

'Unicorns' are on the rise in emerging-market nations

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The number of "unicorns"—high-tech, high-growth entrepreneurial ventures valued at more than \$1 billion—is increasing in emerging-market nations such as China, Brazil and Colombia.

As the name suggests, these unicorns are rare: There are fewer than 500 such companies in the world and nearly half are based in the U.S. But emerging-market behemoth China is home to around 40%, and there numbers are rising in Latin America, too.

"Since the year 2000, and particularly after the financial crisis (of 2008), companies from emerging markets—particularly China—have become very global," said Lourdes Casanova, senior lecturer in the Samuel Curtis Johnson Graduate School of Management, and the Gail and Rob Cañizares Director of the Emerging Markets Institute (EMI).

To illustrate the major effect emerging-market multinationals are having on the world economy, Casanova and Anne Miroux, a faculty fellow at EMI, produced an interactive transformation map for the World Economic Forum. On the WEF site, the map can be manipulated in a multitude of ways to see how an individual country or economic sector connects to the rest of the map.

"Politics, for example, is very important for these [emerging-market] companies," Casanova said. "In say the U.S. or Japan, the political environment is much more stable and predictable, but in many emerging-market counties, the political situation can have a big impact on companies."

On Nov. 5, Casanova will co-host the EMI Conference 2021, in the Verizon Executive Education Center at Cornell Tech. This year's theme is "Emerging Markets Multinationals: Building the Future on ESG (Environment, Social and Governance) excellence." She and Miroux are among the more than 20 scheduled speakers at the conference.

Since 2016, Casanova and Miroux have co-authored the "Emerging Market Multinationals Report" to explore the rise of major companies from emerging-market countries. Last year's report, "Ten Years That

Changed Emerging Markets," summarized a decade's worth of growth of these companies and how they are changing the global economic landscape.

Emerging-market multinational companies now make up approximately one-third of the Fortune Global 500. Through a combination of growth in their domestic markets, greenfield investments (a company creating a subsidiary in a foreign country), and mergers and acquisitions, they have moved into the top league in several industries.

They have also turned into key innovators and technological leaders and, in the process, become major competitors for their Western counterparts.

What has fueled these companies' growth? There are a couple of key factors, Casanova said. In the case of China, she said, the low cost of labor means companies can beat their competitors on price. Also, many firms have invested heavily in research and development, and have become very innovative with their products and services.

Also, she said, the fact that many emerging-market multinationals are at least partly, if not totally, owned by the state means they have access to financing and other advantages that private companies don't have.

"If you look at the 100 biggest companies in the U.S., only one (the U.S. Postal Service) is state-owned," she said. "But look at the 100 biggest Chinese companies and you have around 80% that are either fully or partially state owned. And you look at Mexico, Brazil and others, and you'll find the same thing."

The rise of "unicorn" multinationals in Latin America is particularly noteworthy, Casanova and Miroux write in their EMI report. A good example is Argentina-based MercadoLibre, the most popular e-

commerce site in Latin America. In 2007, eight years after its founding, it became the first tech company from Latin America to be listed on NASDAQ. In 2018, MercadoLibre reported \$1.8 billion in revenue and more than \$30 billion in market capitalization.

Brazilian online banking company Nubank (valued at around \$10 billion) and Colombian online marketplace Rappi (\$3.5 billion) are other top Latin American unicorns.

One reason for these companies' strength in emerging markets, Casanova said, is their use of digital technology, including mobile payments.

"In the U.S., you have Apple Pay, Venmo and others," Casanova said, "but in emerging markets, such as South America and Africa, the penetration of credit cards is low, so the companies themselves are developing mobile payment options."

Among the speakers at the EMI Conference will be Andrew Karolyi, dean of the Cornell SC Johnson College of Business, Dan Keeler, frontier markets editor at the Wall Street Journal; Marcos Troyjo, president of the New Development Bank; and Blanca Treviño, founder and Chair of Softtek.

The conference includes the fifth Corning EMI case competition and the second Cornell EMI Mark Mobius pitch competition. The conference is an opportunity to learn, network and reconnect, and is open to all Cornell alumni.

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