Ted Gonder

An Early Assessment of Start-Up Chile

Innovations Case Commentary:
Start-Up Chile

In just two years and with no marketing budget, Start-Up Chile has generated remarkable buzz. Young entrepreneurs in Santiago—a city that until recently was not considered a major entrepreneurship hub,[1] often recognize the program's name. Start-Up Chile has become the central convening force for a national entrepreneurial movement: although its collaborative office space is in the nation's capital, its ripple effects are felt throughout the country, where entrepreneurs and local leaders have begun organizing meet-up events and conferences to promote discussions around innovation.

The program has received even more attention internationally: plaudits have come from sources as wide-ranging as technology bloggers,[2] start-up hacker societies,[3] the Kauffman Foundation,[4] and *The Economist*.[5] In Chile, excitement around the program may stem mainly from the community and university events, new opportunities for aspiring entrepreneurs, and the program's inspiring messaging, which conveys a vision for the country's cultural transformation. The excitement abroad comes from less Chile-centric aspects of the program. For earlystage, location-independent foreign entrepreneurs—thus far, applying from over 70 countries globally—Start-Up Chile seems to be a proposition that cannot lose. Selected applicants receive an almost instantly deployed one-year working visa without having to work for another company, US$40,000 without having to give up an equity stake in their company, and a welcoming community of fellow founders from all around the world—and many more benefits. For proponents of entrepreneurship and innovation in the academic and foundation worlds, Start-Up Chile offers not only a new model to boost regional entrepreneurship but also the potential for a global movement of interconnected start-up networks. For Chileans, foreign applicant entrepreneurs, and hopeful influencers of policy alike, the project's early successes seem to predict future ones.[6] However, it is important to discern

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substance from enthusiasm in order to understand whether and why Start-Up Chile actually merits the recognition it has received.

Most of the excitement about the program—even when negative—has related to its design. Equity-free seed capital and incubation, community, and adventure offer entrepreneurs a refreshingly simple and rare package. Compelling for advocates in the macroeconomic policy discussion are the concepts of importing talent to drive regional economic growth and unlocking transnational entrepreneurship networks through immigration.[7] In theory, both the entrepreneurial offerings and the macroeconomic benefits of Start-Up Chile hold value and novelty. In practice, however, as a government-administered program these concepts lack an extensive track record.

In the absence of hard proof, the promises of Start-Up Chile's model can only be evaluated in the implementation of the program itself. One notable indicator that the program is being implemented effectively is that it collects data and conducts evaluations internally: Every two weeks, when the entrepreneurs visit the program's central offices to be reimbursed for their business expenses, government officials collect current data on the companies' employment (jobs created), sales and revenue, investment status, etc. To this end, some might ask whether and how the program measures its impact on the local and international economy. Such questions of medium- and long-term outcomes ask too much, however. What is important, especially given its young age, is to ensure that the program collects enough data in the short term to serve its participants' business goals. The more companies that succeed in raising capital from either local or international investors, gaining traction with local and international customers, and integrating with both local and international networks, the more successful the program will be. That said, at this stage in its growth, the program has enough processes and systems in operation that it would now be appropriate for external research partners such as universities and foundations to begin collecting and analyzing data more rigorously.

Outside the question of measurement, other factors indicate strong implementation at Start-Up Chile. The program's staff members meet regularly with their entrepreneurs to understand how they can help. The dynamic feedback loop between staff and entrepreneurs allows for fast learning, and iterative experimentation from one class of arriving participants to the next. After running a pilot to work out kinks in the design, the program launched into its first cycle of entrepreneurs. After the first cycle, once the international and open-minded culture had been established within the program, Start-Up Chile opened its doors to Chilean residents to speed the transformation of the country's entrepreneurial culture, planting roots domestically to allow for organic change. (Note that this is wisely the opposite of a synthetic attempt to replicate Silicon Valley.) Staff members are also remarkably open to active participation from the entrepreneurs, letting them organize networking and training events in the program offices. By the same token, the program places no strong restraints on its entrepreneurs about relocating once the six months of incubation end: they can incorporate and receive invest-

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ment wherever in the world it suits their business needs. Finally, Start-Up Chile is sharing its model and networks transnationally, putting the country on the world map as a leader in entrepreneurial collaboration. Some have expressed concern that the program was launched as a publicity stunt for Chile;[8] if so, it is working! Investment capital is beginning to follow talent into and back out of Chile,[9] strengthening pathways[10] for financial and human resources to flow more in the future. The effects of this phenomenon are only beginning to show but are likely to grow exponentially.

The program is not without challenges, however. The venture market in Chile is still undeveloped: risk-averse traditional investors have been known to require equity stakes in excess of 60 percent to compensate for their lack of familiarity with new technology businesses.[11] Although some entrepreneurs (both Chilean and foreign) have succeeded in raising capital from Chilean investors,[12] these cases are rare. More entrepreneurs are seeking investment from outside the country. Although that is not necessarily a bad thing from a foreign domestic investment standpoint, it also does not help the program retain more successful entrepreneurs, since investors in Silicon Valley and elsewhere often want their companies to "be within a 20-minute drive."[13] The program's retention rates still hover around 20 percent to 30 percent and although Start-Up Chile is wise not to force participants to stay in Chile after the initial six months, it could certainly do more to target and select applicants with businesses that leverage Chile's strong industries—agriculture, mining, energy, etc.—rather than just consumer web companies. Fostering closer relationships between businesses and customers through guided selection and entrepreneur orientation is one area where Start-Up Chile could improve its retention rates without sacrificing its companies' success rates.

Start-Up Chile may not be replicating Silicon Valley, but it is certainly offering a new model for governments to think about using entrepreneurship to transform culture, build the economy, and enhance human and investment capital flow transnationally. The team administering the program has effectively side-stepped the design and implementation errors of historically similar efforts, learning quickly and early to prioritize the entrepreneurs, building internal systems for continued success, and collecting basic data. Other countries have been inspired by these early efforts to launch similar efforts[14]—called Start-up "Nations"[15]—and every day more entrepreneurs around the world consider applying to Start-Up Chile. The program has told its story well and has sparked lively discussion around the topic of immigrant founders, attracting talent, and transnational entrepreneurship. More rigorous evaluation of the program's impact would ground these discussions in fact, offering ammunition for policymakers to reap the same benefits for their respective countries and collectively opening up the world's entrepreneurship communities to collaborate for a better future.

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