

## **Unleashing The Power of Unicorns: Strategic Management as an Approach to Ignite Economic Growth**

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### **Abstract:**

Startups, particularly unicorns, are characterized by their rapid growth and unique funding mechanisms. Unicorns, which are private high-growth startups valued at one billion dollars or more, have become symbols of hypergrowth and innovation. These companies possess focused leadership, streamlined business models, and a strong emphasis on digital innovation. As unicorns continue to raise substantial funding, it is crucial for investors and traditional companies to understand their impact on the economy and employment opportunities. Additionally, identifying the key drivers of a unicorn's growth and its strategic management are essential. This research aims at investigating the economic implications of unicorn existence, their influence on employability, and the role of unicorns' strategic management in

their growth and existence. Further, providing an explicit illustration of the current status of the Egyptian and the foreign unicorns as well as employing a recent cross-sectional regression model, that reflects data on year 2022 and covers a selection of 22 different countries all over the globe including the valuation of the unicorns and how it affected the growth of the countries. The findings will provide valuable insights for countries to encourage and motivate the establishment of unicorns due to their importance to the economies of the countries.

**Keywords:** Startups, Unicorns, Valuation, Disruption, Strategic Management, Unleashing the Power of Unicorns, Economic Growth.

## 1. Introduction

Startups represent those companies aiming at rapid growth, relying on various funding forms including seed capital companies, crowdsourcing, and business angels. Amongst the categories of startups, unicorns reflect such category involving private high-growth and innovative firms which their worth equals to or exceeds \$ 1 billion, in addition to an appreciation within few years of their commencement (**Rodrigues and De Noronha, 2021**), According to Hurun Research Institute, unicorn is a form of hypergrowth that some companies may reach, where it means that these companies' current valuation is one billion US dollar or more.

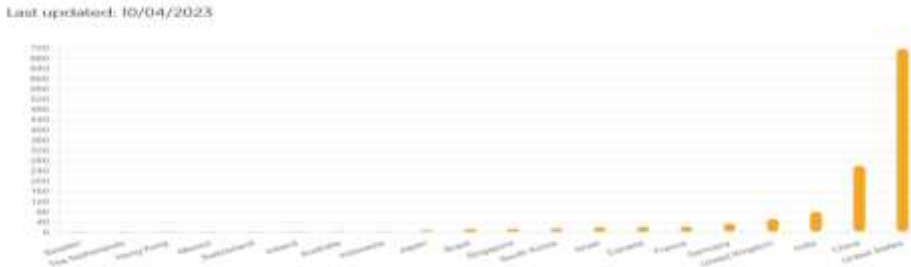
Not only that unicorns are influencing, shaping, and redefining the investment strategies and capital markets, but also

the industries in which they function via the development of novel goods and services, rapidly expanding geographically into different markets, and relying on their wealth and valued stocks in attracting talents (**Eckert, 2022**).

The rise of unicorns has had a significant impact on macroeconomic variables. Unicorns, for instance Airbnb, Uber, and Facebook, have become extraordinarily profitable and successful in a short period of time (**Bock and Hackober, 2020**). They have disrupted traditional industries and created new business models that have transformed economies (**Rodrigues and De Noronha, 2021**). Unicorns have also contributed to job creation and economic growth (**Carlino and Drautzburg, 2020**).

## 2. The diffusion of unicorns

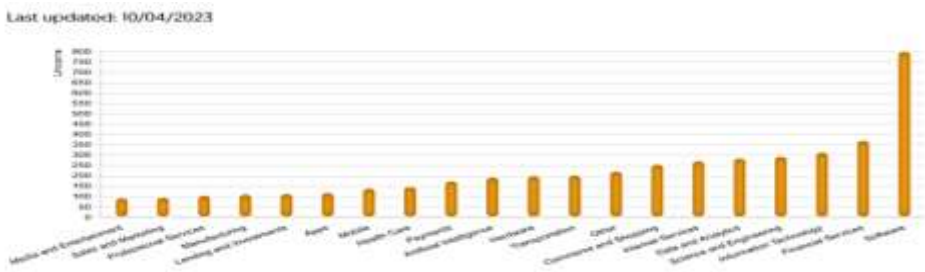
US and China, the economies with the largest populations, are the headquarters of most unicorns; the other unicorns are spread over forty different nations. India, a technology global powerhouse, is ranked third and has seen a significant increase in unicorns, with only five unicorns before the beginning of 2016 reaching 81 unicorns. With the advent of digital banking, insurance, "buy now, pay later" (BNPL) products, wealth management, and mortgages, consumer app platforms are increasingly going beyond payments to include financing. The economy is being digitalized, which is laying the groundwork and infrastructure for the future adoption of digital currencies (**Eckert, 2022**).



**Figure (1): Countries with Most Current Unicorns**

Source: <https://news.crunchbase.com/unicorn-company-list/>

Almost all venture capital back in the 1990s had been invested in telecommunications, internet, and high-tech companies. Nowadays, record-high funds are being poured into e-commerce, industrial technology, media and entertainment, health technology, mobility technology, and fintech (representing the major pre-IPO capital destination). Technology had impacted business processes and investments in various verticals reshaping the industry structure (Eckert, 2022).



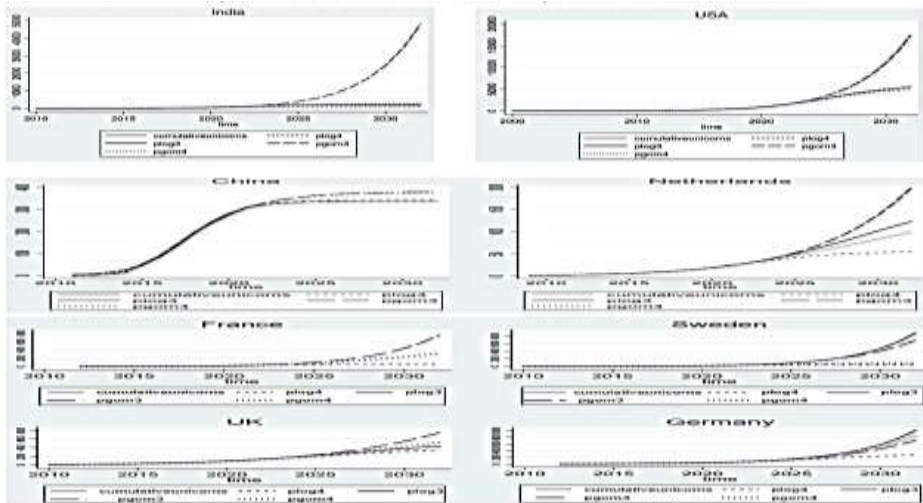
**Figure (2): Top Industries by Unicorn Counts**

Source: <https://news.crunchbase.com/unicorn-company-list/>

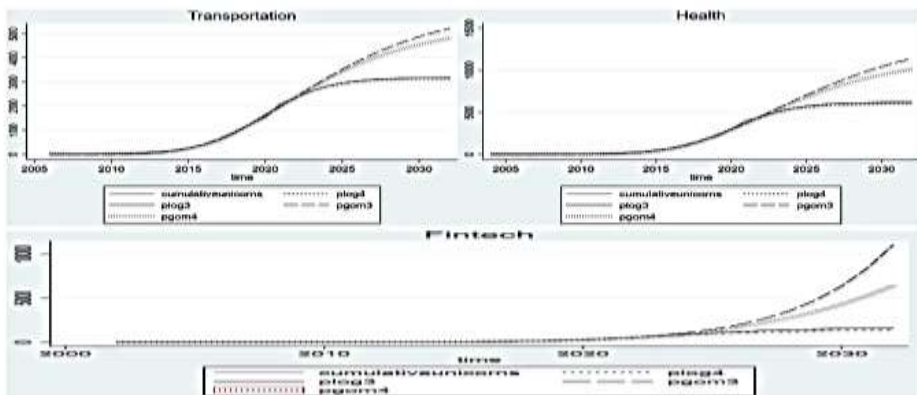
**Teffahi and Bouaziz (2023)** used 2 different sets of growth models, i.e., (1). the Logistic model (with 3 and 4 parameters), and (2). the Gompertz model (with 3 and 4 parameters as well) to identify the unicorn's diffusion in eight different countries and three sectors, with the objective of determining a suitable model to forecast - for selected sectors and countries – future unicorns' adoption. It was found that the Logistic model with three parameters (**LM3P**)\* was most suitable for forecasting the US and UK unicorns' diffusion.

\* The LM3P includes the market potential or the maximum number of possible unicorns, the growth rate or pace of adoption of the unicorns, and the inflection point indicating the point in time at which the growth of the adoption of unicorns reaches its peak and starts decreasing.

Their analysis further identified that for France, Germany, Netherlands, India, and Sweden, the Logistic model with four parameters (**LM4P**)\* was the most suitable one for forecasting their unicorns' diffusion. The Gompertz model with three parameters (**GM3P**), however, was found to best fit the case of China. They have also recognized that (**LM3P**) best depicted the diffusion of unicorns in the various sectors of transportation, healthcare, and Fintech.



**Figure (3): Diffusion and forecasting of unicorns by country, Source (Teffahi and Bouaziz, 2023)**  
 (plog4= forecasting by LM4P, plog3 = forecasting by LM3P, pgom3= forecasting by GM3P, pgom4 = forecasting by GM4P)



**Figure (4): Diffusion and forecasting of unicorns by sectors, Source: (Teffahi and Bouaziz, 2023)**  
 (plog4= forecasting by LM4P, plog3 = forecasting by LM3P, pgom3= forecasting by GM3P, pgom4 = forecasting by GM4P)

\* The LM4P includes the market potential or the maximum number of possible unicorns, the growth rate or pace of adoption of the unicorns, the inflection point indicating the point in time at which the growth of the adoption of unicorns reaches its peak and starts decreasing, and location.

\* The GM3P includes the market potential or the maximum number of possible unicorns, the growth rate or pace of adoption of the unicorns, and the inflection point indicating the point in time at which the growth of the adoption of unicorns reaches its peak and starts decreasing.

**Teffahi and Bouaziz (2023)** concluded that unicorns no longer are considered mythical, that in 7 years their numbers will exceed 6800 unicorns. They identified that policy makers could make effective and timely decisions by considering such variables as the ultimate market potential, the saturation level time, and the speed of diffusion relevant to each industry as well as country. Given that most of the countries under study are expected to realize their utmost levels of unicorn diffusion within 5 to 7 years, underlines the policymakers' prompt necessity to establish strategies for development, such as a properly defined regulatory framework, risk capital availability, an appropriate infrastructure, innovation ecosystems, facilitating unicorn growth via improving the environment of the business, and upmost concentration on the studied 3 sectors, the fintech sector in particular for promoting sustainability and financial inclusion.

### **3. Characteristics of Unicorns**

**In their study, Jinzhi and Carrick (2019) identified the following traits of high-growth startups/unicorns:**

- 1. Commercializing new innovations.** These companies' strategic paths are derived by innovation; often high-growth startups, at the beginning, concentrate on innovation development resulting in large resource constraints with no revenues to reinvest into growth.
- 2. Reliance on human capital for gaining a competitive advantage.** Technology-based firms' major building blocks

involve social and human capital. Often, it is the prominent human resources who contemplate innovations. Additionally, the growth of those startups depends on their managerial competencies.

- 3. Capital consumption.** Many firms turn to venture capital (VC) for financing incubation and growth. An innovation's journey from conception to commercialization frequently takes years. This necessitates a significant initial investment, because generating revenues from such innovations might take years.
- 4. Considering various financial paths.** Taking in VC might be the path of most of these ventures, however, some would take different financial routes. US companies, for instance, rely mainly on the grant program of the Small Business Innovation Research (SBIR). Likewise, the Chinese government has launched thousands of high-growth startups via significant federal, provincial, and local investment programs.
- 5. Strategic alliances.** Startups acquire the inputs necessary for their success via alliances. Often, these startups lack the whole range of resources and assets required for developing and scaling a business concept. Accordingly, they align themselves with partners and investors, in many cases by paying them a large premium, to access essential resources. By leveraging the resources that alliances offer, startups acquire new competencies, enhance the rate of patenting, product development, sales, managerial skills, and the



company's valuation. High-quality alliances provide endorsement and legitimacy to firms, it conveys that the startup is a reputable venture which provides its potential alliance partners with great value.

**In the same context, Rodrigues and De Noronha (2021) identified four factors illustrating unicorns' hyper-growth:**

- 1. Entrepreneurship**, i.e., the unicorns' managers and founders are highly experienced entrepreneurs who deal with high risks and failures.
- 2. Featured as small sized ventures**, facilitating making strategic decisions and implementing strategies.
- 3. Digitalized innovations**, that reach the target audience swiftly and precisely via digital platforms and social networks.
- 4. Venture capital funding**, VC firms, accordingly, pressure unicorns to promptly develop strategies that foster innovativeness.

#### **4. Measuring the Impact of Unicorns on Economies**

In our current research, a regression model was developed using a set of cross-sectional data from 22 countries including (USA, China, UK, India, Germany, Canada, France, Sweden, Netherlands, Australia, South Korea, Switzerland, Singapore, Hong Kong, Japan, Indonesia, Spain, Ireland, UAE, Turkey, KSA, Egypt) that have unicorn in the structure of its economy.

The valuation of these unicorn companies will serve as one of the independent variables, while the dependent variable will be the gross domestic product (GDP) measured in constant 2015 values.

Regression analysis is a widely used statistical technique that allows us to examine the relationship between a dependent variable and one or more independent variables. By applying this methodology to our dataset, we aim to explore the potential impact of unicorn company valuations on a country's GDP.

The market value of unicorns has gained significant attention in recent years, as these high-growth startups have disrupted various industries and attracted substantial investments. Previous studies have highlighted the economic significance of unicorns, emphasizing their potential to drive innovation, create jobs, and contribute to overall economic growth.

Furthermore, GDP is a widely accepted measure of a country's economic performance, capturing the total value of goods and services produced within its borders. Investigating the relationship between unicorn valuations and GDP can provide valuable insights into the economic implications of these highly valued startups.

To the best of our knowledge, no existing research has specifically examined the relationship between unicorn valuations and GDP across multiple countries using a regression framework. By filling this research gap, our research aims to contribute to the understanding of the economic impact of unicorns on a country's overall economic performance.

**Table (1): Description of used variables in the suggested model**

Symbol Used	Used Variable	Source
<b>GDPCON</b>	GDP (constant 2015 US\$)	World Development Indicator, World Bank
<b>VALUE</b>	Market value of Unicorns in Billion \$ 2023	Crunchbase Unicorns, Database.
<b>FDI</b>	Foreign direct investment, net inflows (% of GDP)	World Development Indicator, World Bank
<b>LF</b>	Labor force, total	World Development Indicator, World Bank

$$GDPCont = \beta_0 + \beta_1 Value_{i,t} + \Phi_i Controls_{i,t} + \epsilon_{i,t} \quad (1)$$

The subscripts t in the model refers to the year, which is 2022, and  $\beta_0$  represents the intercept term,  $\beta_1$  represents the regression coefficient of the explanatory variable,  $\phi_i$  is the regression coefficient of the control variable, and  $\epsilon$  represents the residual item.

**Table 2:**

Dependent Variable: LOG(GDPCON)  
 Method: Least Squares  
 Date: 12/13/23 Time: 00:30  
 Sample (adjusted): 1 22  
 Included observations: 22 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	22.27454	1.542528	14.44028	0.0000
LOG(VALUE)	0.336446	0.071098	4.732176	0.0002
FDI	-0.031434	0.013686	-2.296879	0.0338
LOG(LF)	0.279832	0.095783	2.921521	0.0091
R-squared	0.849813	Mean dependent var		28.01000
Adjusted R-squared	0.824782	S.D. dependent var		1.127880
S.E. of regression	0.472119	Akaike info criterion		1.499795
Sum squared resid	4.012136	Schwarz criterion		1.698166
Log likelihood	-12.49774	Hannan-Quinn criter.		1.546525
F-statistic	33.95032	Durbin-Watson stat		2.587875
Prob(F-statistic)	0.000000			

The adjusted R-squared of the model is around 0.824. The estimates are robust to model specifications, as the set of the independent variables in the model explains about 84% of the changes that takes place in the Gross Domestic Product in constant values, as the dependent variable; this means that the model is well fitted.

From the results of regression in Table 2, we can see that the core explanatory variable VALUE, that indicates the market value of Unicorns, will have a favorable impact on GDP, and this impact is significantly positive at the 1% level, with a probability of error equivalent to 0.0003. Increasing market value can improve the company's visibility and value to obtain the trust of the public which in turn will enhance investment patterns of these companies, which in turn improves the productivity that will lead to the perfect allocation of resources, leading to the of industrial patterns that eventually drives the GDP of the countries. Also, it is worth noting that the market value of the unicorn is only one variable that could not be solely responsible for enhancing the GDP of the countries, however more focus on it will enhance the growth of the economies.

The results also showed a positive impact of labor force, total (Lf) on gross domestic product, constant values, with a probability of error equals to 0.0091, which is significantly positive at the 1% level.

The Durbin Watson (DW) statistic is a test for autocorrelation in the residuals from a statistical model or regression analysis. The Durbin-Watson statistic will always have a value ranging between 0 and 4. In our model, the value of Durbin Watson is around 2.0, with a value of 2.587 indicating that there is no autocorrelation detected in the sample used.

To double check the results, Granger Causality test was implemented to check the relationship between the core variables, market valuation of Unicorns and GDP, table 3 reflects the results as follows:

**Table 3:**

Pairwise Granger Causality Tests

Date: 12/13/23 Time: 01:23

Sample: 1 264

Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
GDPCON does not Granger Cause VALUE	20	7.94541	0.0044
VALUE does not Granger Cause GDPCON		1.78047	0.2024

The results showed that GDP can granger cause the market value of the unicorns, as we will reject the null hypothesis as the probability is less than 0.05, and this supports the analysis that was conducted previously and showed that Unicorns exists in most of the developed countries, and that small number of unicorns is just existing in the emerging and developing countries.

The other part was accepting the null hypothesis that states, market valuation does not granger cause GDP at 20% significant level, and this results is matching with our recommendations that Unicorns and their market valuation alone cannot impact the GDP of the countries and that there are supposed to be other factors supporting the enhancement of the GDP in the country besides the existence of Unicorns, such as the enhancement of employment, education, healthcare, investment levels and finally the stability of price levels.

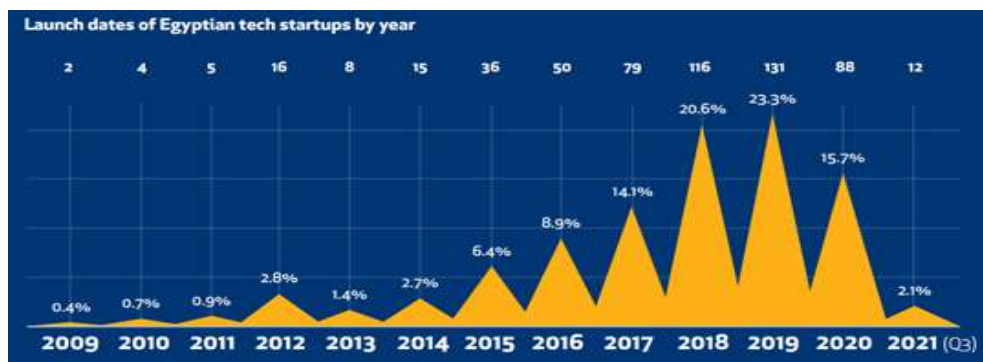
### **The Egyptian Startups**

Information illustrated in this section is accessible through **the (2021) Egyptian Startup Ecosystem Report**. The Disrupt Africa team compiled a list of 562 Egyptian tech startups, providing the data in the report. The list was created using Disrupt Africa's own reporting over a period of several years on the African tech industry as well as research and data obtained from third parties. The following figure encompasses some of Egypt's active tech startups as demonstrated in the report.



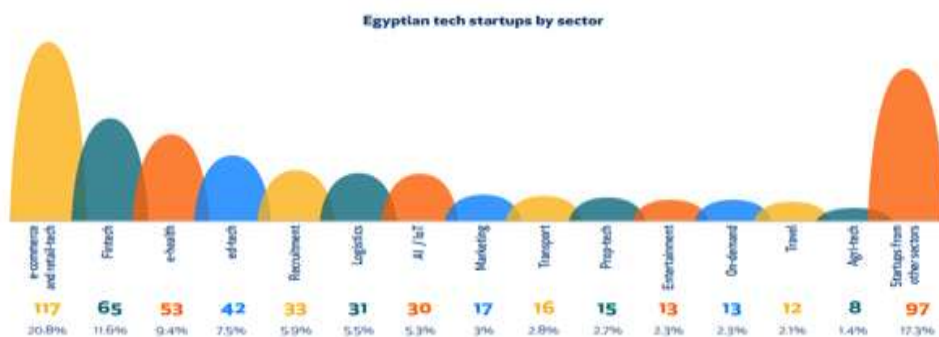
**Figure (5): Some of Egypt's active tech startup**  
**Source: The Egyptian startup ecosystem report, 2021**

The following figure illustrates that Egypt's tech startup ecosystem started to thrive in around 2015. The years 2018 and 2019 represented the peak periods for startup launches, this was in conjunction with Egypt's gatecrashing, in terms of investments, Kenya, Nigeria, and South Africa (i.e., once referred to as the "big three"). Accordingly, Egypt became a member of what is now called "the big four" (i.e., Kenya, Egypt, South Africa, and Nigeria). The year 2020 witnessed a slowdown as a result of the COVID-19 pandemic.



**Figure (6): Launch dates of Egyptian tech startups by year**  
 Source: The Egyptian startup ecosystem report, 2021

The following figure illustrates the Egyptian tech startups divided up by sectors. E-commerce is clearly dominating, encompassing more than one-fifth of the country’s tech startups. Other sectors involve e-health, ed-tech, logistics, recruitment, and AI/IoT.



**Figure (7): Egyptian tech startups by sector**  
 Source: The Egyptian startup ecosystem report, 2021

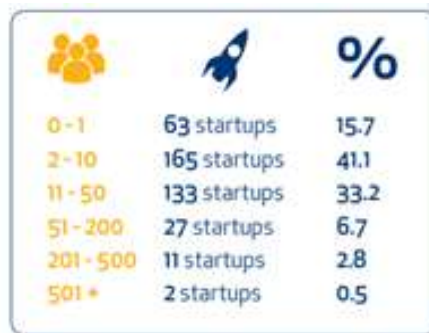


According to the report, with an astounding 38.6% of Egyptian startups having participated in an incubation or acceleration program (e.g., TIEC, Flat6Labs, Athar, the AUC VLab, Falak Startups, Y Combinator, and 500 Global), they have been considered as the most accelerated on the continent.

The report also mentioned that the 562 listed startups had accumulatively employed nearly 13,000 people, with an average of 23 employees per startup. This is why the Egyptian tech startup ecosystem is said to significantly impact the employment rates. Of all the sectors, e-commerce (holding 21% of the total startups employment rates) is considered the largest employer with 2,718 jobs provided. Comes in second place Fintech, providing 2,037 job opportunities and ed-tech in third place with 1,572 employees.

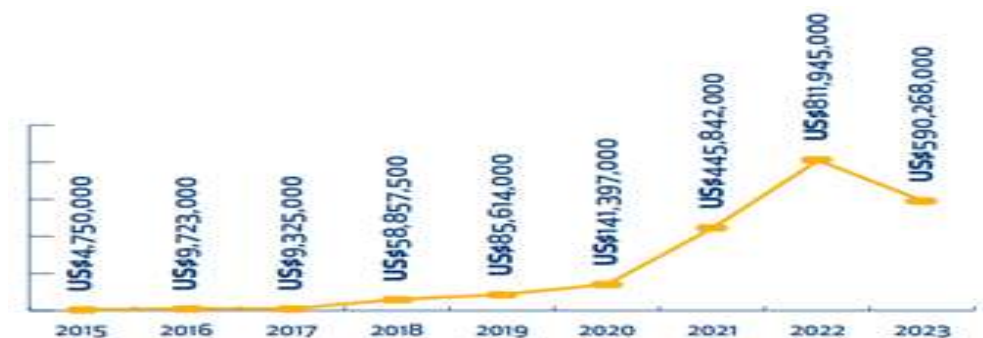
#### Top 5 Egyptian startup employers

1	 SWI	692
2	 nagwa	551
3	 Vezeeta.com	386
4	 خانجرا KHANJARA	320
5	 bosta	290



**Figure (8): Employment rates of the Egyptian tech startups**  
Source: The Egyptian startup ecosystem report, 2021

**Figure (9)** illustrates the Egyptian startups’ total funding secured from the year 2015 up to the year 2023.



**Figure (9): Total funding secured by Egyptian startups per year**  
 Source: The African Tech Startups Funding Report, 2023

**Figure (10)** illustrates the number of funded Egyptian Startups from the year 2015 up to the year 2023.



**Figure (10): Number of funded Egyptian startups per year**  
 Source: The African Tech Startups Funding Report, 2023

Revisiting figures (9) and (10) indicates that 2023 has taken a toll on Egypt's ecosystem. Despite a prosperous couple of years during which the country ranked consistently as Africa’s second-

most funding destination, in 2023 both the funding secured, as well as the number of funded startups had fallen. The Egyptian startups' employment rates had also taken a dive in the year 2023, with total reported 3,085 jobs (an average, per startup, 67 jobs), down from 2022 and 2021's employment figures (i.e., 11,153 and 4,516 respectively) Table (4) explains comprehensively 2023's severe funding implications.

Year	Funding Status
2023	<ul style="list-style-type: none"> <li>46 Egyptian startups raised funding (11.3 percent of Africa's total), placing the country fourth for number of startups backed. This is down 64.9 percent on the previous year, when 131 startups raised (20.7%, 2nd place).</li> </ul>
	<ul style="list-style-type: none"> <li>Total funding came to US\$590,268,000 (24.5 percent of Africa's total), the second highest total of the year, albeit a significant decline on Egypt's previous year's tally. In 2022, US\$811,945,000 was raised (24.4 percent of total), thus this year represents a 27.3 percent decrease.</li> </ul>
	<ul style="list-style-type: none"> <li>Egypt's total was underpinned by a single round - US\$510 million attracted by fintech MNT-Halan - without which 2023 would have proved catastrophic for the country's ecosystem. This single venture's fundraising success accounts for 86.4 percent of Egypt's annual total.</li> </ul>
	<ul style="list-style-type: none"> <li>The average raised per startup leapt to US\$12,831,913, skewed significantly by the MNT-Halan raise. The average for 2022 was US\$6,198,053; US\$3,876,887 in 2021; US\$1,724,354 in 2020 and US\$972,886 in 2019.</li> </ul>
	<ul style="list-style-type: none"> <li>There were 21 rounds in excess of US\$1 million. Again, this is substantially down from 68 in 2022, and 43 in 2021.</li> </ul>
	<ul style="list-style-type: none"> <li>Fintech is typically popular in Egypt, and 2023 was certainly no different. The sector saw 18 startups raise funding (39.1 percent of Egypt's list); and contributed US\$529,600,000 - 89.7 percent of the total pot (thanks to MNT-Halan).</li> </ul>
	<ul style="list-style-type: none"> <li>Beyond fintech, e-commerce saw seven ventures (15.2%) raise a combined US\$6,700,000 (1.1%). Five ed-tech companies (10.9%) together added US\$38,950,000 to the total (6.6%). The remaining US\$15 million was spread around.</li> </ul>
	<ul style="list-style-type: none"> <li>These figures represent a big boost for Egypt's fintech space, although it was already dominant in 2022, when 26 fintechs (19.8%) contributed US\$401,730,000 (49.5 percent of funds). While e-commerce and retail-tech has been Egypt's most successful sector generally over the years, in 2022 it dropped to second place with 23 companies (17.6%) raising US\$129,210,000 (15.9%). Beyond these two sectors funding that year was well spread.</li> </ul>
	<ul style="list-style-type: none"> <li>Egypt was predominantly early-stage, with 81.9 percent of disclosed funding stages coming before Series A. Egypt had previously been moving to a slightly more mature market dynamic, with numerous Series A, pre-Series B and Series B rounds reported annually. This year has been a setback.</li> </ul>
	<ul style="list-style-type: none"> <li>Three of the 46 funded startups raised some form of debt (6.5%), up from 3.8 percent of the startups backed in 2022, and the 1.7 percent in 2021. To be noted is that MNT-Halan's mega-success featured mostly debt funding</li> </ul>
<ul style="list-style-type: none"> <li>Accelerator participation is common in Egypt, with 21 of the backed ventures having been accelerated (45.7%). In 2022 there were 64 (48.8%); and 57 (49.6%) in 2021.</li> </ul>	

**Table (4): Egypt startups' funding in 2023**  
**Source: The African Tech Startups Funding Report, 2023**

In this section, it was illustrated that Egypt, indeed, has been in the right path to creating the environment for startups, significantly impacting both the economy as well as the employment rates. However, the year 2023 obstructed the Egyptian startups' ecosystem growth trajectory. According to **The Crunchbase Unicorn Board\***, MNT-Halan, the Cairo-based fintech, was the first ever Egyptian firm to join the board (See table (4) for more illustration of the MNT- Halan hyper-growth). This unicorn is specialized in providing BNPL products, business loans, and digital wallets, with a customer base exceeding 5 million customers and 1.3 million monthly active users (**Teare, 2023**).

\* The Crunchbase Unicorn Board is a curated list of the most valuable private companies in the world. Powered by Crunchbase's comprehensive data, this unicorn company list is updated as companies are valued at \$1 billion or more in a new funding round.

Even though the growth trajectory of the Egyptian startups' ecosystem is impressive among the African tech startups, however, the Crunchbase Unicorn Board illustrated that only one Egyptian startup had made it to the list of unicorns. One Egyptian unicorn over the period of the year 2015 up to the year 2023, this raises the need to address the challenges that face the hyper-growth unicorns in order to effectively come up with a remedy to unleash the real power of unicorns.

## 5. Challenges Facing Startups

Startups start with a dream, but that dream does not always come true. They encounter innumerable challenges and even crises (**Aggarwal and Gupta, 2018**). The Covid-19 pandemic, for instance, had impacted large, medium, and small enterprises. Some enterprises struggled to resume their normal operations, while others, like unicorns and innovative startups, were embarking on new avenues in an attempt to overcome the crisis by remaining active (**Rodrigues and De Noronha, 2021**).

Funding also represents one of the main concerns of small businesses and startups. Major technological advances have increased the amount of legwork that entrepreneurs must put in before even pitching their firms, making the challenge of raising funds even more difficult. Entrepreneurs acquire the confidence to seek financial support, e.g., from business angels and seed investments, only after surviving their initial experimental phase (**Aggarwal and Gupta, 2018**).

The decision to go public (i.e., initial public offering, IPO) represents another major concern or challenge. Some entities prefer to stay private (e.g., software companies). Staying private means securing ample private funding (**see figure 11**), avoiding the public markets' challenges, not having to disclose corporate details (i.e., retain a competitive edge), increasing valuation, enhancing maturity and stabilizing operations, focusing on long-term corporate strategies, and minimizing the amount of time and resources spent

on handling shareholders issues. However, few enterprises could remain private indefinitely, despite the benefits, unless they become acquisition targets. IPO is inevitable under 2 scenarios, (1). Exceeding the private entity's maximum number of shareholders (e.g., Google's 2004 IPO when exceeding the limit of 500 shareholders), and (2). Liquidity-seeking shareholders (i.e., founders, early investors (i.e., to provide their limited partners (LPs) with returns), or employees) (Erdogan et al. 2016).

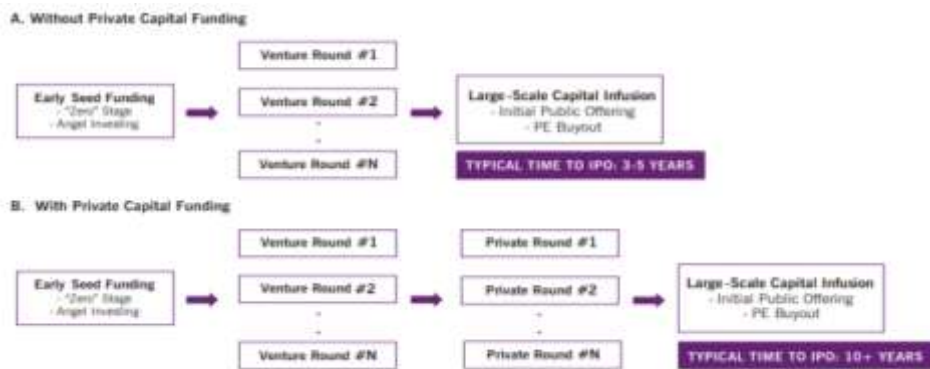


Figure (11): A unicorn's funding progressions with and without significant private capital infusions  
Source (Brown and Wiles, 2020)

A strategic decision regarding the timing of an IPO is crucial. Mounting an IPO too early as well as delaying an IPO represent a high risk for an enterprise. (1). A post-IPO dive might be a result of mounting an IPO too early. For instance, by the time it went public for crossing the maximum shareholder threshold, Facebook's plateaued core desktop offering drove its stock price down by 57% in the first 3 months. But eventually, by employing

a thriving mobile strategy (Facebook's Act II), its stock price went back up 500% percent from its low. (2). Delaying an IPO could result in missing out on scaling up the business by accessing the public markets' capital, enhancing credibility and building strong positions by competing publicly with larger established enterprises, providing exit opportunities for founders and early investors, and attracting and retaining key talents by enhancing compensation programs. Going public emphasizes the need for companies to have stable and proven strategies (i.e., second act) for maintaining strong growth after an IPO. **(Erdogan et al. 2016).**

Another challenge for startups involves managing crises. Only those startups that could survive in such a setting would be able to unleash their hyper-growth potential. Unicorns and innovative startups are better equipped to manage crises because of their innovativeness. Innovation, as a distinguished feature of unicorns, is considered as a prerequisite to adapt, identify, and seek entrepreneurial opportunities via internal restructuring or business model adjustment. Adopting Business Model Innovation (i.e., BMI) permits unicorns to respond dynamically to adversity and market needs through digital innovations. The fact that it is difficult for competitors to imitate it, BMI provides an enterprise with a sustainable performance advantage, and therefore it could be considered as a powerful tool which facilitates solving the trade-off between the costs and benefits of innovation. BMI, as an ex-post

tool, allows an enterprise to establish new markets or discover new opportunities in existing markets, hence mitigating a crisis' negative consequences (**Rodrigues and De Noronha, 2021**).

Attracting key corporate venture capital (i.e., CVC) investors is yet another challenge for startups. **Bock and Hackober (2020)**, found that early investors have a significant influence on unicorn success due to their close relationships and operational involvement with portfolio companies. They further added that the geographical proximity of venture capital investors positively impacts the chances of receiving further funding. CVC investors increase the likelihood of startups becoming unicorns, given their strategic support, guidance, alongside financial support as well as the provision of production resources and market access. Profitability takes a backseat as investors are willing to absorb high exceptional losses, focusing instead on growth as a key driver for valuation and return on investment.

Further challenges might be derived from **Jinzhi and Carrick (2019)** study of high-growth entrepreneurship models. They identified that growth could be a function of the organizational structure, the industry structure, the entrepreneur's personal attributes, the organizational strategies, processes and systems, the resources allocated, the experience of the founders, capital access, human capital, and managerial competencies.



## **6. Strategic management as an approach for conquering the challenges and unleashing unicorns' potential**

The above stated challenges illustrate the reason why some enterprises grow while others simply fail. In our research, we propose that the survival, success, and growth of startups is actually a function of strategic management and strategic decisions.

Strategic management is the art and science of formulating, implementing, and evaluating cross-functional decisions which facilitates the achievement of organizational goals. It involves the integration between various business functions: marketing, production and operations, finance, accounting, management, information systems, and R&D with the aim of exploiting and creating new and different opportunities for achieving organizational success (**David, 2011**).

**David (2011)**, identified 3 stages for strategic management process as illustrated in the following table:

Stage	Objective
<b>Strategy Formulation</b>	Includes developing a vision and mission, identifying an organization's external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing particular strategies to pursue. It involves deciding what new businesses to enter, what businesses to abandon, how to allocate resources, whether to expand operations or diversify, whether to enter international markets, whether to merge or form a joint venture, and how to avoid a hostile takeover.
<b>Strategy Implementation (the action stage)</b>	Involves establishing annual objectives, devising policies, motivating employees, and allocating resources so that formulated strategies can be executed. It includes developing a strategy-supportive culture, creating an effective organizational structure, redirecting marketing efforts, preparing budgets, developing, and utilizing information systems, and linking employee compensation to organizational performance.
<b>Strategy Evaluation</b>	Reflects the primary means for obtaining information of how well particular strategies are doing. All strategies are subject to future modification because external and internal factors are constantly changing. Three fundamental strategy-evaluation activities include (1) reviewing external and internal factors that are the bases for current strategies, (2) measuring performance, and (3) taking corrective actions. Today's success is no guarantee for tomorrow's success, this is why strategy evaluation is essential: organizations cannot afford to be complacent about success.

**Table (5): The 3 stages of the strategic management process**

Source: (David, 2011)

In the same context, **Morden (2007)** stated that strategic management's main concern involves the organization's overall character and direction. It encompasses the fundamental decisions of the current state as well as the future state of an enterprise. It defines the organization's purpose, and serves as the foundation for decisions regarding customers, resources, people, leadership, risk, finance, products, location, competition, systems, technologies, and time. It further identifies whether and how the organization will add value as well as the form of that added value.

In a different perspective, strategic management has been identified by **Bradutan and Sarbu (2012)** as a means of focusing on changes and amendments to be made in the organization and within its interactions with the surrounding environments. According to

them, strategic management should be implemented for an enterprise to achieve its objectives as efficiently as possible and to ensure its survival in dynamic and ever-changing environments. Hence, it becomes a pillar for achieving not only an organization's but also the economy's as well as the society's sustainable development. In other words, it ensures a balance between satisfying both current and future social development needs, protecting the environment, and economic growth.

Based on the above, we can clearly observe how strategic management provides the means for hyper-growth startups to unleash their powers by strategically overcoming environmental challenges and emphasizing their chances of success and sustainable development.

## **Conclusion**

Unicorns are of great interest worldwide because of their profound impact on the global economy. The findings of our regression model offer insights for policymakers, to better understand the role of unicorns in shaping a country's economy. Additionally, the results provide guidance for formulating strategies and policies that foster the growth of the economies of the countries by supporting unicorns and thereby promoting economic development and innovation.

In general, the market value of unicorns will have a favorable impact on GDP, and this impact is significantly positive at the 1% level, with a probability of error equivalent to 0.0003.

Increasing market value can improve the company's visibility, investment schemes and eventually the economic growth of the country, it is worth noting that market value of the unicorn is only one variable that could not be solely responsible for enhancing the GDP of the countries, however more focus on it will enhance the growth of the economies.

The growth of unicorns is influenced by various factors. Qualitative factors, such as ecosystem development and the size of the economy, play a role in the number of unicorns in a particular region (**Bethlendi and Arpad, 2022**). The rapid diffusion of unicorns can be measured by the time it takes for a company to achieve a market capitalization of \$1 billion, known as time to market cap (**Trabucchi et al., 2019**).

It is highly noticed that not all startups become unicorns, not all unicorns make it to decacorns (valuation \$10 billion or more), and not all decacorns transform into hectocorn (valuation \$ 100 billion or more). These enterprises face enormous challenges that might hinder them from achieving their growth targets. Such challenges reflect the enterprises' need for strategic management.

Hence, strategic management represents the approach to ignite economic growth through providing the means for various enterprises to overcome various challenges and achieve high-scale growth and success (see figure 12). The strategic decisions made, across strategy formulation, implementation, and

evaluation, represent the critical success factor for making it big in the business world.



**Figure (12): Our research proposed model**

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