A MANIFESTO FOR ENTREPRENEURSHIP AND INNOVATION TO POWER GROWTH IN THE EU

SEPTEMBER 2013

Addressing the barriers to economic growth

Economic conditions in Europe remain hugely challenging with the European Commission forecasting that euro-zone GDP is set to shrink by 0.4% this year. Yet the growing importance of internet-driven economic growth could transform this picture by helping improve the lives of millions of people providing them with new jobs, new skills and renewed hopes for a better future.

According to research from the Boston Consulting Group[1] the Internet Economy in the developed markets of the G-20 is forecast to grow at an annual rate of 8 percent over the next five years. In developing markets, annual growth is expected to be 18 percent. These rates far outpace traditional economic sectors. No longer confined to high-tech businesses, digital technologies are resulting in the re-imagination of every single industry, holding the promise of creating new jobs and new wealth.

This rising tide can help Europe secure its prospects for the future, helping it emerge stronger, more agile and prosperous. But further action is required to overcome a number of roadblocks that threaten to hamper progress and undermine the potential of this vibrant and thriving sector. We must ensure we have the policies, modes of operation and the ambition to succeed. We need to address the fact that continental Europe currently doesn't create new businesses destined for growth as well as other parts of the World[2] or produce entrepreneurs as confident about the environment their own country provides for start ups[3].

The days of relying on large businesses or the government for job creation are over. Many of the millions of jobs lost over the past five years will never return in their old form. Entrepreneurship, which has been the engine for growth in the United States, has not been cultivated in an effective or systematic way in Europe. To create more businesses and more start ups requires more than a change in policy. It requires a change in mentality.

Vice-President of the European Commission Neelie Kroes has created The Startup Europe Leaders Club - an independent group of founders in the field of tech entrepreneurship who provide guidance on strengthening the business environment for web entrepreneurs in Europe. In March 2013, she invited them to develop a manifesto for economic growth. Since June 2013, the initial recommendations based on the grass roots perspective of these successful web entrepreneurs have been further strengthened with the support and collaboration of the Founders Forum in London, a community of the best global entrepreneurs, selects inspiring CEOs and key investors in media and technology.

GDP SET TO SHRINK BY

0.4%

ANNUAL GROWTH EXPECTED

18%

ENTREPRENEURS

4.2%
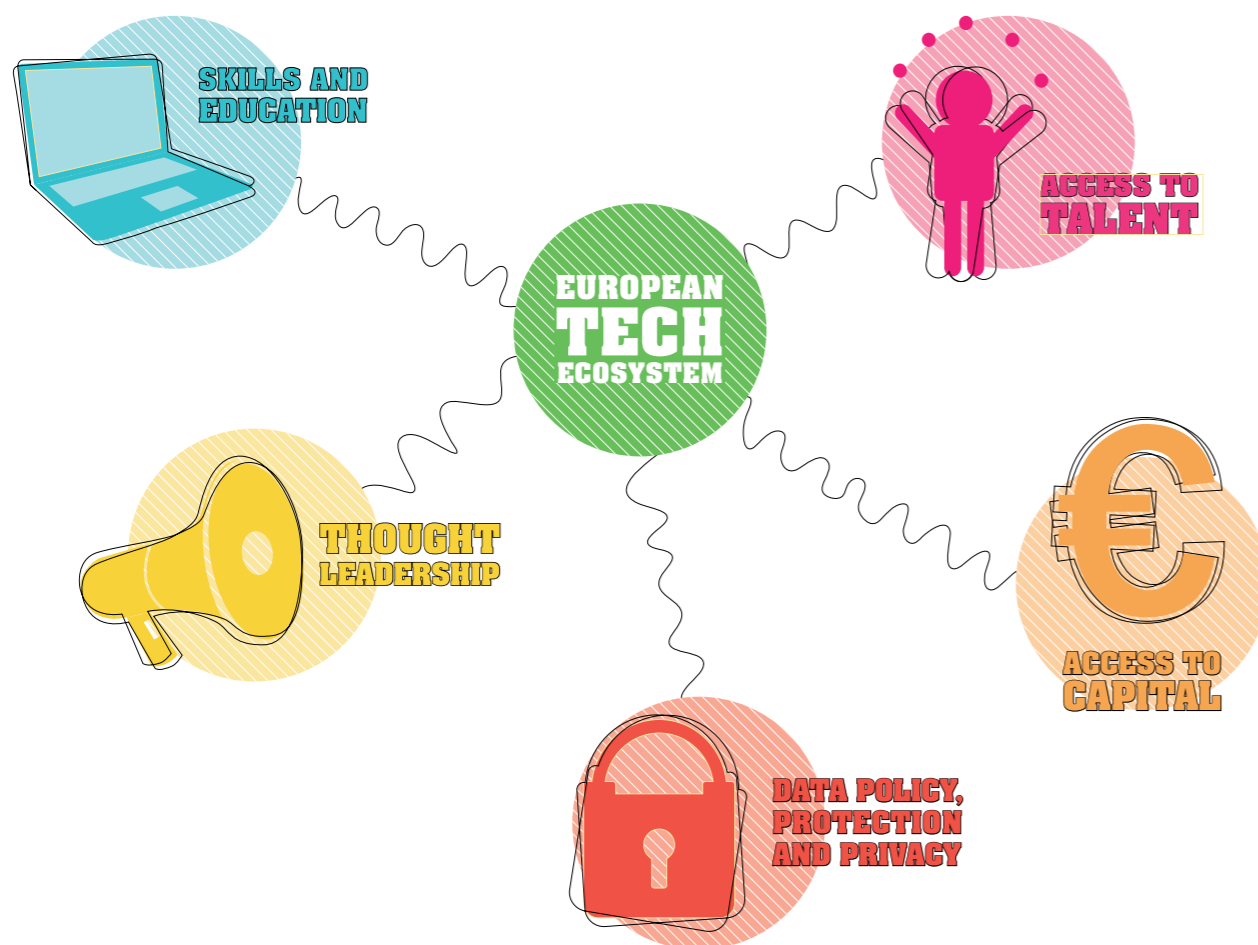
IN GERMANY

5.8%

IN FRANCE

[1] BCG, The $4.2 Trillion Opportunity – the internet economy in the G-20, March 2012
[2] According to the Global Entrepreneurship Monitor, in 2010 'early-stage' entrepreneurs made up just 2.3% of Italy's adult population, 4.2% of Germany's, and 5.8% of France's compared to America's 7.6%, China's 14% and Brazil's 17%
[3] According to E&Y's Nice Côte d'Azur 2011 Entrepreneurship Barometer, European entrepreneurs are less confident about their country as a place for start-ups than those in America, Canada or Brazil

Addressing the barriers to economic growth

Drawn from the combined experience of dozens of Europeans who were lucky enough to imagine, build and grow successful businesses - businesses that created thousands of jobs - we have distilled 20 actions which, taken together, can give European businesses the best chance of future success. We now call on entrepreneurs, investors, advisors and other stakeholders across the continent to engage in this dialogue and share their views on the manifesto to help move us towards the adoption of this singular digital growth plan for the EU. Our recommendations are:

SKILLS AND EDUCATION

ACCESS TO TALENT

EUROPEAN TECH ECOSYSTEM

THOUGHT LEADERSHIP

DATA POLICY, PROTECTION AND PRIVACY

ACCESS TO CAPITAL

Skills and education
- Make teachers digitally confident and competent to rise to the challenge.
- Teach our children the principles, processes and the passion for entrepreneurship from a young age.
- Encourage university students to start a business before they graduate.
- Prepare graduates for a radically different marketplace.
- Encourage large companies to provide training for the general public.

Access to talent
- Turn Europe into the easiest place for highly-skilled talent to start a company and get a job by rolling out a pan-European Startup Visa.
- Make it easy for companies to hire outside their home countries.
- Make it easier for companies to let employees go.
- Bring the best brains back home.

Access to capital
- Increase private and institutional investment in start ups.
- Make it easier for high-growth companies to raise capital through public markets.
- Buy more from smaller businesses.

Data, policy, protection and privacy
- Revise and normalise data protection laws.
- Remove the requirement for data providers to store information in any given country.
- Make government data public.
- Make governments think digitally.

Thought leadership
- Initiate a mentality shift across Europe in terms of how we define success.
- Appoint a Chief Digital Officer for every country in the EU.
- Create a 'best practices' repository.
- Establish a Digital European Forum.

Skills and education

The European Commission has said more needs to be done to give all children access to proper ICT training. A recent study made up of 190,000 responses from 27 European countries[4] highlighted that 20 per cent of secondary-level students have never (or almost never) used a computer in their school lessons and IT training for teachers is inadequate. Accordingly, we recommend to:

Make teachers digitally confident and competent to rise to the challenge.

No longer confined to computers or telecommunications, digital technologies now underline every aspect of our lives, from history research to art education to advanced mathematics, geography studies and more. Our children are born into a digital world in a way their teachers weren't. If we want the next generation to use digital technologies to build a better world, we need to ensure the individuals responsible for guiding and instructing them are as comfortable and capable using such digital technologies themselves.

Teach our children the principles, processes and the passion for entrepreneurship from a young age.

If we want our younger generation to start their own business we need to teach them how to do so. We need to excite them and instil in them the passion (and pride to do so). We can't expect every 12 year old to start their own company. But every 12 year old should know what it means to take an idea, validate it and make something they can offer to other people as a product or a service. The tools and the knowledge are all out there. We just need to make sure the passion is present.

Encourage university students to start a business before they graduate.

In the US many students start their business before they even graduate – 20% of the students at CalTech, Stanford and Berkeley. This gives students a taste of what it's like to start and operate a business while remaining in a structured, supportive environment that acts as a 'safety net' in case their plans fail. By the time most students leave university their willingness to take risks drops dramatically, and with it the likelihood that they'll start or join a start up. Universities should create more entrepreneurship courses and set up a network of Student Entrepreneurship Centres / Incubators (through partnerships if needed) that can provide students with support and funding to translate their ideas into reality.

Prepare graduates for a radically different marketplace.

The skills required for thriving in today's job market are very different from what they were even a decade ago, yet most universities have done little to change their curriculum or provide graduates with new tools and skills. In the short term (12-24 months), EU countries should offer a 'digital certificate course' that will help graduates acquire the basic digital skills to make them more valuable to prospective employers. In the medium term (2-3 years) EU countries should ensure their universities add digital components to most of the subjects they teach. Greater consideration and structured support should also be provided to university students in finding part-time work experience, summer jobs and internships to supplement their academic qualifications. This will provide valuable experience of the workplace, enabling them to develop transferable skills and enhance their employability.

Encourage large companies to provide training for the general public.

While the skills shortage spotlight is focused on computer science and technology, companies aren't built by programmers alone. There is an equal, if not greater shortage of management and communications skills across the EU. To build and grow a business, entrepreneurs need experienced managers, salespeople, HR managers, and other professionals who can help them to scale their businesses. Large corporations have become extremely adept at providing these skills and should be encouraged to open their training programs and facilities to greater numbers of people. Those who benefit from such training should then be encouraged to join rather than found start ups (which the corporates might even fund). Companies can help much more effectively than the government can, because they own the environment in which people can learn how to manage by doing.

Access to talent

McKinsey[5] has identified a growing gap between the needs of employers and skills of employees – 26% of employers in Europe have difficulty filling jobs for lack of talent. Many aspiring entrepreneurs simply leave Europe to seek their fortunes elsewhere. There are an estimated 50,000 Germans in Silicon Valley, and an estimated 500 start-ups in the San Francisco Bay area with French founders[6]. Accordingly, we recommend to:

Turn Europe into the easiest place for highly-skilled talent to start a company and get a job by rolling out a pan-European Startup Visa.

This visa will make it easier for non-EU entrepreneurs to start a business in Europe and make it easier for EU companies to hire non-EU talent to join their start-up.

Make it easy for companies to hire outside their home countries.

Europe has done much to make the labour market fluid – any European can now work in any other European country. But the hiring market – a company's ability to hire and employ in an EU country outside their own – remains complex and expensive. This form of remote employment, where a company hires one or more people outside of their home market is set to increase. We need to make it simpler to hire people without setting up a local subsidiary.

Make it easier for companies to let employees go.

Businesses' needs change. Market demand ebbs and flows. Employees don't always fulfil their potential or deliver what is required of them. For European businesses to become truly competitive, we need to make it easier for them to let employees go and manage out and fire under-performers. For many businesses around the world considering starting a new office in the EU, a key constraint will be their hesitation of being left with a workforce that cannot be adapted to the realities of today's and tomorrow's markets.

Bring the best brains back home.

Virtually every country in the EU has watched helplessly as some of its best and brightest minds leave for the US. This "brain drain" has made a negative impact on all aspect of our economies, creating a vacuum in thought leadership, advanced researched and basic academia, to name a few. EU countries must launch targeted campaigns aimed at bringing their talent back home, through research grants, logistical support and public recognition.

Access to capital

The scale of decline in VC investment is staggering – it has approximately halved in both the Euro area and the European Union as a whole since 2008. The aggregate decline in later stage investment is even steeper, for both the Euro area and the EU as a whole. Accordingly, we recommend to:

Increase private and institutional investment in start ups.

Offer a range of tax reliefs to investors who purchase new shares in high-risk companies, such as those introduced by the UK's Enterprise Investment Scheme (EIS) and Seed Investment Scheme (SEIS). At the moment, many European start ups need to pursue funding outside of their own country (and often outside of Europe). When funding is raised successfully the team is in most cases required to move to the country where the funds come from. This means a talent drain in the short period and also capital loss in the mid-long term.

In addition, steps should be taken to encourage business builders to recycle the wealth they have generated in growing successful companies into investments in the entrepreneurial success stories of tomorrow. Multiple options exist, ranging from following the Israeli example of allowing angel investors to recognise their start up investments as losses in the year of the investment effectively providing a tax break for those who have capital gains in other businesses/ start ups; through to allowing investors to offset wealth tax if they invest in a small EU company.

Make it easier for high-growth companies to raise capital through public markets.

Make such markets a more accessible and attractive source of capital for these businesses, similar to the London Stock Exchange's High Growth Segment. In addition, given their relative contribution to the economy, we recommend the creation of a fully-fledged Internet and Mobile category in EU stock markets, reducing the incentive for successful European companies to go public in the US, throwing the spotlight on the sector's profitability and helping counteract any investor reticence.

Buy more from smaller businesses.

Government subsidies are one way to help SMEs flourish. The other is ensuring the government itself procures more from these companies. Across the EU, the vast majority of government procurement contracts are filled by large, often multinational businesses. For many entrepreneurs, selling to the government is all but impossible – navigating the procurement process is complex and existing suppliers have become so entrenched that unseating them discourages many entrepreneurs from even trying. If EU governments want to kick start the engines of growth in their countries, they must commit to shifting a certain percentage of their procurement contracts to smaller firms.

Data policy, protection and privacy

Data regulations in Europe are outdated, making it easy for companies to fall prey to privacy breaches (and thus deterring them from entering the EU to begin with). While more needs to be done to consistently and effectively protect consumers, most EU governments lag in providing access to their own data – a cornerstone of improving their services and lowering their operating expenses. Accordingly, we recommend to:

Revise and normalise data protection laws.

The lack of a unified data protection law in Europe erects unnecessary obstacles for companies wanting to transact with and across the region. This is partially why only 12% of all internet transactions made by European consumers are transnational. As a whole, Europe's laws are far more restrictive than the US, putting US companies and the US in general at an advantage on what otherwise should be a level playing field. We call for the adoption of a new EU data protection law by all EU countries.

Remove the requirement for data providers to store information in any given country.

With so much information and so many systems moving from local server facilities to the Cloud, requiring companies doing business in an EU country to also keep their servers in the same country is an antiquated approach that heightens costs, increases barriers to free trade and reduces resilience.

Make government data public.

The irony of public data in the EU is that so little of it is actually public. From transportation to treasury to tender information, opening up government data can increase transparency and trust, while increasing citizen engagement, empowerment and equality. In addition, unlocking public data from its shackles allows innovative companies to introduce new products and services that can further reduce the dependence on central government and create new businesses at the same time.

Make governments think digitally.

To stay relevant and effective at a time of decreasing budgets and public support, Governments must use 'digital thinking' to reduce costs while improving the services provided to citizens. Governmental departments should operate on a single technology platform, following the same technology principles that are as good, if not better than the other platforms its citizens now interact with on a daily basis.

7   EVCA http://ec.europa.eu/enterprise/policies/finance/data/enterprise-finance-index/access-to-finance-indicators/venture-capital/index_en.htm

Thought leadership

Europe has many entrepreneurial success stories, some incredible talent and some amazingly innovative ideas. In many countries, there are dozens of IPO-ready tech companies today poised to capitalise on the global internet economy but we need more and we need those we have nurtured to thrive and grow in the EU rather than seeking their fortunes in America. Accordingly, we recommend to:

Initiate a mentality shift across Europe in terms of how we define success.

Our cultures celebrate celebrities and athletes, musicians and actors. Entrepreneurs who make a real impact on peoples' livelihoods need to celebrated too. We need everyone to get excited about innovation and entrepreneurship, not just techies. This means promoting the path of entrepreneurship as a credible career alternative and celebrating successful business builders as heroes. It also means democratising the tools and processes of starting new businesses and offering them to anyone with the courage and willingness to start one.

Appoint a Chief Digital Officer for every country in the EU.

Ensure digital innovation makes an impact on every industry and opens up the government to more transparency and more collaboration with its constituents.

Appoint a Chief Digital Officer for every country in the EU.

The impact of appointing a Digital Champion by each Member State to help them promote the benefits of an inclusive digital society is already being felt - but we need to do more. Permanent, full-time CDOs will help to ensure digital innovation makes an impact on every industry and opens up the government to more transparency and more collaboration with its constituents.

Create a 'best practices' repository.

Provide a resource where local and national governments can share the best 'hacks' they found to achieve immediate impact.

Establish a Digital European Forum.

Bring together leading entrepreneurs, politicians and policy makers for the purposes of establishing a common understanding and common set of goals in translating this manifesto into action.

Pledging support for the manifesto

Our hope is to reflect the views and perspectives of as many entrepreneurs, investors, advisors and other key figures within the digital and tech ecosystem across Europe. This will ensure the proposals are as robust and actionable as possible. We are encouraging as many registrations of engagement and expressions of support as possible by September 30th.

Based on these responses, we shall then be working closely with the European Commission to develop options for developing these proposals further ahead of a number of forthcoming meetings designed to set policy priorities at the European Council on 24/25 October.

We hope we can count on you for your support.

About the Leaders Club

The Startup Europe Leaders Club is an independent group of founders in the field of tech entrepreneurship, who act as role models for European web entrepreneurs and provide guidance to the Commission on what needs to be done to strengthen the environment for web entrepreneurs to start in Europe and stay in Europe.
https://ec.europa.eu/digital-agenda/en/leaders-club

Members

Daniel Ek / Martin Lorentzon – Spotify
Kaj Hed – Rovio (Angry Birds)
Lars Hinrichs – HackFwd
Joanna Shields – Tech City Investment Organisation
Reshma Sohoni – Seedcamp
Boris Veldhuijzen van Zanten – The Next Web
Zaryn Dentzel – Tuenti
Niklas Zennström – Atomico

About Founders Forum

Founders Forum is a community for the best global entrepreneurs, select inspiring CEOs and key investors, in media and technology. At its global events and on this site it brings together over 1000 of the world's best, brightest and most dynamic digital entrepreneurs, who engage in open debate, brainstorming, discussion and problem solving.
http://foundersforum.eu/

Who is who in the Leaders Club

Daniel Ek
Spotify

Daniel Ek, is a serial entrepreneur and leading technologist who started his first company in 1997 at the age of 14. Born and raised in Stockholm, Sweden, Daniel Ek is CEO and co-founder of Spotify. Prior to Spotify, Daniel founded Advertigo, the online advertising company acquired by TradeDoubler, and has held senior roles at Nordic auction company Tradera (acquired by Ebay). He served as CTO at Stardoll, the fashion and entertainment community for tweens.

Kaj Hed
Rovio

Mr. Kaj Hed is the majority owner and Chairman of the highly successful Rovio / Angry Birds. Mr. Hed is a serial entrepreneur with extensive experience of the international software business. He founded Trema (acquired by Wall Street Systems). A Finnish citizen, he was born in 1955. His first directorship was in 1995 with Trema Consulting Limited.

Lars Hinrichs
HackFwd

As Founder and CEO, Lars oversaw its 2006 IPO, making XING the world fist Web 2.0 company to go public. His most recent startup, HackFwd, is an innovative pre-seed investment company that supports Europe's most passionate geeks in launching the world's most exciting tech startups. Both Lars and HackFwd have been enthusiastically profiled in Wired, Financial Times, and TechCrunch. When he's not working to promote European tech innovation, Lars can be found advising on the Global Leaders of World Economic Forum, the Young Global Leaders, and helping Germany with their digital strategy as part of the UNICEF council.

Martin Lorentzon
Spotify

Martin first struck up his partnership with Daniel Ek when Tradedoubler, Europe's largest affiliate sales network (founded by Martin), acquired Daniel's company Advertigo in 2006.

Previously, Martin held senior roles at Telia, Altavista, Cell Ventures and NetStrategy. Martin studied Economics at Stockholm School of Economics in Sweden and has extensive knowledge of building companies. As chairman, Martin has been on the company's board of directors since July 2006. Martin's responsibilities include creating and implementing strategy, budgets and goals, as well as overseeing all legal documents and annual reports. In his spare time Martin enjoys all kind of sports and culture. With such a hectic schedule, it is lucky Martin is energetic by nature, involving himself in numerous work and leisure activities to try and find the right balance between his career and his personal life.

Reshma Sohoni
Seedcamp

Reshma Sohoni is a Partner of SeedCamp, a new kind of incubator which aims to provide a catalyst for Europe's next generation of entrepreneurs through the provision of seed capital and a world class network of mentors. Before SeedCamp, Reshma was part of the Venture team at 3i. Prior to 3i, Reshma spent over 3 years at Vodafone in their Commercial Strategy team, working across the Europe and Japan footprints in marketing strategy and pricing functions. Reshma's career started in the US in investment banking (Broadview) and venture capital (Softbank).

Boris Veldhuijzen van Zanten
The Next Web

Boris Veldhuijzen van Zanten is a Dutch serial internet entrepreneur who started his first company, V3 Redirect Services, in 1997. Two years later V3 was sold to Fortunecity.com which was about to go public on the Neuer Markt. In 2003, Boris started a Wi-Fi Hotspot operator in the Netherlands, HubHop, which he sold to KPN. He is one of three founders of The Next Web Conference, Blog and Incubator. He co-founded PressDoc and TwitterCounter.

Joanna Shields
Tech City Investment Organisation (TCIO)

Joanna Shields was appointed in October 2012 by the Prime Minister, David Cameron as Chief Executive Tech City UK and Business Ambassador for Digital Industries.

Joanna Shields was most recently Vice President and Managing Director of Europe, the Middle East and Africa at Facebook, the global social network with over a billion users. In her role she built EMEA into the company's largest region, focusing on making Facebook the world's most valuable marketing, communications and customer services platform and the Facebook platform an engine of growth for some of Europe's hottest startups.

For over a decade, Shields has been a driving force in Europe's Internet landscape. Since moving to the UK in 2000 to run RealNetworks International, the company that invented streaming audio and video, she has held key positions at leading companies such as Google, where she served as Managing Director EMEA and built the Syndication and Partnerships network, and Bebo, where she served as President and then Chief Executive.

During her career Shields has also served as Chief Executive Officer of Veon (acquired by Philips Electronics), VP and managing director International for Decru, (acquired by Network Appliance) and VP of Production Systems for Electronics for Imaging (Nasdaq:EFII). She sits on the Mayor's London Smart Board and is a Trustee of Save the Children. Shields was ranked #1 in the Wired 100, 2011: Britain's digital power list and number 6 on the Guardian Media Global Top 100 for 2012.

Zaryn Dentzel
Tuenti

Zaryn Dentzel is the founder and CEO of Tuenti, Spain's largest social network and most trafficked website, now launching a global beta version in 12 languages comprised of a web application (www.tuenti.com), a web app optimized for mobile (m.tuenti.com), and native applications for Android, BlackBerry, iPhone and Windows Phone (Tuenti Social Messenger). Zaryn studied at UC Santa Barbara and Occidental College, graduating with a degree in Spanish Literature, and Diplomacy and World Affairs. Since creating Tuenti over six years ago, Zaryn has built the company into a leading online social network and a multi-platform social communications company with over 15 million registered users. Tuenti is now a leading technology company in Europe, with a team of more than 250 professionals from over 20 nationalities based in Madrid and Barcelona.

In 2010 Telefónica became Tuenti's principal shareholder, investing in the expansion of Tuenti beyond Spain and the development of a new mobile service provider. Tuenti's MVNO service (Tuenti Móvil) has established itself as the first "social mobile phone company", focused on promoting smartphones as tools for providing "total connectivity".

As a member of the cabinet of advisors to Crown Prince Felipe for the Principe de Girona Foundation, Zaryn is also involved in helping to promote education and entrepreneurship among young people in Spain.

Niklas Zennström
Atomico

Niklas Zennström is a world famous internet entrepreneur who co-founded Skype, Kazaa, Joltid and Joost among other high-profile technology companies. He currently serves as CEO (and founding Partner) of ATOMICO, the international technology VC firm based in London. He also serves on the boards of Fon, Joliicloud, Rovio and Rdio.

A MANIFESTO FOR ENTREPRENEURSHIP AND INNOVATION TO POWER GROWTH IN THE EU

SEPTEMBER 2013