



## Stanford eCorner

### Challenges to Entrepreneurship in Latin America

Wences Casares, *Bling Nation & Lemon Bank*

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While serial entrepreneur Wences Casares concedes startup success rates are low around the world, he argues that Latin America-based startups face additional challenges due to friction points in the regional ecosystem. Casares also outlines an intriguing benefit to building talented technical teams in the developing world. Fellow entrepreneur Meyer Malka highlights differences between investment options in Silicon Valley and Latin America.



#### Transcript

The entrepreneurial ecosystems are incredibly different in Europe, in Silicon Valley and in Latin America. In Latin America, uhm, doing a startup anywhere in the world is hard. It's again, the, the numbers do not look very favorable. If you, whatever it is, it's 1%, 10% if you want to be incredibly generous you will be successful. Uhm, let's say it's 1% and that's a chance of 0.01. When you, in Latin America any business forget about the startup, it has a 1% chance of surviving. The ups and downs of the, of the economy, the lack of a strong institutional framework or rule of law, etc. etc. It's much, much harder for companies in general to operate in this environment of very high friction than it is in the US or in Europe. And when you combine those chances or the sort of the startup chances times the, the Latin America where emerging market and high friction, the result, it's an exponentially low.

If the risk gets compounded and the upside doesn't get compounded, ah, actually in many cases, the upside is less than in the of all the customer gets ah, smaller. So, so unless you, there is a very clear angle on how you know the market or a very specific opportunity, etc. I think that, that that the straight off of going to emerging market because there's less competition is not necessarily a clear trade off that it pays off. There maybe more competition here but when you're exiting in a place like Silicon Valley, you're focused 80% of the time in creating value and 20% of the the time with dealing with the friction that comes with doing anything. In Latin America and most places, you're lucky if you come focused 40% of the time to creating value and 60% of the time is dealing with the friction, which for startup, it's, it's ah, it's asphyxiating, and can kill them very easily. There is some practical example that we learned when we moved here. In South America or in Europe as an entrepreneur, whenever you start a company and you will leave, and yourself, you typically put your own money to it. And you start and that gives you much more credibility than any other aspect. You know, that's what they want to see in those environments. Are you willing to risk your own network to build a business.

In Silicon Valley, it's a very, it's wire differently. Here, to be credible, to, to be able to talk to a business or a retailer or anybody who want, that you want to build that company around, you need to show that you're venture-backed. And that's just one little example of a lot of big difference when you get to choose a market, you know, those ah, the venture capital industry, it's not that sophisticated nor exist so well in Latin America, yet nor in Europe, it's there but it's not as broad as Silicon Valley. So those are some of the examples of things that you have to handle when, when you make a decision where, where you want to base. I, uhm, if I were an emerging market entrepreneur who is very familiar with Silicon Valley, I would be looking at opportunities where I could develop a product and a business from Panama or wherever, it is, and using the local talent which sometimes you'll be surprised on the quality of the talent you can get there can be much better than, than what you can get in here because, and that's very counterintuitive but, but here talent is not only expensive but the best talent is often taken by the very large companies. So when you look at the startups, they will have one brilliant engineer for every four to nine good but

average engineers. In Panama you may have the luxury of creating a team of nine brilliant engineers. That's very, very hard to do in Silicon Valley. And I think it's just a matter of time before we see a world class company addressing the world markets and develop the world markets from an emerged, from the emerging markets. Actually I think that the biggest reason why that is not happening is sort of self-imposed censorship if you will.

There are, uhm, entrepreneurs who have the right ideas to do from Vietnam or from Panama or from Turkey and ah, they would like to launch them to the developed world from the market but they don't do because they haven't seen people do it before and they think it's impossible. I just think we have to see the first examples of that to, to begin see a big trend in the rest. Especially, yeah, especially in mobile where I think some of these markets are very advance in how they use the mobile phone.