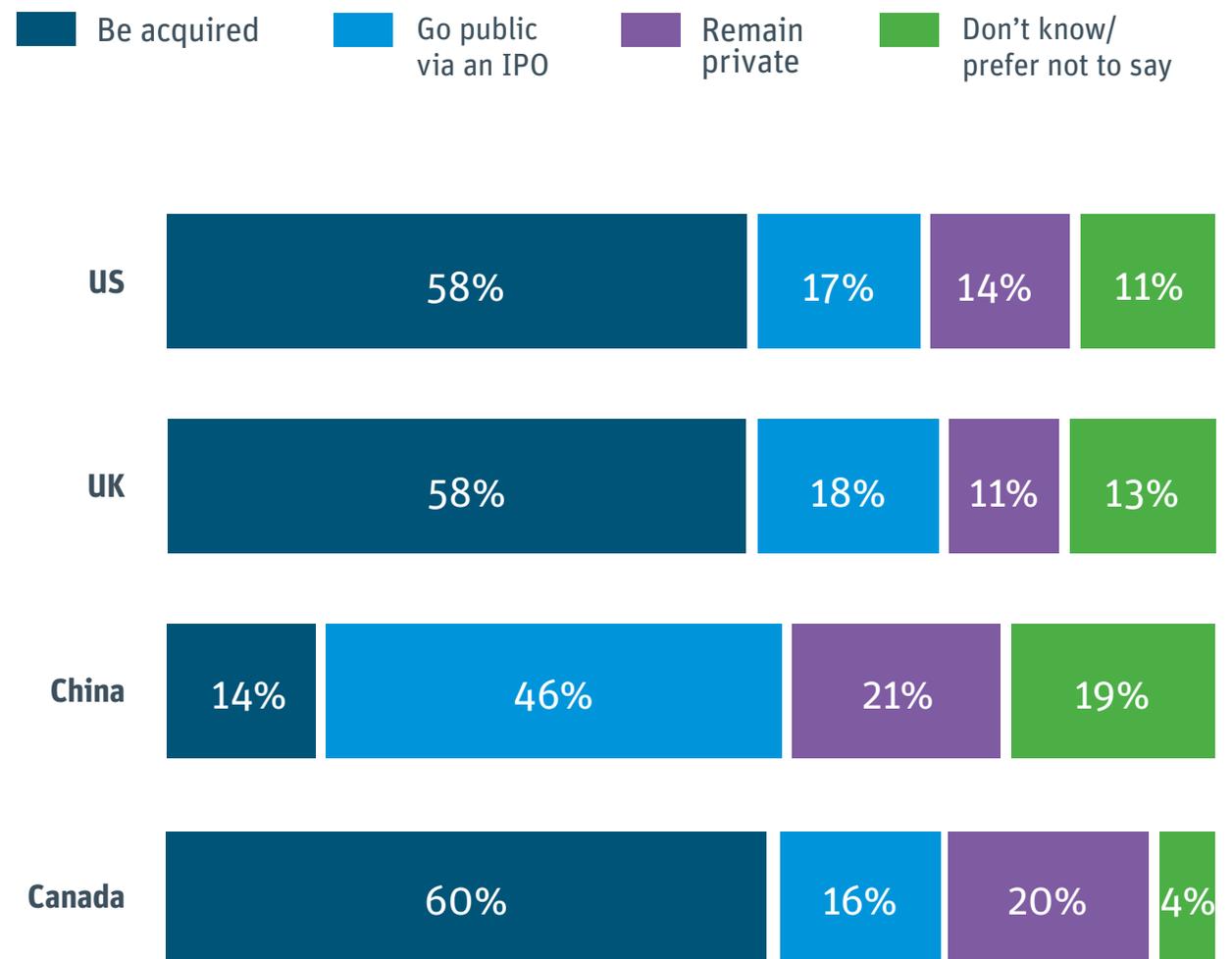


*Other includes accelerator/incubator, crowdfunding, merger, government grant, IPO and ICO.

Most startups expect to be acquired

While headlines both trumpet and criticize recent IPOs, the fact is most entrepreneurs never expect to reach a public market exit (except in China, where an IPO is typically the top goal). And in this environment, it's sometimes hard to pinpoint a long-term goal.

What is the realistic long-term goal for your company?



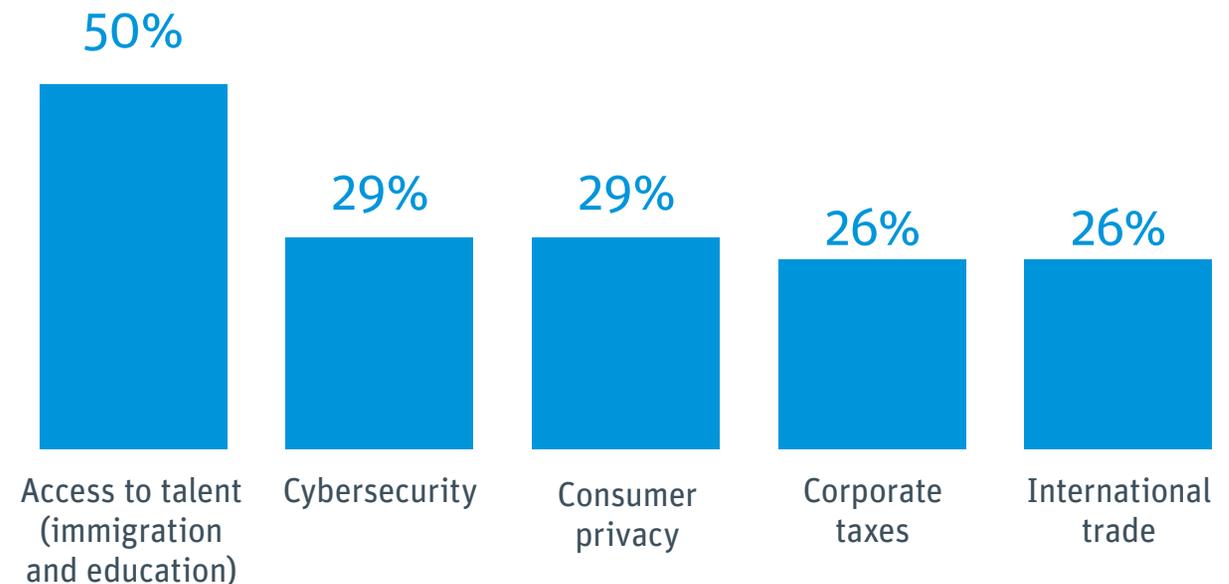
Access to talent is top public policy issue

Finding skilled talent is a top concern in many innovation hubs.

“Talent ‘wars’ continue to drive up costs and make scaling more difficult.”

VP of finance,
US cybersecurity company

What are the three most important public policy issues affecting companies like yours?



“Cybersecurity and data sovereignty need to be addressed systematically by Canada for us to just maintain our standing in the world.”

Executive, Canadian tech company

Many startups say hiring is getting harder

Low unemployment rates, competition for top talent, stiffer immigration rules and the high cost of living in global tech hubs combine to make hiring talent difficult. Demand is highest for development and R&D roles.

“Access to EU talent and being a welcoming place are key for the UK to remain a technology leader.”

VP of finance,
UK cybersecurity company

“We should be open to educating everyone, and talented people should be allowed to stay and work in the US.”

Co-founder, US fintech company

How would you describe the hiring environment compared with last year?



What are the top three skills you are hiring for?



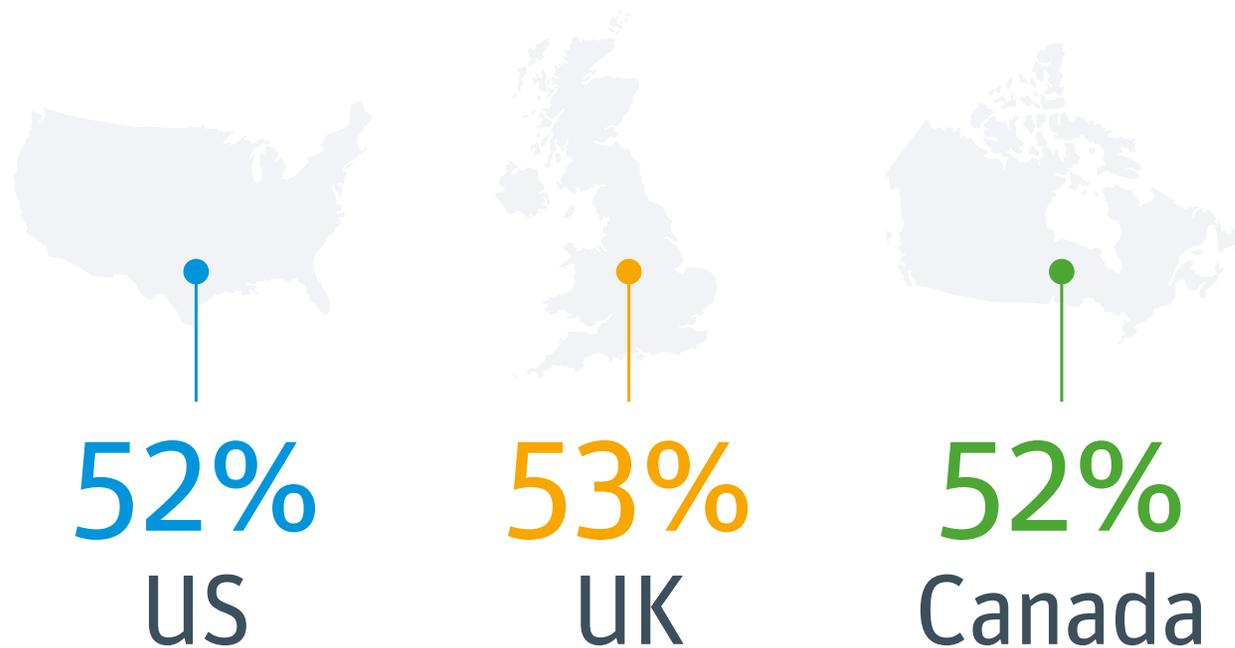
Entrepreneurship knows no boundaries

Entrepreneurs hail from countries all over the world, bringing their ideas to innovation hubs in the US, the UK and Canada. Half of startups in those three countries have at least one foreign-born founder.

“Bring back US entrepreneur visas for founders.”

CEO, US AI company

Startups with at least one foreign-born founder:



Are women making it into startup leadership?

Industry leaders and individual companies are increasing awareness and efforts to improve female representation in tech leadership, but the gap to reach gender parity remains wide.

SVB will publish an in-depth report on Women in US Technology Leadership in H1 2020.



43%

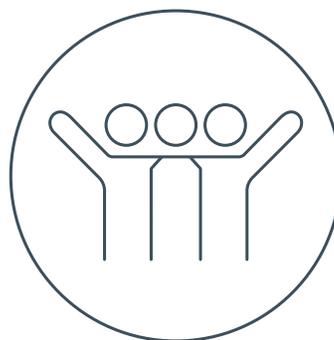
have at least one female **C-suite executive**

42%

have at least one female **board member**

How are ethnic and racial minorities represented in startup leadership?

For the first time, we asked startups in the US, the UK and Canada about ethnic and racial minorities* in leadership positions.



42%

have at least one **C-suite executive** who is ethnically or racially diverse

44%

have at least one **board member** who is ethnically or racially diverse

*Ethnic and racial minorities are defined as:

US: Black/African American, Hispanic, Asian/Pacific Islander, American Indian and Alaskan Native.

UK: Black/African/Caribbean or Asian.

Canada: Visible Minority or Indigenous/Aboriginal. Visible Minority is defined by Canada's Employment Equity Act as "persons, other than Aboriginal people, who are non-Caucasian in race or non-white in colour."

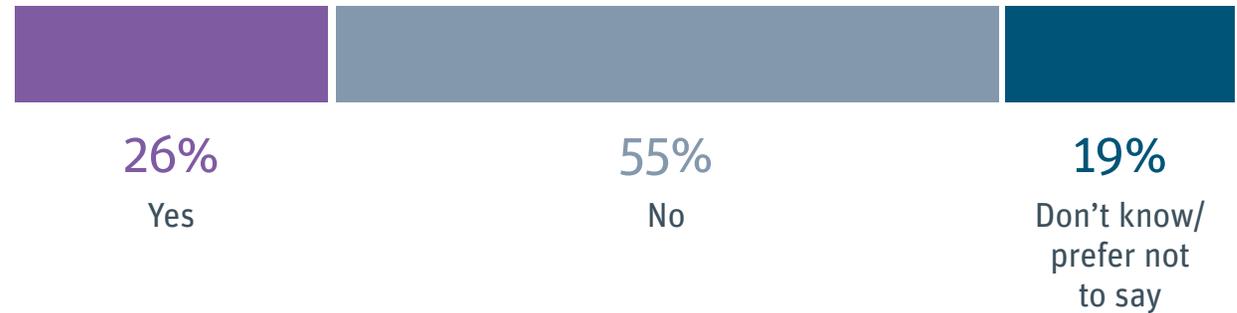
What are startups doing to encourage a diverse workforce?

We asked startups in the US, the UK and Canada what kinds of programs they have to increase diversity. While 43% say they have companywide promotion and hiring goals, fewer than one in five has these goals specifically for C-level positions. About one-third have board member diversity goals.

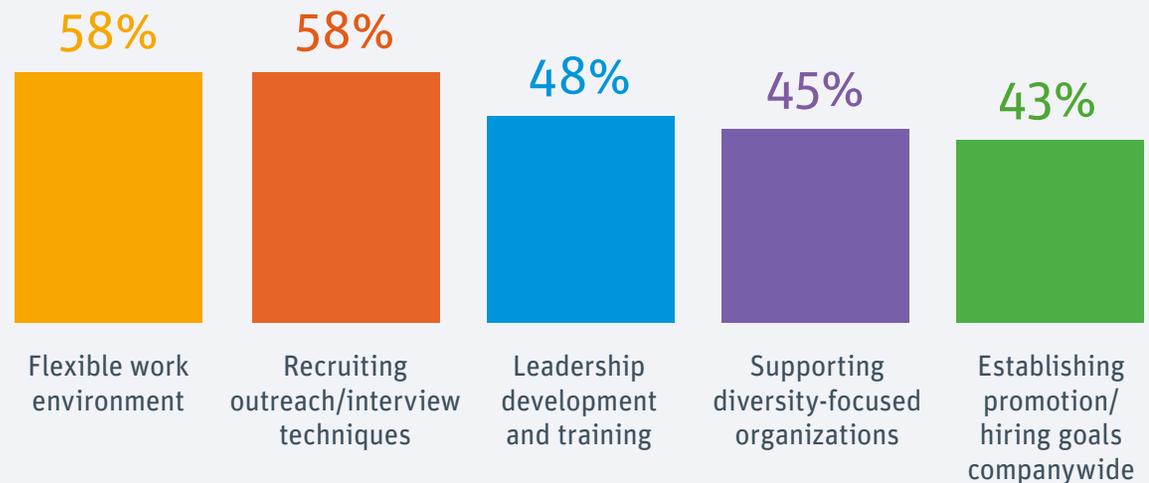
“Make it easier for injustices to be corrected and penalize VCs and boards for poor diversity.”

CEO, US consumer internet company

Does your company have any programs to increase diverse representation in leadership?



What types of programs do you have in place?



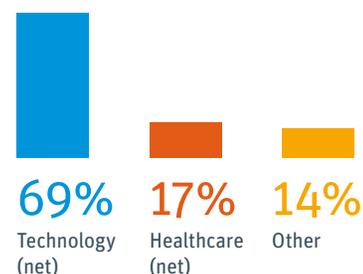
About the Startup Outlook Survey

Our annual survey offers insights into what is on the minds of technology and healthcare startup leaders. For the 2020 report, we conducted the survey in October and November 2019 and received responses from startup executives in innovation hubs primarily in the **US**, the **UK**, **Canada** and **China**.

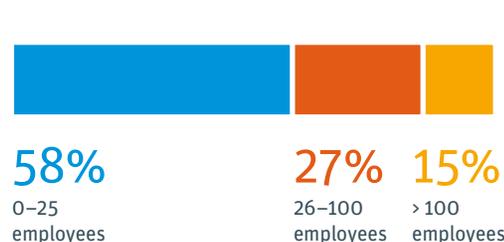
Total respondents

1,100

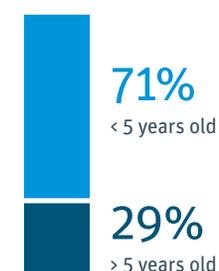
Industry sector



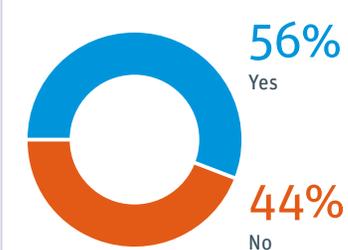
Size



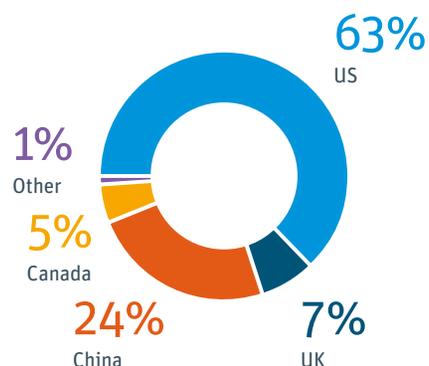
Company age



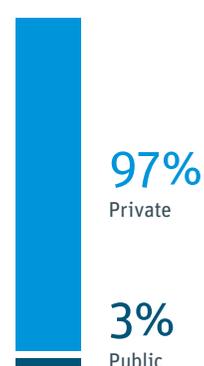
Profitable



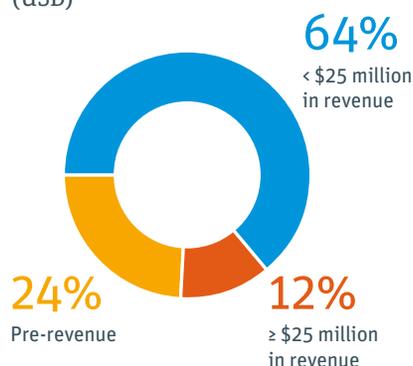
Primary place of business



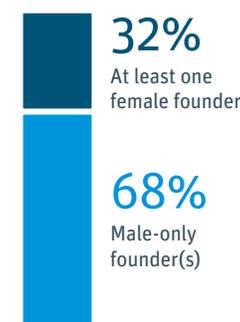
Ownership



Revenue stage (USD)



Founder gender



Companies with at least one founder born outside their primary country

