An Ecosystem on the Rise: Entrepreneurship in Miami

A report by Babson College and eMerge Americas
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In just two months, the world has changed, yet it is in this moment of time that entrepreneurial spirit and resiliency are needed more than ever.

In light of the challenges that lie ahead, we are pleased to present key research findings on the strength of Miami’s entrepreneurial community. The data collection in the following report was sourced from over 30 experts and key players in the Miami metro area. The research collection took place in early February 2020 and this report was compiled before the global COVID-19 pandemic wallop the United States.

Networks and culture are two of the ten categories considered critical in a thriving entrepreneurship ecosystem. Both of these categories were ranked by Miami experts as strong pillars in the South Florida ecosystem today. Indeed, as the Miami metro area has become a Florida hotspot for the virus and entrepreneurs retreated to their homes to work remotely, the networking and culture did not fold up.

Founders, entrepreneurship organizations and investors came together while government officials and business leaders held virtual town halls explaining resources available. Fireside chats with networking opportunities have continued like always, but via Zoom and with an emphasis on sharing helpful and practical information for staying resilient. As we navigate this unprecedented time, we should continue to take advantage of the strength in our community and culture now more than ever.

The entrepreneurial spirit is central to who we are at Babson, and it has led the way in our response to this global challenge. We have solved problems large and small with a perspective of creating value. We have engaged in discussions and debates with a focus on the future. And we have drawn on each other - despite physical distance - to deepen connections.

Babson College seeks to deepen the networks and culture in the Miami entrepreneurship ecosystem by being a convener and thought leader of entrepreneurial leadership in the world as we knew it, and as it will be on the other side of this global pandemic.

Sincerely,

Donna Kelley and Gustavo Trindade

BABSON COLLEGE
GLOBAL Entrepreneurship Monitor

Since 1999, the Global Entrepreneurship Monitor (GEM) has surveyed over 4 million adults in 114 economies, resulting in 21 years of worldwide data on rates of entrepreneurship and profiles of entrepreneurs, including demographics, motivations, and ambitions. GEM was cofounded by Professor Bill Bygrave at Babson College and Professor Michael Hay at London Business School. Babson College has remained a key global sponsor of GEM and sponsors the GEM United States team.

GEM represents a primary source of data, generated through an Adult Population Survey of at least 2,000 randomly selected adults (18-64 years of age) in each economy. In addition, national teams conduct a survey of experts in areas such as government support for entrepreneurs, entrepreneurial finance, cultural norms, and other areas relevant to entrepreneurship in their economies.

GEM reports provide a comprehensive set of indicators on entrepreneurship, allowing for the construction of detailed profiles of entrepreneurship in each economy studied. GEM’s adult population survey captures both informal and formal activity, moving beyond a reliance on business registrations, which explain only a small proportion of entrepreneurship in many societies. With a rigorous methodology, GEM enables cross-national comparisons. In recent years, GEM has also focused its work at the city level, and has included Miami.

Over 100 researchers for the Global Entrepreneurship Monitor Consortium gathered in Miami for the annual conference and the launch of the 2020 Global Report. With Babson College as a co-founder of GEM and lead sponsor, Babson College Miami Director Gustavo Trindade moderated a panel highlighting insights specific to the local Miami entrepreneurship ecosystem. Panelists Mayor Francis X. Suarez, Melissa Medina of eMerge Americas, Raul Moas of John S. and James L. Knight Foundation and Aaron Hirschhorn of Gallant discussed the evolution of Miami’s start up scene and what’s next.
US
Entrepreneurship Flourishes - Miami Rising

For years, the United States has reported high rates of entrepreneurship, with over 17% of working-age adults (age 18-64) reporting that they were starting or running a new business in 2019. In 2016, Babson also focused on three cities: Boston as a mature entrepreneurship region, with high levels of technology, high average household income, and experiencing low unemployment and positive population growth; Miami, an up and coming entrepreneurial region with strong population growth and a favorable tax climate, yet with lower household income and higher unemployment compared to Boston; and Detroit, which was losing population and reporting higher unemployment rates and lower average household incomes than the other two cities.

Miami data showed high entrepreneurship rates and high intentions to start a business within the next three years. It also showed low innovation but high international focus.

Other interesting results from 2016: The percentage of necessity-based entrepreneurship in Miami (19%) was higher than even high-unemployment Detroit (17%). Additionally, while women were starting businesses at a higher rate in Miami (16%) than the other metro areas, men were starting businesses at an even higher rate (28%). And across age groups, the highest rates of entrepreneurship in Miami were among those in the 35 to 54 age group at 28%.

“We came to Miami because we saw a city in progress. Today, as we look at the next five years, we see a city maturing. Our next stage of development will be focused on not just growth, but depth, maturity, and collaboration across stakeholders, industries, institutions. We are excited to work at that intersection and work alongside so many partners in charting this direction!” - Natalia Martinez-Kalinina, Director of CIC Miami
Total Entrepreneurial Activity (TEA) rates in the US and three cities (% adults 18-64). GEM 2016.

Entrepreneurial Intentions*

* among non-entrepreneurs and non-business owners

Percentage of innovative and international entrepreneurs in the US and three cities (% TEA). GEM 2016.
NEW FOCUS
On the Miami Ecosystem

In 2019, GEM launched an ecosystem project in a dozen cities around the world, including Miami. In 2020, the Babson-based GEM United States team conducted a survey of experts in finance, government, education and other relevant areas connected to the Miami entrepreneurship ecosystem, as well as entrepreneurs. In selecting Miami for this project, Babson recognized the strength of Miami’s entrepreneurship ecosystem, buoyed by organizations such as the Knight Foundation and Endeavor, initiatives such as 500 Startups and Babson’s Women Innovating Now (WIN) Lab, and events like the eMerge Americas conference, all of which were bringing visibility and legitimacy for entrepreneurship in the Miami metro area. The GEM ecosystem project includes both an adult population survey and an expert survey. The GEM U.S. team conducted only the expert survey in Miami in 2020, so this report is focused on this component of the overall research study.
Below are 2020 results of ratings by 30 experts in the Miami metropolitan area in 10 categories considered desirable in entrepreneurship ecosystems:
Entrepreneurial finance ranks lowest of the conditions in Miami, with an average of 4.4 points out of 9. This component measures visibility and access to venture capital, angel funding, and other forms of entrepreneurship-specific finance for entrepreneurs. The results suggest a lack of equity funding, particularly venture capital, for new and growing businesses.

While there is still work to do, this is a challenge that has been attacked on many fronts in Miami’s entrepreneurial ecosystem in the last few years, from the establishment of new incubator and accelerator programs such as Babson WIN Lab, TheVentureCity and StartUP FIU; 500 Startups rolling in and setting up a Miami office; new homegrown early-stage funds such as Amino Ventures supplementing funds like Krillion Ventures and Las Olas Venture Capital already in the region; and new initiatives by the Miami Angels and Aminta Ventures to educate future angel investors.

The efforts appear to be helping. According to the 2019 eMerge Americas Insights report on venture capital, the Miami metro area attracted $585 million in venture capital and angel funding in 2017. In 2019, Miami attracted $2.39 billion in venture capital, quadrupling the region’s commitment of venture capital in just two years. Funding success stories include spatial computing startup Magic Leap, which has raised more than $2.6 billion in venture capital since 2014. This year, Miami-based REEF Technology raised $900 million from Softbank, according to the Insights report.

Government finance appears to lag. The experts’ moderate ratings on government subsidies in Miami may not be surprising. Typically, the United States, as a whole, relies less on public finance for entrepreneurship. However, it might be a valuable approach to supporting the transition from would-be to actual entrepreneurs in a particular region. These funds can often target certain types of businesses, such as particular industries that can create jobs and increase the competitiveness of a region.

Notably, the Miami-Dade Beacon Council, the county’s economic development agency, has made startups a large focus of its recruitment and retention initiatives in the last two years. It would be useful to explore whether specific groups, such as women and youth, are benefitting from any particular government funding, especially given the 2016 results showing much higher entrepreneurship rates among men and those in mid-career. A further analysis of who might need or want to start businesses, who might seem to be excluded from entrepreneurship, and who might benefit from assistance in starting businesses, is useful to identify and address in any society.

"Over the last few years it’s been amazing to see so many companies that use cutting edge technology grow right here in South Florida. We’ve seen an increase in salaries for tech talent and in the pool of local high quality talent. It’s great to see companies show how they value their tech talent because it leads to great strides such as teams with more local and diverse backgrounds." - Johanna Mikkola, Cofounder of Wyncode Academy
New Focus On the Miami Ecosystem

An entrepreneurial culture is thriving. The high average rating on culture is a very positive sign for Miami. The experts cited a high level of societal support for those interested in becoming an entrepreneur. This is reinforced by events such as meet-ups, pitch days, startup weekends, boot camps, hackathons, and competitions. It appears that large, established firms do not play much of a role, either in a supportive or impeding manner. This may be consistent with the high rates of entrepreneurship and small business ownership in the region, which may be a more dominant form of business activity, compared to large corporations.

Miami’s positive culture for entrepreneurship is also reflected in the results on societal attitudes in the 2016 GEM adult population survey. Nearly two-thirds of working age adults in Miami believed there were lots of opportunities around them for starting a business; among these, only a little more than one-fourth would be deterred from acting on these opportunities because of fear of failure, indicating a willingness to take risks.

In addition, 60% believed they have the capabilities for entrepreneurship. This not only suggests that there were many potential entrepreneurs in Miami, but also people who would likely support those who venture into this activity.

Also reinforcing culture are high average ratings on networks and some aspects of leadership in the 2020 expert survey. The experts agree that there are strong individuals and/or groups of individuals with high economic impact and visibility in the community, providing not only role models, but those who can engage as stakeholders: for example, advisors, investors, or partners.

These results reflect the continuing work being done to nurture culture in the region. In its latest round of entrepreneurship grants in 2020, the Knight Foundation focused on funding projects and organizations that will help build community and connectivity, particularly among under-represented minorities. For instance, it funded the launch of Black Angels Miami, aimed at increasing the number of black angel investors. In addition, the foundation funded a Venture Café Miami program to connect and train low-growth businesses with the aim of developing them into high-growth businesses. It also funded the Idea Center at Miami Dade College’s launch of 1 Million Cups, a weekly gathering of entrepreneurs.

The GEM 2020 expert survey suggests that perhaps what is most needed in terms of leadership in the community is cooperation between public and private organizations. While private organizations and members of the startup community run events that support new and growing businesses, there is less involvement of the public sector. In a positive development, in recent years, both the mayors of Miami and Miami-Dade County have signaled a deeper involvement in accelerating the startup and tech communities, from funding the launch of co-working spaces to highlighting startup stories and sponsoring urban tech initiatives. What’s more, a tri-county effort led by economic development agencies in Miami-Dade, Broward and Palm Beach Counties led to the Miami metro area being a finalist for Amazon HQ2.
Supporting networks are strong. The high rating on supporting startup activity is a promising result for Miami, to the extent that future efforts may be targeted toward increasing innovative entrepreneurship. Knowledge and talent will also be needed if innovative entrepreneurship is to grow. It appears that the experts are just moderately likely to state that knowledge for startups is coming out of universities, public research labs or large businesses. They rate knowledge exchange among entrepreneurs slightly higher, revealing the importance of networks.

While high-potential, growth-oriented startups may not be as prevalent as their smaller counterparts, they can account for a disproportionate share of new employment. One critical component of an entrepreneurship ecosystem is a pool of highly qualified employees, and the experts surveyed indicated Miami has a moderate level of highly skilled workers for new and growing businesses.

The latest impact numbers reported by Endeavor Miami, part of a global organization that supports high-impact entrepreneurs, showed that its 43 Endeavor Entrepreneurs who run growth-stage startups in South Florida were expected to generate more than $250 million in 2019 revenue and created nearly 3,000 jobs for the economy. Endeavor Miami also launched a ScaleUp Program in 2019, to grow the pipeline of high-growth startups.

Other indicators: The experts indicated that Miami is an attractive location to move to for people with the skills needed by new and growing firms. However, they also suggested that highly qualified young people have a lower likelihood of staying in the region. This may be why the 2016 survey showed relatively lower entrepreneurship rates among young people in their early careers.

Formal institutions and support services/intermediaries were rated moderately compared to other components. The experts were not highly in agreement that educational institutions prioritized support for new and growing firms. This is in contrast to the positive results in the GEM 2016 survey about entrepreneurial capabilities in Miami, where nearly two-thirds of the adult population believed they had the skills and abilities needed to start a business. It may be the case that one's capability assessment reflects the typical business they would start, and to promote knowledge-based activity may require the building of skills and specific supports.

In the last five years, notably, all the major South Florida universities and colleges have launched or expanded entrepreneurship programs, accelerators or funding networks. Currently, eMerge Americas and the Knight Foundation are partnering to offer tech fellowships that connect South Florida universities’ top engineering students to Miami’s innovation economy.

New Focus On the Miami Ecosystem

500 Startups is a venture capital firm on a mission to discover and back the world’s most talented entrepreneurs, help them create successful companies at scale, and build thriving global ecosystems. Since its inception in Silicon Valley, 500 Startups has invested in over 2,400 companies across 75+ countries around the world. In Miami, 500 Startups is helping to build a diverse and thriving ecosystem connected to Silicon Valley, with a strong focus on creating scale-ups through programs such as the Miami Growth Program and Founder Bootcamps.
Tel Aviv is a highly entrepreneurial city in the startup nation of Israel, considered one of the strongest startup ecosystems in the world. Tel Aviv’s population of 4.2 million is larger than Miami-Dade County’s population of about 2.8 million but smaller than the Miami metro area as a whole, which includes Miami-Dade, Broward and Palm Beach counties and houses around 6 million people. Tel Aviv ranks in the top 20% of OECD regions for job creation and life satisfaction. Israeli companies raised $4.68 billion in venture capital in the first three quarters of 2019, according to Tel Aviv-based research firm IVC.

Notably, the ratings of experts surveyed in Tel Aviv differed little from the results in Miami, an emerging ecosystem that is quickly gaining traction. Tel Aviv shows higher levels than Miami on entrepreneurial finance, particularly relative to the availability of venture capital and angel investing. Also comparatively high for Tel Aviv is the supply of talent for entrepreneurship. Like Miami, but even more so, Tel Aviv is considered an attractive location for people with skills needed by new and growing firms. But Tel Aviv differs from Miami in an important aspect: highly qualified young people tend to stay within the Tel Aviv region, while experts suggest that Miami loses its talented youth.

Miami, however, shows strength in its culture. While experts in both cities cite many events for startup entrepreneurs, those in Miami are somewhat more likely to say that entrepreneurs are supported by most individuals and that established firms are not likely to block their entry into markets. It may be the case that large established firms play more of a role in the business community of Tel Aviv.

Miami also shows slightly stronger market demand, mostly because of its access to markets outside the region, including both the United States and Latin American economies. However, both cities seem to have customers who are open to new and innovative offerings.

Miami has moderate levels of support services and formal institutions, while these components were ranked lowest in Tel Aviv. Like Miami, Tel Aviv has quality, affordable subcontractors, suppliers and consultants, but is in need of government programs and agencies to support entrepreneurs, as well as the attention of educational institutions toward entrepreneurship.
Comparison Between Miami and Tel Aviv

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PHYSICAL INFRASTRUCTURE
Below are some key recommendations from Babson’s research on the Miami entrepreneurial ecosystem:

**Continue developing sources of finance:** While entrepreneurship rates were high overall in Miami, the 2016 results suggest high frequency among men and among those of mid-career age. Entrepreneurial finance more often favors male-led businesses, and young people often have few personal resources or access to funding. Given that entrepreneurial finance was the lowest rated component of the entrepreneurial ecosystem in Miami, it may be useful to examine access to all societal groups in developing the finance offerings for entrepreneurs.

**Promote Miami among highly educated young people.** The expert survey revealed that Miami is an attractive place for people to relocate yet also recognized that highly qualified young people may tend to leave the region. Given the lower level of entrepreneurship among young people compared to those in mid-career, it may be important to promote the attractiveness of Miami for this age group, particularly those with high education levels.

**Focus on growing the accessibility of Miami’s startup culture.** Miami benefits from a robust culture for entrepreneurship, prominent entrepreneurial leaders and strong networks. Direct efforts toward enhancing the impact of this activity in areas such as job creation and innovation, as well as its accessibility to all, regardless of gender, age, ethnicity and other distinctions, will contribute toward Miami’s continuing growth in impactful and inclusive entrepreneurship.

**Look to partner with government.** The experts indicated moderate government involvement in entrepreneurship in Miami. While many ecosystem components may be well-covered by the private sector in the region, government might fill in gaps, like addressing the needs of women or youth entrepreneurs. In addition, partnerships with private organizations may boost the latter’s efforts.

Endeavor is the only non-profit supporting high-impact entrepreneurs around the world. Our Miami office, established in Sept. 2013, is home to 23 companies and 46 entrepreneurs contributing to the South Florida economy.
ABOUT
eMerge Americas

eMerge Americas is the premier technology event connecting the Americas, held annually at the Miami Beach Convention Center. By connecting global industry leaders and investors with corporate business executives, government leaders, and entrepreneurs, eMerge Americas is transforming Miami into the tech hub of the Americas. In 2019, eMerge Americas attracted more than 16,000 attendees and more than 400 participating companies from over 40 countries. eMerge Americas serves as a catalyst to propel innovation and investment in South Florida and Latin America. The eMerge Americas founding partners include: Medina Capital, A-Rod Corporation, Greenberg Traurig, Knight Foundation, Miami-Dade County, and the Miami Herald. For more information about eMerge Americas, please visit: emergeamericas.com
Babson College, founded in 1919, is the educator, convener, and thought leader for Entrepreneurship of All Kinds®. We shape the entrepreneurial leaders our world needs most: those with strong functional knowledge and the skills and vision to navigate change, accommodate ambiguity, surmount complexity, and motivate teams in a common purpose to create sustainable economic and social value in organizations of all types and sizes. A global leader in entrepreneurship education, Babson offers undergraduate, graduate, and executive education programs as well as partnership opportunities and has been ranked the #1 school for entrepreneurship for over 26 years.

Babson College’s curriculum powers Miami’s Goldman Sachs 10,000 Small Businesses program, which launched in 2013. In 2017, Babson College expanded from Massachusetts to Miami to reach working professionals in the Southern U.S. and Latin American markets. Babson College Miami offers Graduate and Executive Education programs, including the Blended Learning MBA, Master of Science in Business Analytics, and Certificate in Advanced Management. Miami is also home to the Babson Miami WIN (Women Innovating Now) Lab® program which works with women entrepreneurs in order to help them accelerate and grow their businesses. At Babson, you learn how to think and act like an entrepreneur, to identify and explore new opportunities in a way that increases your chance of success regardless of whether you are starting a business or driving innovation within an organization. For more information, please visit babson.edu/miami.