



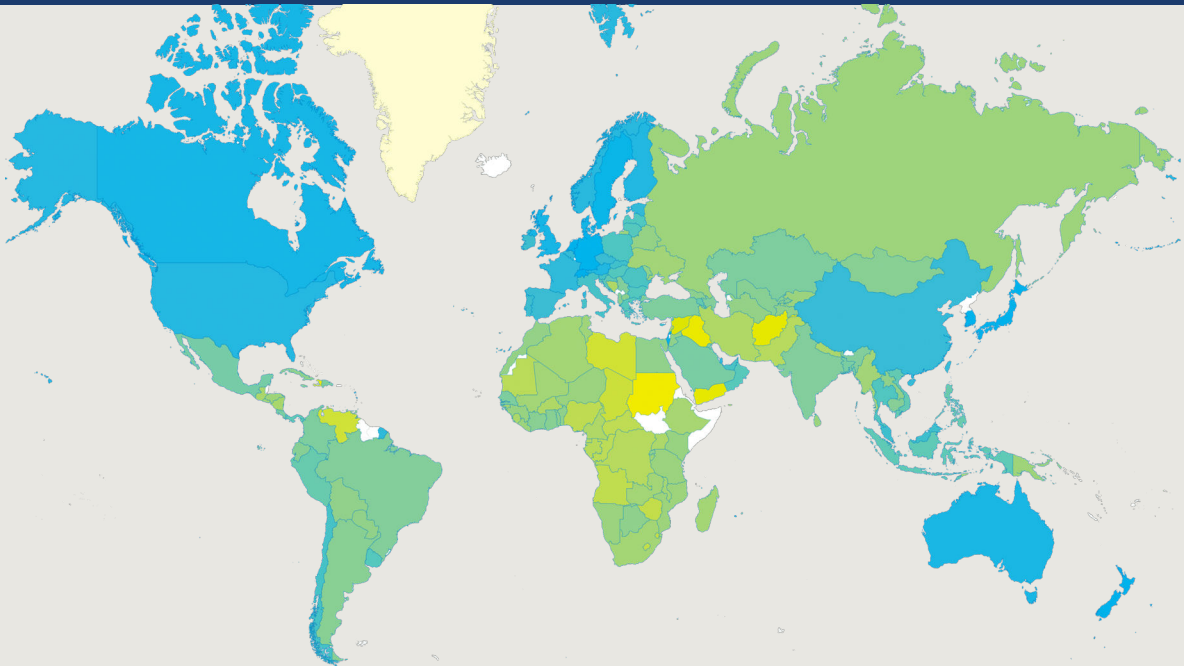
**ELITE QUALITY
INDEX**
EQx2024

This is a contribution from the following book:

ELITE QUALITY REPORT 2024

Unicorns: The Engine of Creative Destruction and Elite Circulation

Weilei (Stone) Shi, Cheung Kong Graduate School of Business, China
Rupert Hoogewerf, Chairman and Chief Researcher of Hurun Report
Tomas Casas-Klett, University of St.Gallen, Switzerland
Alexander Tonn, University of St.Gallen, Switzerland



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Unicorns: The Engine of Creative Destruction and Elite Circulation

The last five years have been a golden era for entrepreneurship. We have seen the biggest explosion of new technologies coming to market that the world has ever known. Since 2019, the number of unicorns has tripled from 494 to 1453.

Global Unicorn Index 2024, press release, 9 April, 2024

The dream of becoming a unicorn is treasured by both company founders and policymakers. The disruption that companies valued at US\$1 billion bring about enables a type of structural reform that increases the income levels of all social classes. Unicorns reflect one of the most consequential forms of Value Creation that an elite system can produce, while also representing a mode of elite circulation consistent with the notions of Pareto. Along with the new ideas that they bring, vital energy flows to the top of the elite system and enriches it. This virtuous cycle of Schumpeterian creative destruction, critical for this research project, improves the overall quality of elites. Unicorns *a priori* cannot extract rents, which is the prerogative of powerful and established elite business models.

Yet unicorns can be a very cyclical phenomenon. In 2023, only 10 new ones were minted each month compared to an average of 50 in 2021. However, by the end of the year, Hurun Report's Global Unicorn Index 2024 had identified 171 "new faces". Ahead of what seems to be a recovery, it is of interest to see which countries are best positioned to increase their numbers on the basis of the two comparative indicators that cover this phenomena in the EQx2024: *Unicorns* (iv.11_UNN) and *Unicorns as % of GDP* (iv.11_UNC).

The normalized scores of the UNN suggest that the US (#1) and China (#2) rank well ahead of India (#3) which again, by a distance, is followed by the UK and Germany. Japan (#18) is a laggard, pointing to its major structural weakness, the lack of creative destruction. In considering the big picture, the world can be split into three groups in terms of their propensity to produce unicorns: the US, China, and the 'Rest of the World'. The US has half of the world's known unicorns, while China and the Rest of the World have a quarter each. In 2023, despite a marked economic slowdown, China still managed to produce more than one new unicorn a week, more than the 'Rest of the World' combined. In terms of unicorns that went public, China had 18 of the 29 global IPOs. The reasons for this strong performance include a concentration of effort by the Chinese government in providing supportive policies and incentives, with a particular focus on industries that are considered to be significant and strategic for the future and are aligned with technological developments. For instance, more than half the world's known unicorns in the energy, semiconductor and AI sectors are based in China.

The second EQx indicator divides the number of unicorns by GDP, giving a fairer idea of the relative pervasiveness of the phenomena in an economy. Here, smaller countries can excel, as is borne out by this year's results that see Israel (#1), Estonia (#2), and Lithuania (#3) lead the field. Israel, the 'start-up nation', and the US (#4), thrive on the back of the efficiency of their capital markets, and a culture that is supportive of entrepreneurship and new Value Creation. Evidently, advanced countries usually possess the legal, financial, and knowledge infrastructure to produce unicorns. Therefore, India's performance (#5), placing right behind the US, is all the more remarkable given that the GDP per capita of the US is about 32 times higher than India's in nominal terms.

Yet while the Indian stock market may be at a record high, it is not fully realizing its potential in terms of new unicorns. One of the biggest challenges facing the founders of Indian unicorns is the lack of exit opportunities. India's capital markets do not offer a strong Nasdaq alternative, which, in turn, reduces the amount of venture capital that investors are willing to deploy. Another factor is that Indian founders produced more offshore unicorns than any other country, co-founding over 100 unicorns outside of India compared with just 67 at home. Of the unicorns founded outside of India, the vast majority (95) were established in the US (led by the Bay Area), with 4 in the UK, 3 in Singapore, and 2 in Germany.

The mythical unicorn metaphor has today become very real and inspires many constituencies with an entrepreneurial mindset—including students—to undertake uncertainty. At business schools, unicorns help to catalyze interest in entrepreneurship programs, incubators, and start-up contests, all of which helps to foster the next generation of innovative value creators. Moreover, at some business schools, research meets practice and institutions such as the Cheung Kong Graduate School of Business (CKGSB) have established unicorn research centers to support the design of state-of-art curricula that motivate EMBA students to envision novel career paths and scale new ventures for massive Value Creation.

*Weilei (Stone) Shi,
Cheung Kong Graduate School of Business, China,
Rupert Hoogewerf,
Chairman and Chief Researcher of Hurun Report,
Tomas Casas-Klett and Alexander Tonn,
University of St.Gallen, Switzerland*

**Unicorns as % of GDP**

Sub-Index (Level 2)	Value
Index Area (Level 2)	Economic Value
Pillar (Level 3)	Capital Value
Indicator ref. (Level 4)	iv.11_UNC
Indicator wgt. (in EQx)	1.4%
Indicator wgt. (in Pillar)	9.1%
Countries covered	32
Inclusion year	2024
Conceptual optimum	No
Data Source	The Hurun Research Institute, Hurun Global Unicorn List

Description

The Unicorns as % of GDP Indicator measures the number of unicorns, i.e. companies worth at least a billion dollars that are not yet listed on public stock exchanges, per million inhabitants divided by a country's GDP.

Rationale

Unicorns are start-ups that have achieved private valuations of more than USD one billion. Consequently, their products and services reflect Value Creation for both customers and society. We assume that the higher the value for the Unicorns as a % of GDP Indicator, the greater the value that will be created in a country. This also means that incumbent elites have not erected barriers to market entry for emerging business models and have instead created a business environment that supports Value Creation and innovation.

Rank /32	Country	Score	Rank /32	Country	Score	Rank /32	Country	Score
1	Israel	100.0						
1	Estonia	100.0						
3	Lithuania	84.2						
4	United States	83.7						
5	India	74.0						
6	Singapore	73.8						
7	China	73.4						
8	United Kingdom	67.3						
9	Finland	63.6						
10	Sweden	60.1						
11	Canada	57.7						
12	Korea, Rep.	56.8						
13	Vietnam	52.6						
14	Colombia	49.0						
15	Germany	48.6						
16	Brazil	48.1						
17	France	47.6						
18	Switzerland	47.0						
19	Norway	45.3						
20	Philippines	43.4						
21	Ireland	42.9						
22	Netherlands	41.1						
23	Chile	38.0						
24	Austria	37.4						
25	Denmark	31.7						
26	Australia	31.6						
27	Mexico	29.4						
28	Indonesia	22.3						
29	Belgium	19.1						
30	Turkey	12.6						
31	Spain	11.8						
32	Japan	0.0						

The Elite Quality Report 2024 (EQx2024) provides Country Scores and Global Rankings for 151 countries
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