

Masters of Scale Episode Transcript: Linda Rottenberg

LINDA ROTTENBERG: I had been living in Latin America in the mid 1990s—and this is the time when Netscape and Yahoo are all happening, and everything is abuzz in the United States. And in Latin America, where I'd been living, no one was starting a business. And I kept wondering, “Why?”

REID HOFFMAN: That's Linda Rottenberg, the co-founder and CEO of Endeavor, a not-for-profit that connects entrepreneurs to local investors in more than 30 countries. You might wonder what prevents investors and entrepreneurs from finding each other. Surely, the invisible hand should be clapping these two groups together. But it doesn't always happen, and it definitely wasn't happening in Latin America in the 1990s. Linda got her first clue during a cab ride through Buenos Aires.

ROTTENBERG: I was in a taxi, and my driver mentioned that he had an engineering degree. So I thought, “Oh, well, you must be one of these people starting a business,” and I couldn't think of the word. And he kept using the word “impresario,” which meant “big businessman who had Swiss bank accounts and government connections.” And I said, “No no no no, es impresario.” No, it's another word. And we went back and forth, and he said, “No, no, I'm sorry, there's no word like that here.” And I realized, at the time, there was no word even for entrepreneur in Spanish. And so I thought, “Well, if you can't name it, you can't be it, and you can't tell your parents you are one of these.”

HOFFMAN: This wasn't just a single word lost in translation—it was a whole mindset. You might call it the animating spirit of Silicon Valley. Because what truly draws entrepreneurs to Silicon Valley is a founding mythos, a shared belief that any entrepreneur can disrupt any industry—even if that industry is run by an army of *impresarios*.

You have to believe that investors and talent will flock to you like a flash mob, and overwhelm your mightiest competitors—government connections and Swiss bank accounts be damned. And this is a hard myth for the rest of the world to swallow.

ROTTENBERG: It sounds so corny, but I grew up as this middle class girl in Newton, Massachusetts, thinking I can be the next Steve Jobs. Why not? And it was so foreign to me that people didn't grow up with that same belief system. And so I felt—again, with no reason why—that we could change that entire system.

HOFFMAN: I agree. You *can* change that mindset. You *can* build other Silicon Valleys, anywhere in the world. But you should know that it's really, really hard. You need the mindset, the mentors, and the entire ecosystem to create a Silicon Valley. So when and where might it happen? You're about to find out. On today's show, we go in search of the next Silicon Valley.

[THEME MUSIC]

HOFFMAN: This is Masters of Scale. I'm Reid Hoffman, co-founder of LinkedIn, investor at Greylock, and your host. I believe that Silicon Valley's collective wisdom for scaling a startup is currently unmatched. But I also believe that other Silicon Valleys can be built, elsewhere in the world. It's just that it's really, really hard. You need more than startups. You need a constant stream of entrepreneurs and ideas, and capital, and companies of all sizes. You need an entire ecosystem to create a Silicon Valley.

To fully understand that, it helps to demystify Silicon Valley's recipe for success—and it *is* mystifying, when you think about it. Silicon Valley has a population of 3 million people. That's less than 0.1% of the world's population. And yet, they've launched nearly half of the world's most valuable tech companies, with a valuation of more than \$100 billion dollars. You can see their headquarters clustered along a roughly 50-mile drive between San Francisco and San Jose. Head south from San Francisco, and you'll pass most of them within an hour. Once you pass the Netflix headquarters in Los Gatos, your tour is over. The multi-billion dollar companies peter out; you're back in the normal business world.

But Silicon Valley is so much more than an archipelago of thriving tech companies. It's a deeply interconnected ecosystem, and that's what you need. You need entrepreneurs with ideas, yes. But you also need people who are skilled in *every* discipline needed at *every* company, at *every* stage. Not just engineers and product managers—but also lawyers, accountants, marketers, recruiters, operational geniuses. You need places for them to gather, and media outlets to share their ideas. You need world-class universities with their constant supply of young talent, and venture capitalists to invest in them. And, importantly, you also need successful entrepreneurs who pay it forward. These are the things that make Silicon Valley unstoppable—for now.

So which city might claim the title of “the next Silicon Valley?”

I can't think of a better person to ask than Linda Rottenberg. As CEO of Endeavor, she's spent the past two decades growing Silicon Valley-like ecosystems in more than 30 countries. She's a consummate networker. If LinkedIn sprouted legs and started talking, I might imagine it would sound like Linda. Drop her in any country, and she will start making connections.

But in the course of her connecting, Linda noticed a chronic disconnect. In many of the places she visited, there was a gaping hole between the bright, young entrepreneurs and the investors who might take a chance on them. That conversation she recalled from the cab in Buenos Aires played out again and again in her travels across South America.

ROTTENBERG: I would travel to Brazil and to Mexico and Chile—no young people who weren't from the top 10 families were starting companies. And they all wanted government jobs. And I thought, “Government? Really? Who wants to work for the government?”

And when I would dig in, they would say, “Well look, you can get a \$10 dollar or \$50 dollar microcredit loan, but we don't want to just create a tiny business. Or you can get a \$50 million dollar investment—if you're already part of the rich families, that we aren't. We don't have the right last names.” And I would start to tell the story of Steve Jobs and Steve Wozniak starting Apple. And I remember in Brazil, a young kid came up to me and said, “Linda, that's a nice story, but how does it relate to my life? No one in Latin America is going to give me money for my crazy idea. And I don't even have a garage.” And that's when it hit me—you need local role models.

HOFFMAN: Now here's what's so unusual about Linda. She might have reasonably concluded that she had underestimated the challenges young entrepreneurs faced in these countries. Surely, they knew the obstacles to starting a business better than a New England yankee with an idealistic bent. How could they possibly compete with the connected families on an uneven playing field? It would take years of legal and structural reform. It might not even be possible. Linda begged to differ.

She was convinced that if she could point to one local success story, a Steve Jobs or Mark Zuckerberg of South America, she could short-circuit the debate. One iconic entrepreneur could stand as living proof that you don't have to move to Silicon Valley to scale a business. And if that's true, why shouldn't 1,000 Silicon Valleys bloom? Sure, it took decades for Silicon Valley to develop its talent for scaling, and Linda would have to start from scratch in every community she worked in. But you have to start from somewhere, right? Linda and her co-founder, Peter Kellner, started at the kitchen table.

ROTTENBERG: And we actually came to my parents kitchen table to write on a napkin the business plan for Endeavor. My parents freaked out. And in fact, my parents overheard us plotting this global organization that was going to support high-growth entrepreneurs in emerging markets. And my mother looked at my father like, “You've got to stop this.” And my dad gently came over and reminded me that I needed to be financially independent, I didn't have anything to fall back on—and this didn't sound like job security.

And I refer to this as my “kitchen-table moment,” which I think a lot of entrepreneurs face—which is, it's really scary to tell your family that you're going to do something unconventional. And you have to make this choice—do I do what's safe and expected, or do I venture into the unknown?

HOFFMAN: Linda was convinced that high-impact entrepreneurs can be found anywhere—and we might hear from them more often, if only they could push through their own “kitchen-table moment.”

ROTTENBERG: To me, the biggest problem is the best ideas don't die in the marketplace, or in the laboratory—they die in the shower. Because people don't even give themselves permission to walk out of the shower, and write it on a napkin, and take it into the world, because they're afraid of what others are going to think about them. And they're afraid that people are going to say, "Well, this is just a crazy idea."

HOFFMAN: Every business idea involves some measure of risk. But the most scalable business ideas don't just sound risky, they sound downright crazy. And if you haven't heard the Masters of Scale episode called "Beauty of a Bad Idea," I'd suggest listening to that next. You'll get a sense of how hard it is to take a scalable idea out of the shower and into the world of skeptics. And the farther you move away from Silicon Valley, the harder it is to find someone who will take a crazy idea seriously.

That's because Silicon Valley has styled itself as an El Dorado of crazy thinkers—a place where bold investors champion misfit entrepreneurs. Few people will actually say this, but I'm going to: You're taking a huge risk if you try to start a tech company anywhere outside of Silicon Valley.

The metaphor that I use for entrepreneurship is you jump off a cliff, and you assemble the airplane on the way down. And there's a bunch of ideas that are compacted in that metaphor to make it very simple. Part of it is that the really committed entrepreneurs will move to wherever they need to be in order to be more successful, because they already know they're taking this huge risk.

So if you're in New York, or L.A., or Austin, or Boulder or wherever, and you don't say, "I'm going to move to Silicon Valley to build this company," the question is, "Why?" You might say, "Look, I've got a whole wide swath of great engineering talent here. I can raise the capital myself. I know there's a capital edge, a go-to market edge, a talent edge, and everything else in Silicon Valley, but I will overwhelm it from the other innate advantages that I have, and I'm just willing to take those risks." That's fine. And by the way, some of those companies happen and succeed. Groupon was smart to stay in Chicago, because it's a sales-driven business—and sales is not Silicon Valley's strong suit. Kickstarter benefited from New York's thriving art scene, and it's not clear that its user base would have scaled as swiftly in the Bay Area.

But unless you have a truly compelling reason, such as staying close to your customers, I believe that you currently *have* to come to Silicon Valley to scale a tech company. And I wish it weren't such a stark choice for entrepreneurs. We all lose when a great entrepreneur can't scale an idea, due to an accident of location.

And the fact of this unequal access drove Linda crazy. In 1997, she launched Endeavor, a non-profit that would connect high-impact entrepreneurs to their nation's business elites.

Now you might think her plan to cultivate a generation of disruptive entrepreneurs would place in her opposition to the so-called impresarios—the businessmen with the political connections

and the Swiss bank accounts. On the contrary, those are precisely the people she turned to to get this network up and running. To her, it was clear that they could be powerful allies. But first, she had to convince them to take a risk on unknown local entrepreneurs.

ROTTENBERG: So after that kitchen table moment, I told Peter that I would go to New York to raise money, and he had to go down to Latin America. So he did, and he called up and said, “Linda, I got you a meeting with Eduardo Elsztain.” Eduardo was, at that point, the largest landowner in Argentina, who famously had walked into George Soros—

COMPUTER VOICE: George Soros is a billionaire and one of the world’s most successful investors.

ROTTENBERG: And convinced him to invest in Eduardo's company—and George Soros had ended up investing \$10 million dollars. I had a 10-minute meeting with Eduardo. Five minutes into the meeting, Eduardo looks at me and says, “OK, I get it. You want a meeting with George Soros. I'll see what I can do.” And I looked at him and said, “No, Eduardo. You're an entrepreneur. I'm an entrepreneur. Endeavor’s an organization of, by, and for entrepreneurs. I want *your* time, *your* passion, and \$200,000 dollars.

Eduardo turns to his right-hand guy Oscar—and the meeting had been in English, but he turns in Spanish—and says, “Esta chica esta loca”—“This girl is crazy.”

HOFFMAN: To clarify—he said, *esta*, not “*es*.” “*Esta*: implies a temporary condition of craziness, not a permanent condition. There’s hope yet for Linda.

ROTTENBERG: So I responded in Spanish, “Eduardo, estoy decepcionada”—you know, “I’m disappointed. This, from the guy who famously walked into George Soros’ office and came out with \$10 million dollars. You’re lucky I only asked you for \$200,000!” He turned away. I thought he was, again, going to kick me out. This is the story of my life—I stalk people, and then I think I’m going to get thrown out of the room. But instead, he turned to the floor, took out his checkbook, and wrote a check on the spot for \$200,000 dollars. And to this day, Eduardo says it’s the best investment he ever made.

HOFFMAN: So Linda now has \$200,000 and a successful entrepreneur who was ready to play the role of mentor. She only had to find one final node in her embryonic network—an entrepreneur to take a chance on. And she found one: a former sheep farmer with a flair for big ideas.

ROTTENBERG: Wences Casares was a kid who’d grown up on a sheep farm in Patagonia. He creates the first Internet service provider, it gets taken over, he gets thrown out of the company with nothing. He’s 24 years old, and he decides, “I’m going to go start the first E*TRADE of Latin America.” So we meet him, and he had been turned

down by 34 local investors. He had his sister and his best friend working for him. And we just met him, and said, “This guy is on to something.”

HOFFMAN: Wences, on the other hand, thought Linda was *on* something.

ROTTENBERG: He thought that myself and my co-founder Peter were running a cult. He thought it was a religious cult, because why would anyone want to actually help someone who didn't have the right last name? You know, there wasn't even the word for “entrepreneur.” So yes, even Wences thought I was crazy.

HOFFMAN: But Linda is “la chica loca.” She actually wrote a book called *Crazy is a Compliment*, which explains why she didn't care if Wences thought Endeavor was a cult. She convinced Wences to join anyway.

ROTTENBERG: We ended up helping Wences raise capital from Fred Wilson, then of Flatiron Partners and Chase Capital. We ended up helping him find a COO.

What happened was 18 months later—this kid who everyone knew, 34 investors had turned him down, came from nowhere—sells his company Patagon.com to Banco Santander for \$750 million dollars. All 34 investors call us up within a week, say, “Uh, you got another 20-something-year-old with some strange idea?” And kids from all over Latin America—it wasn't just Argentina. Kids had heard his story in Chile, elsewhere—they started to say: “If Wences can do it, I can too.”

HOFFMAN: With the success of Wences, Linda began to enlist impresarios across Latin America to think globally, and invest locally.

ROTTENBERG: But then it was really in 2000, when I got called into a room by Pedro Aspe, the former finance minister of Mexico, who was then leading the largest private equity firm. And he had gathered a group of about 12 individuals. And before I walked in the room, someone said to me, “Linda, do you know what percentage of Mexico's GDP is in this room?” And I said, “No, and I don't think I want to.”

And one of the people in the room said, “Well, why are all these entrepreneurs coming out of Chile and Argentina and Brazil—even Uruguay? What's wrong with Mexico?” So in my, oh, politically astute way, Chica Loca says, “Well, here in Mexico, you're the big fish. And think of entrepreneurs as the little fish. And here, the big fish tend to eat the little fish. So if you want something like Endeavor, think of us like an aquarium where you learn to feed the little fish.” And they all signed up. And in fact, a decade later, Emilio Azcarraga, one of his magazines had a survey on entrepreneurship in the country, and the headline was “Big fish feeding the little fish.”

HOFFMAN: This headline—"Big fish feeding the little fish"—is funny. But it's also profoundly important. If you're a big fish—like those magnates sitting around that table with Linda in Mexico City—you need the little fish. Paradoxically, your long-term survival depends on feeding them instead of eating them—because a flourishing business ecosystem needs entrepreneurial life at all scales.

A great way to picture this is to imagine a coral reef. Coral reefs are beautiful, productive ecosystems that support every level of life. But coral is itself a living creature. And every coral reef started with a few baby coral who landed there and took root.

So what are the secrets that allow an ecosystem to thrive? We asked a marine biologist what we could learn from coral reefs.

KRISTEN MARHAVER: Corals are ridiculously crafty, and that's one of the reasons I love studying them.

HOFFMAN: That's Kristen Marhaver. She's a marine biologist at the CARMABI Research Station on the Caribbean island of Curaçao. She's also a TED Fellow, and you may know her from the short talk she gave on saving baby coral. She has a real soft spot for those baby coral.

MARHAVER: And the science is always kind of mind-boggling, because you're looking at this little tiny dot in a petri dish. It has the capability of living for hundreds of years and growing to be the size of a basketball or a boulder or a car, and it just starts out as this little tiny blob of fat. So even though I've seen it dozens of times, there's always one moment per year where I think, "This can't possibly be how corals are born. This is so crazy."

HOFFMAN: Marhaver invents methods to plant these crafty little embryos in the wild with the hopes of cultivating new coral reefs.

But getting those eggs to find their footing on the sea floor, it's a bit like helping the world's unknown, would-be entrepreneurs get their crazy ideas out of the shower. They die a million microscopic deaths.

MARHAVER: There were years and years where researchers could figure out when the coral spawned, and could collect eggs, maybe get them to fertilize—and then almost every time they tried, the larvae or the eggs would die within a day or two, and nobody really knew what was going wrong. So it was super stressful and super intense. There were tears. So through time, every year, the field as a whole made inches of progress, and each of those "aha" moments was definitely hard-won.

HOFFMAN: Those hard-won victories have changed the way that scientists think about coral reef conservation. They are now eager to understand the conditions under which coral thrive.

And they're finding that coral are super finicky about real estate, but super hardy once they find the ideal location.

MARHAVER: They've got one chance to pick the right place to live, and they're literally stuck there from then on. So they've been through tons of evolutionary pressure to get it right.

HOFFMAN: There's an awesome metaphor here: Silicon Valley is like the great barrier reef. It's so big and complex that we assume we could never create an ecosystem on that scale from scratch. Then Linda comes along, plants a little colony and says, "Look, this mind-boggling growth process has already begun."

ROTTENBERG: When we talk to our entrepreneurs today, they say that one of the things that Endeavor helped them do is change the mindset that it was a dog-eat-dog world, and you had to kill your competition before you got killed yourself.

And this idea of supporting one another, the idea of sharing ideas, the idea that it was OK if you trained people and then other people hired them away—that's what creates an entrepreneurial ecosystem. People hiring the Googlers, and people hiring the Facebookers. Now we see that happening in our markets. But that was anathema.

HOFFMAN: What does it take to build a flourishing ecosystem so it eventually grows organically, without the assistance of Linda and Endeavor? Linda argues that it only takes a few success stories, like Wences Casares, to set the whole process in motion.

ROTTENBERG: We have mapped out in terms of entrepreneur-to-entrepreneur touch points, and the density of those touch points. And the way we did this through Endeavor's research group is we asked in countries where we were—in Argentina, in Turkey, in Jordan, in Colombia and around the world—We asked startups. So Endeavor's about to scale up. So we asked people we didn't know yet, that were early stage, five questions.

We would go to people just starting companies, and say five things: "Who mentored you? Who inspired you? Who invested in you? Have you started a company before, are you a serial entrepreneur?" And, "Did you work for an entrepreneurial firm before?" The talent component. And we would map out their connections, and here's what we see: early on, there's no density. There's a few entrepreneurs isolated; they don't touch each other. No one is investing. And as you start to see the places where, as I said, the successful entrepreneurs become—and I know you haven't loved the term PayPal mafia—but they become that Paypal mafia, the Googlers, the Facebookers, the people who actually reinvest.

We actually see, through visual touch points, that four or five people can inspire, mentor,

and invest in practically the entire ecosystem. And then what happens? One of the missing ingredients early on is talent. It's really hard to find any C-suite talent if you're just starting out.

Once you have success stories, and people who've built 1,000-person jobs and trained them, then what you see later on, a decade later, is that people actually not only can find the mentorship and the capital to start, but the talent to actually scale businesses.

HOFFMAN: So the term “PayPal mafia” refers to the original PayPal crew like me, Peter Thiel, Max Levchin, Elon Musk, David Sacks, Jeremy Stoppelman, and a few others who have since gone on to launch their own companies and invest in others. And I do hate that term “PayPal Mafia.”

HOFFMAN: Mafia has this kind of sordid undertone. You know, the the bodies are buried in the backyard. And you know, it makes for a sexier magazine cover. It kind of gives you that little bit of sizzle for what the thing is.

I prefer the term PayPal network, but that's not going to sell magazines. In any case, as a confirmed member of the PayPal network or mafia or whatever you want to call us, I can tell you about our private conversations. They're not as salacious as, “Hey, Elon, I found the perfect marsh where you can hide the engineer's body.” Instead, we talk about little fish that might become big fish—and we talk about it constantly.

If you have four or five people who are really dedicated, who trust each other, working together, they can be the core of an exponentially larger network around them—because they can be forming them, they can be setting the rules, the norms; they can be facilitating, bringing projects to life. Because part of what we are doing in the PayPal mafia is, “Hey, I'm looking at this company. You think we should invest in this?” “Yeah, I think we should invest in that,” or “Hey, I'm starting Yelp. Who are the people we should talk to on financing? What do you think about talking with these people?”

And so more and more companies grow up around them. And then as all those additional companies, now you have a much denser network of people with successful companies, resources, talent pools within those companies, a knowledge base about what to be doing. That gives you a diversity of resources, and knowledge, and companies to create a whole ecosystem.

I want to be clear, we are not the original gangsters of Silicon Valley. Every successful founding team—at Google, Facebook, wherever—spawns its own little network. And there's nothing magical about the networks in Silicon Valley. They can take root just about anywhere that you have a few successful entrepreneurs willing to pay it forward. Linda has a great example from Turkey.

A poll in Turkey asked college students to name their top three entrepreneurial role models. Number one was Steve Jobs. Number two, Mark Zuckerberg—and number three was Nevzat Aydin. He supplanted Bill Gates. He's not just an icon, though. Linda explains how Nevzat pays it forward, quite literally.

ROTTENBERG: There is a company in Turkey, in Istanbul, founded by Nevzat Aydin and Melih Odemis. It's called Yemeksepeti. It is an online food delivery company. They started it, they scaled it, they created many, many jobs. Well, what happens is Yemeksepeti gets bought by Delivery Hero for \$589 million dollars. It's the largest Internet exit in Turkey's history. Nevzat and Melih, who did very well, take \$25 million dollars of their own personal earnings. They had kept a ledger of every employee's responsibility and roles, and hand out the cash as if they had stock bonuses. CNN calls Nevzat the world's greatest boss. So what else happens? People in Nevzat circle, they've been friends, they go to club together, they talk entrepreneurship, they go to coffee shops.

And one of them starts a leading gaming company, and the other starts an online jewelry ecommerce business, Hakan Bas. And Hakan one day gets a call from Nevzat. And Nevzat says, "I have a problem with you, Hakan. I keep seeing you in the news dating models.

You're not spending enough time in your company. And Hakan says, "No one ever said this to me."

This is what builds up ecosystems. And when you think of Silicon Valley, you think of the coffee shops.

HOFFMAN: And it's not just the coffee shop, but any number of common spaces where the varied creatures of entrepreneurial life mingle and learn from one another.

Classic examples include Bucks restaurant in Menlo Park, where the venture deals get done, the coffee shops, like Coupa Cafe or University Cafe, where programmers and students tend to mingle and get recruited, accelerators like Y Combinator, where entrepreneurs swap insights and commiserate about the insanity of startup life.

I'd argue these common spaces are just as vital to Silicon Valley as the headquarters of Facebook, Google or LinkedIn. Conversations tend to spill out from the company walls and across the Valley. Think of Silicon Valley as a vast, deep learning machine, that sends information careening through its network. And this, I believe, gets to the essence of what we should look for when we ask, "Where's the next Silicon Valley?"

Forget the tech, and focus on the talent. Is there a density of talent—sharing, swapping and learning from each other's experiences? Once you take this broader definition of Silicon Valley

as a hub of entrepreneurial excellence, beyond the high-tech stuff, then the truth is you can find the next Silicon Valley just about anywhere.

Entrepreneurial networks form spontaneously and grow at stunning speeds. Take, for instance, the nascent network in Nairobi, Kenya.

JULIANA ROTICH: There wasn't a space for techies to meet up. There just wasn't—period.

HOFFMAN: That's Juliana Rotich, the co-founder of the mapping platform, Ushahidi. Ushahidi means “witness” or “testimony” in Swahili, and it was originally launched in 2008 to help citizens report violent incidents across Kenya, in the wake of a contested election.

ROTICH: We didn't actually have a physical space. We would have meet-ups at sort of dingy places actually that weirdly had wifi. So there's a supermarket nearby that we would often meet at because it had wifi. So you have all these geeks and nerds meeting at a specific supermarket, and the only reason why they're doing that is because it had free Wi-Fi.

HOFFMAN: Since 2008, Ushahidi has become the mapping platform of choice for nations caught in a crisis. Activists have used Ushahidi to map all kinds of events, from a 7.8 magnitude earthquake in Nepal, to sexual harassment in the streets of Cairo. Juliana also co-founded a shared workplace called the iHub.

ROTICH: Now many more co-working spaces have sprung up, not just in Kenya, but all over Africa. It's been really, really gratifying to see the tech space evolve.

HOFFMAN: Today, Juliana estimates there are another 12 hackerspaces like iHub in Nairobi alone. Bear in the mind, they've all opened in less than a decade. I asked Sam Altman, the president of Y Combinator, about his unconventional pick for the next Silicon Valley.

SAM ALTMAN: Maybe L.A. is a more interesting case. L.A. has not been traditionally thought of as a hotspot for startups at all—at all. And yet somehow, while everyone was talking about New York as the second Silicon Valley, I think there's more evidence of that in other cities—L.A., Seattle. And at this point I'd say you have that density of network and talent and capital and knowledge and everything else in L.A., and that happened relatively quickly.

HOFFMAN: But long before L.A. slipped into the running, Tel-Aviv has been a leading contender for years. We reached out to Yossi Vardi, who's often called the godfather of the Israeli tech scene. Yossi personifies the sort of “pay-it-forward” scale entrepreneur Linda talks about. He's helped build more than 80 startups. Our producer, Dan Kedmey, asked him to make the case for his hometown.

DAN KEDMEY: the next Silicon Valley—might it be Tel Aviv?

YOSSI VARDI: OK, first of all, why “might?” Why not “is?”

HOFFMAN: Yossi listed all of the usual reasons Tel-Aviv has been so buzzworthy—strong universities, a thriving tech sector, a workforce that speaks so frankly to the higher ups, it verges on insubordination. But Yossi finds those answers unsatisfactory.

VARDI: I suggest an alternative explanation, which I think explains the whole thing. And this is because every Israeli kid has one thing in common—and this is he has a Jewish mother, which drive him crazy from the age of five. Which telling him that he has to excel, which telling him, why his cousins are smarter than him? Which telling him, “After all what we have done for you, asking you to bring one Nobel Prize is really too much?”

So the poor kid is growing that way, he has to satisfy his mother. And in order to be a Jewish mother, you don't have to be Jewish, and even you don't have to be female—it doesn't relate to ethnicity, or to gender. It's related to your mindset, to your state of mind.

HOFFMAN: So basically, Jewish mothers, and their equivalence in every culture, are the ultimate startup incubator. And if that's true, then someone should study the mothers behind Boston's entrepreneurs, because Joi Ito, head of the MIT Media Lab, says Boston's startup scene is positively thriving.

JOI ITO: Kendall Square is kind of where it's happening, because you you have all the large pharma companies, you have the biotech startups, you have the biotech incubators. I think half of all cancer drugs in the last five years came out of the Boston area. And so we have the kind of critical mass here in biotech that Silicon Valley has in software. So I think if you think about Silicon Valley as an ecosystem, and not just focus on the scaling of software, then I do think that you see that in Boston for biotech.

HOFFMAN: I could go on pointing to startup scenes around the world, which might plausibly become the next Silicon Valley—New York, Chicago, London, Berlin. But in truth, at this moment in time, there is only one contender. And I won't use hedging language. It's not that this contender *might* give rise to the next Silicon Valley. It has *already* given rise to the next Silicon Valley, and arguably, *multiple* Silicon Valleys. Beyond Silicon Valley itself, I believe that the next Silicon Valley is undoubtedly China. Shenzhen is just one of several cities in China that blow other contenders for the next Silicon Valley out of the water. I would argue Beijing, Shanghai, Hangzhou, and possibly Chengdu are all far ahead of any of the cities we've discussed so far, and there's a common thread running through their successes.

How do I describe a tech scene as vast and dynamic as China's? I can only give you a snapshot. The fact is, China's tech industry is evolving so rapidly, it catches veterans off guard.

Andrew Ng was until recently the chief scientist at Baidu—you might call Baidu China's answer to Google. Andrew says you can't really appreciate the pace of innovation that's taking place across China's major metropolises, until you see them for yourself. Seeing it is as simple as looking out the window.

ANDREW NG: I was in Shenzhen about a couple of months ago, and just driving on the road, I saw companies by the roadside testing new robot designs. And I said, "Wow, I've never seen that before. They're just out testing it by the side of the road. That's cool." Every time I go to Shenzhen, there are new hardware robot designs. The pictures you see in the media about these hardware bazaars look incredible, but the pictures even don't do it justice. It's even more magnificent when you're there in person.

HOFFMAN: There's a common thread running through their successes. First, they have an enormous number of users through which local companies can scale their services. And second, they work fast—so fast that Andrew sets an entirely different schedule for his staff in China.

NG: You know, just decision making is much faster on average in the China tech world than in the U.S. tech world. The China tech world is so competitive. Pretty much every Chinese Internet company is a wartime company. Here's an example of a normal workflow. One day I was having dinner with a few other Baidu people, who had a question about HR. So I sent a text message to one of the HR leads at 7:00 P.M., while we're having dinner. Over the next half hour, she sent text messages to all of her direct reports at 7:00 P.M. They all collected answers, sent them all back to her and she got back to me by 7:30. And this is a normal flow of work.

I would have been worried if she had taken more than an hour to get back to me. And this is just how Chinese Internet companies work. People do give up significant personal sacrifices for work. Maybe unfortunately to a lot of employees in China, your ability to get a raise—that really changes your life. And so people are hungry, and people work really hard, and people are very ambitious.

HOFFMAN: Scale favors the swift—and you can find few startup scenes as fast-moving as China's. But I would argue that the greatest asset to China's tech scene is not just the speed by which massive companies have taken over the market—it's the talent that now resides in those companies. The executives, programmers, designers, marketers who know how to scale a team from a few founders to several thousand employees. They form a critical mass that can scale the next generation of promising startups at blistering speeds. And perhaps the surest proof that this whole process is self-sustaining is that Linda has yet to launch an entrepreneurial network in China. I asked her why. The short answer: no one has asked.

ROTTENBERG: Our model has always been we are pulled into countries, we do not push our model elsewhere. So we would need someone like Jack Ma and a group of

other people that want to promote entrepreneurship to say, “Hey, we need Endeavor here.”

HOFFMAN: I have a prediction, no one in China is going to ask Linda for help anytime soon, because China is already on a self-sustaining path.

And so where does that leave our other contenders? Should they abandon all hope? Not for a second. Here’s what I find so encouraging about Linda’s work—the lessons learned from one city can be telegraphed to just about any other city. What works in Buenos Aires or Istanbul may work for struggling cities here in the U.S. as well. Linda herself never imagined Endeavor would be of any use to American entrepreneurs. But lately, she’s been re-thinking that assumption.

ROTTENBERG: I used to think, so what if you move to Silicon Valley? So what if you move to New York? It’s still the United States; it’s different than taking a Brazilian or Tunisian entrepreneur and moving them here. And in fact, actually it’s not—that’s what I’ve learned. If you’re in the heartland of the U.S., moving to the coast is just as draining to the local community as if you were from another country—and we have to create homegrown, city-based entrepreneurship outside the coasts.

HOFFMAN: You’ll recall, though, that Endeavor works on a pull model. And several U.S. cities were clamoring for an Endeavor-like program to jumpstart their startup sector.

ROTTENBERG: So now we’re in four U.S. cities—Miami, Detroit, Louisville, and Atlanta. And it was interesting—in Atlanta, the co-chairs are two entrepreneurs that created billion-dollar companies. They said, “We did not raise a dime here in Atlanta.” And they said, “We’re here to prove that the next generation is going to have people who will invest in them to stay.”

HOFFMAN: Endeavor isn’t just forming connections between entrepreneurs, but connections between entrepreneurial hubs around the world. Successful entrepreneurs in emerging markets can now come to Kentucky and say, “Surely, you can scale a startup here, too.” This isn’t theoretical. It’s happening, right now.

ROTTENBERG: We had a food and beverage tour, we have a lot of F&B companies in Louisville. We brought F&B companies from Saudi Arabia and South Africa and Indonesia and Colombia to Louisville—and they all connected. And I think in this world—where we’re talking about the red state and the blue state, and people who are pro- versus anti-globalism, and pro- versus anti-technology—I actually have come to believe that if we don’t do more to promote homegrown entrepreneurship in many cities throughout this country—the ones that are hurting, that feel like technology and globalism and job creation is passing them by—we’re going to be in even more trouble.

So in fact, now I want to double down. I actually think Endeavor should be in probably 20

cities in the U.S., whereas ask me five years ago, I was scratching my head why we were in even one.

HOFFMAN: So let's stop worrying about where the next Silicon Valley might take root. It's a far less interesting question than how many Silicon Valleys can take root. How can we kickstart an international ecosystem where entrepreneurs scale fast, pay it forward, and enable a thousand entrepreneurial hubs bloom? It starts with a change in our mindset—a willingness to get a little bit corny and say, "The next Steve Jobs might be driving a cab in Buenos Aires, or launching a startup in Louisville. They only need the courage and connections to stay put."

I'm Reid Hoffman. Thank you for listening.