



Startup
Europe
Partnership



SEP Policy Brief

Must-Haves for a Startup and Digital Europe

10 Recommendations from Silicon Valley Sounding Board

by Alberto Onetti



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This Report includes the outcomes of the Startup Europe Comes to Silicon Valley (#SEC2SV) week and European Innovation Day (#MTBEID) Conference organized by Mind the Bridge and Startup Europe Partnership in Silicon Valley from September 21st through September 25th 2015, together with the main European organizations based in the Bay Area. Specifically, this report includes the recommendations provided by the **SEC2SV Sounding Board**. The SEC2SV Sounding Board is an informal group of selected Europe-born, Silicon Valley-based managers, entrepreneurs, and investors interested in supporting EU policy makers on policies re: Digital Single Market and Scale-up of EU Startup Ecosystem. The **SEC2SV Sounding Board** has been officially launched at SEC2SV 2015 during the European Innovation Day and privately met the European Commissioner for Digital Economy and Society Günther Oettinger on September 22nd.

The conclusions of the discussions held during the European Innovation Day and the SEC2SV meetings have been reflected in this report, which was submitted to the European Commission on October 30th.

Alberto Onetti is President and Chairman of Mind the Bridge Foundation and Coordinator of Startup Europe Partnership. He is a serial entrepreneur and professor at University of Insubria.

Startup Europe Partnership (SEP) is a Startup Europe initiative that aims at offering an integrated pan-European open innovation platform to help the best startups emerge from these local ecosystems to scale-up by connecting top European Startups to large corporates. The Startup Europe Partnership program is led by Mind the Bridge Foundation together with Nesta, Factory Berlin and Bisite.



How to Improve the Growth of Digital Business and
the Startup Ecosystem in Europe

What is Needed Now in Europe?

What is needed now to be implemented in Europe with the goal of improving the **growth of digital business** and the **startup ecosystem**?

What is the best of both worlds, **US** and **Europe**? How can that be **combined**? What can be **improved** in Europe? Specifically, what can the **European Commission** do to help startups and scaleups?

During the **SEC2SV week** a group of selected entrepreneurs, managers, and investors provided several recommendations for facilitating access and scale for businesses in Europe. Specific attention has been paid to the “low hanging fruit list” of changes that might be fast-tracked to impact startup innovation next year, and not in the four- or five-year timeframe. The outcomes of this discussion are summarized in this report. ♦



EU Commissioner Oettinger addressing the SEC2SV Delegation
with Mind the Bridge President Alberto Onetti

10 Key Areas to be Addressed

How do we improve the growth of digital business and the startup ecosystem in Europe? Ten key areas have been identified, ranging from **Education, Infrastructure, Regulation, Harmonization, Internationalization, Investments, Acquisitions, Immigration, and Gender Gap.**

Below we wrapped-up some actionable solutions the Sounding Board proposed to address the main gaps identified for each area. ♦



EU Commissioner Oettinger Q&A time with the SEC2SV Delegation
at Mind the Bridge Headquarters in San Francisco

1. Education

Entrepreneurship and coding should be taught at school, like English or math.

We also need better integration between universities and the real world, with frequent and longer stages during the school years.

Investors need to be educated too. Startups are a radical new asset class that need to be properly understood. It is key to enable and support recruiting and training of professionals for venture capital funds.

European startups should have the opportunity to spend 3-4 weeks in Silicon Valley to help them understand if the products they are developing are compelling enough and have market relevance in the United States. ♦



EU Commissioner Oettinger meeting the SEC2SV Sounding Board

2. Culture

Europe has the talent. It just needs to develop the ambition, the acceptance of risk and failure.

The cultural change is a long-lasting process and **education is a key component of this process.**

But the overall climate is already changing in Europe thanks to the examples set by pioneering entrepreneurs who have shown that it can be done. There is a generation of European entrepreneurs who dream of creating not the next Facebook or Google but **the next Supercell, Rovio, King.com, Blablacar** and are acting on that dream.

Actively promoting and celebrating entrepreneurial success stories can help to speed up this process of cultural change. ♦

3. Regulation

Startups are companies that structurally lack visibility and certainty about their long-term plans.

Therefore, they need **flexibility in hiring and laying-off people**, and regulation should allow young innovative companies (*i.e.*, companies less than 18 months old and €2 million in capital raised) to have a more flexible approach to human resources (time worked, hire/fire, holidays, etc.).

Additionally administrative and financial costs by levying tax impediment should be reduced to foster the creation and growth of startup companies.

Another barrier to innovation is the existing regulation. **Policy should follow innovation**, not block or slow it down. Then it is a must that the EU guarantees new legislation, and sensibly accommodates for early-stage startups and disruptors, optimizing for speed of innovation.



Launch of the SEC2SV Sounding Board at European Innovation Day
with Oriel Ohayon (Appsfire), Fabrizio Capobianco (TOK.tv, Funambol),
Michel Wendell (Nexit Ventures), Andrew J Scott (7percent),
Adeyemi Ajao (Workday, Tuenti).

Moderated by Alberto Onetti (Coordinator, SEP - Startup Europe Partnership)

Not all innovations need additional regulation. Most companies are already subject to general rules applicable to all businesses, such as data privacy and consumer protection rules. Some companies even fall within the scope of sectorial regulations (such as those applicable to payment services and hosting service providers). **Operating in an innovative field (such as sharing economy) does not necessarily require new regulation.** Most of the times it requires a **fine tuning** of existing regulation.

Therefore, the Commission as well as national governments should proceed with extreme caution and **avoid taking a one-size-fits-all approach**, which may end up causing collateral damages for businesses.

The Office of the Digital Commissioner should be a beacon of change in the drive to digitalization, becoming a defender of startups interests and ‘up and comers’ in the industry. Successful European founders should be consulted and involved in the policymaking process.

The European copyright law needs to be harmonized, ensuring wide distribution of content across borders. Access will bolster the content and media businesses, and limit piracy. ♦



Michael Hager
Head of Oettinger Cabinet
Keynote speech
at SEC2SV European Innovation Day

4. Harmonization

There is a strong need for real regulatory harmonization in the EU. The EU market has the same size as the US market in terms of consumers. However, when expanding their service in another European country, digital (and not only digital) companies are not only confronted with other language(s) and other culture(s) but also with different:

- ◆ Labor laws
- ◆ Tax laws (VAT in particular)
- ◆ Other sector/industry regulations, etc.



Isidro Laso Ballesteros
(Startup Europe - European Commission)
during the SEC2SV
Sounding Board meeting

Different regulations create an entry barrier that is not easy to overcome.

Today for a company to internationalize in other European countries is too complicated and expensive.

Additionally **the size of the European country markets** – considered separately – **is not big enough** to support the investment required to open a subsidiary.

Therefore **national champions cannot address the EU as a single market** and expand / scale as fast as American category leaders can.

As a consequence, **the US is the logical immediate target market** for a European startup planning to go international. **Facilitating the opening of subsidiaries for European companies** (specifically for SMEs and startups) in other European countries (company setup, social subsidies) is a must if we don't want to push the most promising companies to the United States. ◆

5. Internationalization

American companies are interested in opening development centers in Europe, given the high quality and competitive costs of human resources. **But they are scared by the burden imposed by national regulations.**

The creation of a European development center for non-European companies should then be facilitated. To this purpose a **European standard regulation** with little bureaucracy (and eventually tax benefits) could help. ◆



EU Commissioner Oettinger meeting the SEC2SV Sounding Board

6. Infrastructure

In the startup world, localization doesn't matter anymore: you can start a company or work for a company from anywhere in the world.

What is needed, beyond a strong education, is to have access to the fastest Internet connection.

Startups are a gigantic opportunity to redress the main regional imbalances in Europe and support the conversion of regions lagging behind. Additionally **better access to information** is positively co-related to an increase social wellbeing and GDP. ♦

7. Investments

The low VC/GDP ratio in Europe suggests that **more venture capital funds/teams are needed in the Old Continent.**

To close this gap, there are concurring solutions, not necessarily alternative:

Increasing the government funding of private venture capital funds is the more direct way.

Governments can also fiscally incentivize matching investment commitments by large private sector companies.

This, beyond increasing the volumes of funds available for investments, might help to reduce the distance between startups and established companies.

It is also key to continue supporting new venture capital and seed funds, also by using more asymmetrical means to attract more private and institutional money.

Directives and regulation for venture capital funds is increasing rapidly.

This is very admin heavy, creating a barrier to entry for new investors.

The associated costs lead to lower returns that in turn causes less interest in the venture capital asset class, and prevents investments from private sector. ♦



Michael Hager
Head of Oettinger Cabinet
during the SEC2SV
Sounding Board meeting

8. Acquisitions

Exits, i.e., continuous startup acquisition by larger companies, are the real driver of innovation in Silicon Valley.

M&As and IPOs return money to investors and trigger new investments in the next generation of product and services. This is a must-have in a world where the new thing becomes old in the blink of an eye.

The appetite for acquisitions is not so widespread among European companies.

Startups could help the rejuvenating process of European establish companies, triggering innovation and digitalization. To foster an “acquisition attitude” **European government should encourage exits** by lowering taxes for the acquisition of a startup by corporations. ♦

9. Immigration



Nicolas Brusson
Blablacar co-founder and COO
 during the SEC2SV
 Sounding Board meeting

Silicon Valley and America owe much of their success not just to venture capital and big-name universities, but also to the country's ability to absorb immigrants into the workforce.

Immigration should be perceived as an opportunity in Europe, not as a threat. It is therefore key to make sure it is easy for non-Europeans to start a high-tech company in Europe.

A standard startup visa regulation at the European level is needed. ♦

10. Gender Gap

Companies with female founders provided their VCs with ROI that was 35% higher than male-led businesses, according to recent research reported by Forbes. The female startups also generated 12% more in revenue and spent 1/3 less.

Yet there's still less investor interest in female-led businesses: **VC investments in female startups have decreased from 13% to 7%**, despite women-led business have increased by 57%.

Why this gap?

"Gender equality" remains a neglected topic in many areas, including the United States and Europe. This issue is not perceived as urgent in the Old Continent, except in the European Nordic countries (they reach the top 5 positions, while US ranks n. 20).



“Meet the new, bad-ass women entrepreneurs from EU”

Panel at SEC2SV European Innovation Day

with Asa Nordgren (Trice Imaging), Ebba Blitz (Alertsec),
Valentina Morigi (Tensive), Jutta Weigh (Appthetable).

Moderated by Adiba Barney (SVForum, Women in Tech)

In the Nordics female entrepreneurs have an 18-month period of maternity leave and –even more important – they get a good childcare. **A comprehensive offer of public support for children can allow mothers to continue to work.** Long maternity leaves are instead perceived as a potential “trap”: “women could get used to stay at home and lose contact with the workplace and their ambitions,” says Ebba Blitz, President at Alertsec. ♦

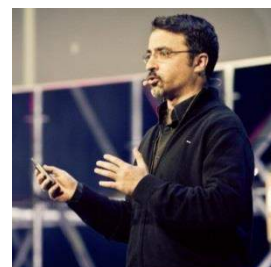
10 Recommendations from Silicon Valley Sounding Board

We asked some of the SEC2SV Sounding Board members to indicate one priority to be addressed by European regulators in order to improve the digital business and startup ecosystem growth in Europe. Below are their answers.

“Allow startups to have a more flexible approach to human resources (time worked, hire/fire, holidays).”

Ouriel Ohayon

Founder, ISAI, Appsfire



“Make sure it is easy for non-Europeans to start a high-tech company in Europe.”

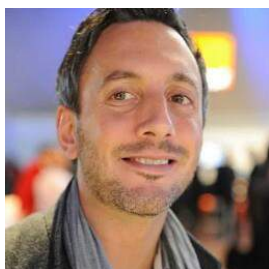
Fabrizio Capobianco

Founder, Funambol, Tok.tv

“Enable and support the recruiting and training of VC professionals and establishment of new small VC funds.”

Michel Wendell

General Partner, Nexit Ventures



“Facilitate market competition to increase efficiencies across EU telecoms and ensure good customer experiences.”

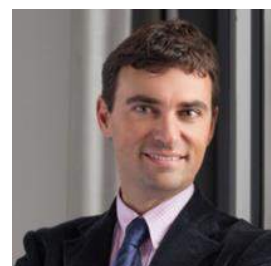
Nicholas Heller

Fractal Labs, SVC2UK, Founders4Schools, Google

“Encourage exits by fiscally incentivizing the acquisition of a startup by corporations and matching investments.”

Matteo Daste

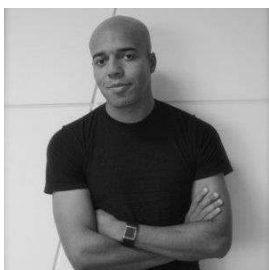
Partner, Squire Patton Boggs



“Rules and incentives are needed that would make it a no brainer for a company like MobileIron to open a development center in Europe à la Funambol.”

Vittorio Viarengo

VP Marketing, MobileIron



“Involve successful European founders in policymaking.”

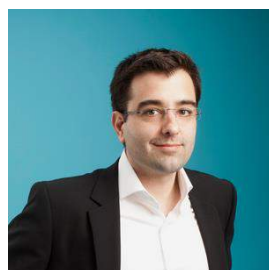
Adeyemi Ajao

Twenty, Identified, Workday

“Ensure the office of the Digital Commissioner is a beacon of change in the drive to digitalization, becoming a defender of startups interests and ‘up and comers’ in the industry.”

Andrew J. Scott

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“The EU market has the same size as the US market in terms of consumers. However national champions cannot address the EU as a single market and scale as fast as American category leaders can. There is a need for regulatory harmonization in the EU.”

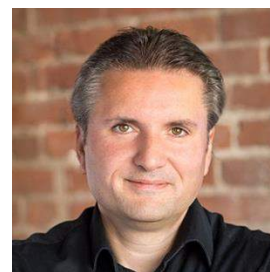
Nicolas Brusson

Co-founder and COO, BlaBlaCar

“Europe has the talent – it just needs to develop the ambition, the acceptance of risk and failure, understand that employment flexibility is paramount to high growth and finally that a punitive tax framework won’t keep successful entrepreneurs around”.

Jeff Clavier

Founder and Managing Partner, SoftTech VC



Must-Haves for a Startup and Digital Europe

10 Recommendations from Silicon Valley Sounding Board



Education

Starting Point

Startups are a radical new asset class that needs to be properly understood. It is key to enable and support recruiting and training of professionals for venture capital funds as well as business angels/family offices.

Policy

Entrepreneurship and coding should be taught at school. Investors need to be educated too. European startups should have the opportunity to spend some time in Silicon Valley.

Recommendation

"Enable and support the recruiting and training of VC professionals and establishment of new small VC funds."



Michel Wendell
General Partner, Nexit Ventures

Culture

Starting Point

The overall entrepreneurial cultural climate is positively changing in Europe thanks to the examples set by European pioneering entrepreneurs.

Policy

Actively promoting and celebrating entrepreneurial success stories can help to speed up the process of cultural change.

Recommendation

"Europe has the talent, it just needs to develop the ambition, the acceptance of risk and failure. Employment flexibility is paramount to high growth."



Jeff Clavier
Founder and Managing Partner, SoftTech VC

Regulation

Starting Point

Startups are companies that structurally lack visibility and certainty about their long-term plans. Therefore, they need flexibility in hiring and laying-off people.

Policy

Policy should follow innovation. Tax impediment should be reduced to foster the creation and growth of startup companies, to accommodate early-stage startups and disruptors.

Recommendation

"Allow startups to have a more flexible approach to human resources (time worked, hire/fire, holidays)."



Ouriel Ohayon
Founder, ISAI, Appsfire

Harmonization

Starting Point

Different regulations create an entry barrier that is not easy to overcome. Today for a company to internationalize in other European countries is too complicated and expensive.

Policy

National startup champions should be able to address the EU as a single market. Facilitating the opening of subsidiaries for European companies is key.

Recommendation

"Ensure the office of the Digital Commissioner is a beacon of change in the drive to digitalization, becoming a defender of startups interests and 'up and comers' in the industry."



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Starting Point

American companies are interested in opening development centers in Europe, but they are scared by the burden imposed by national regulations.

Policy

The creation of a European development center for non-European companies should be facilitated. To this purpose a European standard regulation with little bureaucracy (and eventually tax benefits) could help.

Recommendation

"Rules and incentives are needed that would make it a no brainer for a company like MobileIron to open a development center in Europe."



Vittorio Viarengo
VP Marketing, MobileIron

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Infrastructure

Starting Point

In the startup world, localization doesn't matter anymore: you can start a company or work for a company from anywhere in the world.

Policy

Providing access to the fastest Internet connection is paramount.

Recommendation

"Facilitate market competition to increase efficiencies across EU telecoms and ensure good customer experiences"



Nicholas Heller

Fractal Labs, SVC2UK, Founders4Schools, Google

Investments

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The low VC/GDP ratio in Europe suggests that more venture capital funds and teams are needed.

Policy

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Recommendation

"Directives and regulation for venture capital funds is increasing rapidly. This is very admin heavy, creating a barrier to entry for new investors."



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Exits, *i.e.*, continuous startup acquisition by larger companies, are the real driver of innovation in Silicon Valley. The appetite for acquisitions is not so widespread among European companies.

Policy

To foster an "acquisition attitude" European government should encourage exits by lowering taxes for the acquisition of a startup by corporations.

Recommendation

"Encourage exits by fiscally incentivizing the acquisition of a startup by corporations."



Matteo Daste

Partner, Squire Patton Boggs

Immigration

Starting Point

Silicon Valley and America owe much of their success not just to venture capital and big-name universities, but also to the country's ability to absorb immigrants into the workforce.

Policy

Immigration should be perceived as an opportunity in Europe, not as a threat. A standard startup visa regulation at the European level is a must.

Recommendation

"Make sure it is easy for non-Europeans to start a high-tech company in Europe."



Fabrizio Capobianco

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Gender Gap

Starting Point

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Policy

A comprehensive offer of public support for children can allow mothers to continue to work. Long maternity leaves might instead encourage women to stay at home and lose contact with the workplace and their ambitions.

Recommendation

"Increase investments in female-led businesses"



Ebba Blitz

President, Alertsec



About Mind the Bridge Foundation

Mind the Bridge is an educational institution that runs programs to support all actors in entrepreneurial ecosystems. Mind the Bridge has its headquarter in San Francisco (CA) and offices also in Italy, and London (UK) where it hosts programs for Startups ([Startup School](#)), bootcamps for Investors ([Angel Investors program](#)) and programs for managers and corporations ([Executive programs](#)). Mind the Bridge has also been chosen by the European Commission to drive “[Startup Europe Partnership \(SEP\)](#)”, the pan-European open innovation platform to connect startups to large corporates. It is also the host of [Startup Europe Comes to Silicon Valley](#), an intense week of activities in Silicon Valley for top EU scaleups, corporates and policy makers.

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