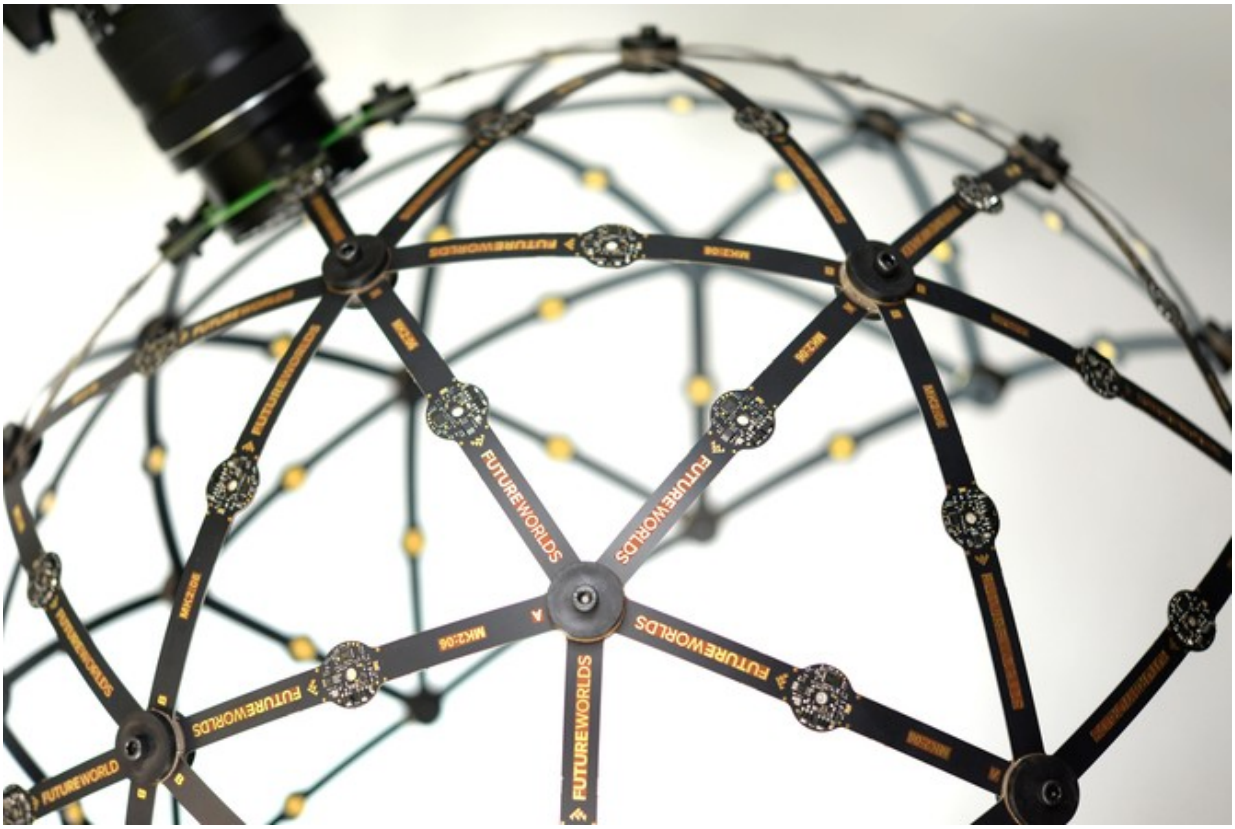
Why fast failures make US startups a better bet than those in the UK

January 15 2016, by Reuben Wilcock, University Of Southampton



CurveStar, a curveball pitched to investors at CES - but few UK firms have the opportunity. Credit: FutureWorlds, Author provided

Eureka Park, Las Vegas: not a housing estate, but "the hall of hopes and dreams" – aisle after aisle of entrepreneurs showing off their wares as

part of the Consumer Electronics Show, the biggest tech gadget show in the world. CES, opening in early January for a week each year, is a hive filled with both startup companies and their innovations and tech giants and global brands showing off their latest products.

From our booth, 80826, located at the heart of this extraordinary exhibition space, I could almost taste the opportunity in the air. I had flown with my team 5,200 miles from the UK as director of Future Worlds, a startup incubator at the University of Southampton with a mission to help aspiring entrepreneurs get their ideas out into the world.

My career has straddled both academia and industry, and I'm painfully aware of the many untapped opportunities hidden among universities around the country. I've devoted the last few years to nurturing a Silicon Valley-style startup culture at Southampton, with the hope of coaxing some of this potential into existence. In the UK, unlike in the US, this is much harder than it should be.

Since I left my last spin-out company, I've been fascinated with the phenomenal track record of entrepreneurship at Stanford University in the US. Almost 40,000 active companies can trace their roots to the university. Between them they generate annual revenues of US$2.7 trillion and have created 5.4m jobs since the 1930s. Despite ranking as global leaders in innovation, universities in the UK cannot boast anything like such a record. They are still inefficient in converting the undeniably excellent research their academics produce into meaningful impact through commercialisation, or licensing, or spin-outs companies. And that's without considering the thousands of entrepreneurial undergraduate students desperate to create success on the scale of their US counterparts.

SharkStream's motion capture technology. Credit: Future Worlds, Author provided

At CES we were promoting 12 startups to a truly global audience of other firms, investors and the press. We'd come equipped to demonstrate two products in particular: SharkStream, a cutting-edge motion capture system for the gaming industry, and CurveStar, which allows the lighting of an object to be altered after a photo has been taken. With many US startups around us, the similarities and differences faced by entrepreneurs in the two countries were apparent.

Common to both were the determination, drive, and sometimes

misguided belief that one's product or service will improve the lives of millions around the world. Where the similarities end is the level of support, investment and time-to-market – as well as the definition and treatment of failure.

Raising capital is critical for any new company, and perhaps the greatest difference between the US and UK is access to funding. Each and every day at CES we were approached by countless venture capital partners and business angel investors, keen to find out more about the products and the markets they would disrupt. The US startup firm in the booth opposite offered technology to optimise images on smartphone screens when their brightness was turned down. They'd raised seed funding of US$500,000 and were about to embark on a Series A funding round aiming for US$3m. But in Britain these figures are typically two to five times lower.

The ability to raise investment on this scale early on buys talent, which reduces time-to-market in what is all too often a very crowded space. When US startups fail, they fail fast and the founders move on to the next opportunity, an experience considered to be positive by investors. In the UK, a failed startup can be a millstone around an entrepreneur's neck as they try to raise funds for future ventures.

At Future Worlds we try to address these challenges with an environment that links investors, mentors and experienced entrepreneurs with tomorrow's aspiring innovators. By fostering these relationships early on it's possible to tackle the (typically British) reticence to ask for help. We also build links with the most prolific startup, investor and manufacturing centres worldwide – connecting Southampton with Silicon Valley and Shenzhen.

To really make a difference the UK government and funding bodies need to see universities for what they are: a hotbed of potential startups,

and one of our best engines of economic growth. They should focus on the long term process of fostering a supportive startup culture, not the short term sticking plaster of putting money into individual firms. We should seed our own startup culture that maintains the best of British innovation while adopting the investment model and support found across the pond. Put that in place, and the investors will take care of the funding themselves.

This article was originally published on The Conversation. *Read the* original article.

Source: The Conversation

Citation: Why fast failures make US startups a better bet than those in the UK (2016, January 15) retrieved 25 April 2024 from https://phys.org/news/2016-01-fast-failures-startups-uk.html

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.