High tech entrepreneurship to boost start-ups in Europe

Why invest in high tech entrepreneurship and start-ups?

High tech start-ups constitute a specific category of entrepreneurs who create new digital services and products that use the web as an indispensable component.¹ The businesses high tech start-ups start do not only create many new jobs in the digital industry, but also have an important transformational and cross-border impact on the society and economy. Start-ups create the majority of new jobs and currently one third of new start-ups are high-tech start-ups in Europe.² To ensure that Europe benefits fully from high technology entrepreneurship, it is desirable that more high tech entrepreneurs start up and stay in Europe.³

There are many new and quite specific entrepreneurial ecosystems emerging in Europe. High tech entrepreneurs are part of them. However their skills and the challenges they will face are distinct from those facing start-up founders in other industries across Europe. Making use of ESIF to co-finance high tech entrepreneurs and high tech start-ups can help regions play a key role in growth. High tech entrepreneurs rely on existing web technologies, Application Programming Interfaces (APIs) and cloud platforms to develop new products and create new services, as well as to distribute and sell them. They operate in a complex and fast moving eco-system, where networking and experimenting is paramount. They often require relatively little time to build new web products and distribute them, which means the time between idea and go-to-market is shorter. The web being their main development tool, they can operate independently of physical locations, both in terms of building their businesses and finding and serving clients.

High tech start-ups are cheaper to set-up and the entry barriers are low, making them an attractive vehicle to start an entrepreneurial career. On the other hand, they need to deal with high risk of failure, a global, borderless playing field and often unproven existing technologies, platforms and distribution mechanisms. High tech start-ups tend to grow and fail faster than other businesses, which translates into higher rewards, but also higher risks.

French Start-up Barometer - 108 Tech Start-ups in France produced over EUR 1 billion in turnover during 2011, with 33% growth over the previous year, surpassing most French ‘giants’. The 108 French start-ups also hired 24% more people than the previous year, with 87% of those jobs being permanent with CDI (Contrat à durée indéterminée) contracts.

Tech start-ups often reinvent and reshape existing incumbent companies, market segments, or even entire industries. (e.g. Zappos for retail shoes, Spotify for music, Rovio for games and Cousera for education). The most successful high tech start-ups can grow from a team of 2 people to 200 people in less than a year, and increase revenues tenfold in the same period from customers

² Data from the USA (Start-up America Partnership).
³ The new Digital Entrepreneurship Monitor provides a monitoring mechanism to examine key trends in digital entrepreneurship. Information is provided about statistics, initiatives to support digital entrepreneurs and reports on business opportunities and digital technologies. See http://ec.europa.eu/enterprise/dem.
The impact of web businesses will further grow in the future, as they capitalise on a massive and global customer base and on powerful new functionalities (mobility, sensors, big data, social media, etc.).

**Barriers & Challenges**

There is an unbalanced distribution of facilities and resources for high tech entrepreneurs across Europe, which creates a disadvantage for entrepreneurs in countries where there are fewer facilities and resources. The lack of entrepreneurial culture, risk awareness and access to resources are the main reasons why entrepreneurs decide to leave Europe and move to the US to establish their company.

Tech entrepreneurs have limited access to venture capital, bank loans and public funding due to the way funding is obtained and to lack of information. Business angels are dealing with the lack of financing by providing opportunities for attractive start-ups in exchange for equity, which motivates both parties to achieve the best result possible.

The rigidity of workforce regulations, combined with discouraging tax regulations and the complexity of the regulations are other barriers that most entrepreneurs have to face in order to manage a start-up. Other countries, like the US, offer tax breaks and less constrained workforce legislation to benefit start-ups and to help them during the critical first years.

Europe is struggling to create new start-ups, make them grow and turn them into global leaders. This is true also for high tech start-ups, and with the attractiveness of Silicon Valley and other emerging markets it is very difficult to keep start-ups in Europe.

**How to act?**

Since High tech entrepreneurship covers several aspects of the EU jobs and growth agenda, it is important that Regions and National authorities consider the following actions. Regional and EU policy programmes and ESIF must tackle them in the short term period in order to foster innovation and entrepreneurial ecosystems across Europe. A number of potential actions to support high tech entrepreneurs are described here.

**Venture Capital:** The main point and action to take would be to raise awareness among venture capital investors about the web business opportunities and help them understand the specific characteristics of high-tech-entrepreneurship, including sharing success stories and networking activities. Start-up Europe Investors⁴ aims to gather venture capitalists and business angels related to the Web in order to help Web entrepreneurs.

**Venture Capital Funds in Ireland⁵** - Over €800m in funding is available in Ireland through networks of angel investors, seed and venture capital firms. A total of €645m is under management in EI-supported SVC funds.

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**Crowdfunding:** one of the most promising solutions for restoring capital to entrepreneurs and SME is crowdfunding. Defined as the collective effort of individuals who network and pool their resources, crowdfunding supports efforts initiated by other people or organisations. Start-up Europe Crowdfunding is a set of actions providing support, visibility, transparency and interconnectivity among existing EU crowdfunding platforms, including those specialised in Web start-ups. In order to understand the magnitude of these actions, EUR 2.7 billion has been raised globally through crowdfunding and EUR 945 million in Europe.

Symbid⁶ - Symbid provides the infrastructure for the complete online financing of ideas and companies. An equity-based stock market for (nascent) entrepreneurs and small business owners with a financing need for a start-up, which can add up to EUR 2.5 million.

MyMicroInvest⁷ - MyMicroInvest is an equity based crowdfunding platform that enables individuals to invest from EU 100 alongside professionals in venture capital investment.

**Accelerators:** Accelerators provide a combination of services, including mentorship, funding, networking, training and/or office space. Most accelerator programs run for a few months and they often take equity in exchange for providing their services. Start-up Europe Accelerators Assembly takes actions to increase awareness of the existing accelerator programs and of their benefits, by sharing success stories and best practices, facilitating networking activities and eventually attracting more high tech entrepreneurs to enter accelerator programs.

Start-up Boot camp⁸ - Start-up boot camp is a mentorship driven program; these mentors drive the start-ups acceleration over the 3 month program - and often for months or years afterwards. The Start-up boot camp founders’ team, together with their group of international mentors, can open the door to nearly every investor, customer or partner. Start-up boot camp is now running in these cities: Berlin, Amsterdam, Dublin, Copenhagen, Haifa and London.

FIWARE accelerator programme⁹ - which helps European start-ups that need help during the first stages of business development and use the FIWARE technologies. All across Europe, accelerators specialised in different sectors will provide direct funding, mentoring, coaching, support and networking.

**Web Talent:** One way to support high tech entrepreneurs is through educational resources in a costless, open and online like Massive Open Online Courses (MOOCs) These are generally free, open to everyone and can help web entrepreneurs initiate, consolidate, professionalise and grow their web start-ups into successful businesses. In this context, the European Commission has launched a call for tenders to foster Web Talent in Europe by encouraging the use of Massive Open Online Courses focused on web skills and entrepreneurship.

iversity¹⁰ – Open university courses and education for everyone: This platform provides interactive courses and make them accessible around the globe. This platform empowers the university and the academics that work there, by allowing the best professors to teach thousands

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⁹ https://www.fiware.org/fiware-accelerator-programme/
of students and it allows students to take classes from the best professors around the globe. In doing so, iversity improves the quality of teaching at existing institutions, without raising the cost of instruction. Open courses can be an important factor in that equation.

**Apps Economy:** Eurapp\(^{11}\) is an on-going study of the economy that surrounds "apps" or applications for mobile devices that will provide a comprehensive review of the size of the app economy in Europe. It will identify bottlenecks and provide recommendations of how to overcome these. Apps for Europe\(^{12}\) - turning Data into Business will create a thematic network to organise competitions for using open data, stimulate the winners to start business ventures, and maximise the socio-economic impact and overall benefits of open data.

**Events:** hosting and arranging events can be a way of attracting skilled people, interesting examples include Europioneers, Tech All Stars, Le web\(^{13}\) and The Next Web Conference.\(^{14}\)

**Coworking Spaces:** Coworking spaces are an alternative way of working in which independent professionals and others with workplace flexibility share one working environment, rather than working remotely in separate offices or places. The main idea is that individual workers come together in a shared place to increase productivity, through a more creative environment and a sense of community. There are EC plans to support the linking of co-working spaces across Europe.

**Betahaus**\(^{15}\) - Beta is a coworking space of 2000 sqm for events and professional jobs. There are wireless, fixed and flexible workstations, meeting rooms, a café and event space. In Betahaus around 200 professionals from various fields of work, including graphic designers, programmers, photographers, architects, designers, academics, lawyers, NGOs, translators, video artists, journalists and bloggers.

**Further Reading**


\(^{11}\) [http://eurapp.eu](http://eurapp.eu).


\(^{13}\) [http://www.leweb.co](http://www.leweb.co).


\(^{15}\) [http://www.betahaus.de](http://www.betahaus.de).