

Opinion of the Committee of the Regions — Measures to support the creation of high-tech start-up ecosystems

(2014/C 415/02)

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THE COMMITTEE OF THE REGIONS

Introduction

Recent studies ⁽¹⁾ suggest that the internet economy in the developed markets of the G-20 will grow at an annual rate of 8 % over the next five years. Furthermore, the number of applications developers in Europe is set to rise from 1 million in 2013 to 2,8 million in 2018 ⁽²⁾. Support and marketing staff, meanwhile, accounted for a total of 1,8 million jobs in 2013, and this number is set to grow to 4,8 million by 2018. These figures provide good reason to pay the high-tech start-up phenomenon special attention, as if it is properly managed it could become a genuine driver for growth and job creation in Europe. Consideration should, however, also be given to the fact that entrepreneurship has not been systematically nurtured in Europe; from now on, efforts in this regard will have to be much more focused and effective. Being responsible for a third of public spending and two-thirds of public investment, local and regional authorities actually play a decisive role in pursuing the EU's objectives and fostering entrepreneurship.

Underlying considerations

1. High-tech start-up ecosystems cannot be planned or designed in advance in full. Many of the variables in an ecosystem cannot be managed. **However, factors can be identified that facilitate entrepreneurship**, namely: better access to credit, efficient regulation and taxation, promotion of a culture of entrepreneurship and greater risk-taking. These factors have been stressed on a number of occasions by the European Commission, particularly in the Entrepreneurship 2020 Action Plan ⁽³⁾. At the same time, having in place the infrastructure that ensures access to broadband is a prerequisite for fostering high-tech entrepreneurship.

2. It is therefore impossible to predict where an ecosystem will take root. It is not policymakers who decide where start-ups will be set up, but the start-ups themselves, on the basis of where the conditions on offer are conducive to development.

3. Supporting ecosystems of this kind will mean mobilising public administration, policymakers, the business and academic worlds, students and all the other players, and providing them with the appropriate literacy and culture. **Education has a decisive role to play in this context where excellence and innovation come from individuals.**

4. In order to minimise the risk of failure and inefficiency, it is necessary to coordinate resources at national level and concentrate them on a small number of ecosystems selected on the basis of well-defined criteria. It is at regional level that ways of pooling resources should be devised.

5. In Europe, both national and regional initiatives are excessively fragmented. What is needed is a common frame of reference.

Mapping

The starting point for taking decisions with a view to achieving targets is clear, exhaustive information on the matter in question. The CoR therefore believes it would be useful to:

6. carry out a survey of what has actually been done in practice, given that various European regions are already equipped with instruments and/or adopting policies to promote high-tech start-ups. This will enable a quickly- and easily-readable dashboard to be put together;

⁽¹⁾ BCG, 'The \$4,2 trillion opportunity — the internet economy in the G-20', March 2012.

⁽²⁾ GIGAOM RESEARCH, 'Sizing the EU app economy', February 2014.

⁽³⁾ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0795:FIN:EN:PDF>

7. group the information so as to identify the most important data: it would then be possible to analyse the measures already adopted by the regions and identify trends;
8. set up a dedicated database, within which local and regional authorities could share best practice. This might also pave the way for a benchmarking system, which would be very useful, particularly for regions that are lagging further behind in terms of legislation;
9. **introduce a mechanism for evaluating the efficiency of measures**, to be able to carry out periodic and interim checks on the results achieved;
10. be quite clear about which stakeholders are most important at regional level and what their responsibilities are in supporting the start-up. Tools that are already available and used in other European projects will also be used for this purpose: Dynamic Mapping of the Web Entrepreneurs and Startups' Ecosystem; the Cluster Observatory.

Streamlining and harmonising administrative procedures

11. Given that the start-up concept is bound to that of flexibility, red tape should be cut to a bare minimum. Red tape is still being flagged up as of the main problems requiring action. The CoR therefore proposes that:

- 11.1. **regional regulations be simplified and harmonised** so as to avoid adding unnecessarily to national legislation;
- 11.2. as much relevant information as possible be made available on line, in a structured manner, while respecting data protection rules;
- 11.3. **a minimum standard be established for the information** be provided in order to enable the recipients to evaluate and draw comparisons;
- 11.4. all the procedures be made available on line, reducing any overlaps to a minimum, with the possibility of completing administrative formalities directly on line;
- 11.5. on-line information be made available in both the local language and English.

12. Points 11.1-11.5 should therefore be implemented using existing tools such as the portal http://ec.europa.eu/internal_market/eu-go/

Training civil servants

As part of the overall strategy for supporting the creation of high-tech start-up ecosystems, the CoR stresses that:

13. **training is needed for regional and local authority staff.** The people whose task it is to map out the future of the economy must be as well prepared as possible and fully *au fait* with the cutting edge of innovation;
14. **local and regional authorities and individuals in general need to develop the capacity to plan**, i.e. the capacity to come up with a programme that will achieve a result. Training in entrepreneurship is also necessary;
15. **service provision quality assessment mechanisms need to be designed** to encourage public administrations to provide the best possible service;
16. like national governments, regions need to be encouraged to start **thinking digital**. This would both boost efficiency and provide the public with a better service;
17. more must be done to ensure that, just like every Member State, every region has a **chief digital officer (CDO)**. A permanent, full-time CDO will help to ensure that digital innovations have as wide and effective an impact as possible.
18. **regional data should be made public, while complying with data protection rules.** This information is the life blood of start-ups. Making regional data public would boost transparency and confidence. It would also make it easier for innovative companies to seize potential opportunities;

19. **all regions should establish at least a limited number of quantitative targets** when it comes to smart growth and the creation of high-tech start-up ecosystems; alternatively, they should adopt a qualitative approach involving a positive 'path to change' contributing to the targets;

20. policy monitoring and assessment should be carried out by a dedicated technical committee made up of independent experts. After monitoring has been carried out, each region should publish a **regular (at least yearly) report on achievements in implementing the targets set**. This report should above all examine the implementation of the region's RIS3 smart specialisation strategy with particular reference to progress made in developing the innovation ecosystem and to how growth has been achieved and new high-performing businesses created. Another purpose of assessment is to promote coordination in Europe between activities in this sphere. However, the report should not add to the administrative burden of local and regional players;

21. timely development of an appropriate statistical basis at regional and local level is needed, along with the **development of regional progress indicators for monitoring the results achieved**, so as to be able to see which policies have been most and which least effective and shape future policies accordingly.

Supporting business education and inspiring innovation

Practical experience shows that there is a positive correlation between entrepreneurial success and entrepreneurs' level of education, regardless of their training profiles⁽⁴⁾. In some Member States, the figures show that five years after graduating only 1 % of people with master's degrees describe themselves as entrepreneurs. There is also a growing gap between employers' requirements and workers' capabilities: 26 % of employers in Europe have trouble recruiting because of a lack of talent⁽⁵⁾. The Committee therefore stresses the importance of:

22. having an **institution to refer to which is responsible for promoting a culture of entrepreneurship on an ongoing basis**. This process should be encouraged by publicising success stories. Young people throughout Europe must be made aware of the opportunities that are currently on offer as a result of new technologies;

23. **encouraging young people to be proactive**, breaking down the cultural and psychological barriers that restrict access to entrepreneurship. This points to the need for a comprehensive entrepreneurship education strategy, as already stressed by the CoR in its opinion on *Rethinking Education*⁽⁶⁾;

24. **generating excitement about setting up in business**. Successful entrepreneurs, whose businesses have had a real impact on people's lives, should be celebrated and held up as role models. We need to be spurred on with regard to entrepreneurship and innovation alike;

25. **making business incubators an integral part of educational curricula and linking education with the business world**. This gives students a taste of what starting a business entails without having to give up their studies, which, in the event of failure, would provide a safety net;

26. **giving support to education programmes run in cooperation with the business world**: programmes with an international outlook for start-up and high-growth companies, combining the latest technology, business and design developments with entrepreneurial discovery. These have benefits for the local area and that have proved they can produce optimum results.

27. A good approach to adopt in order to ensure that different educational and vocational training programmes effectively respond to market needs could be that of **co-investment and/or partial cost cover**: companies could, and in the case of some programmes should, put in some of their own money in order to show that they are genuinely committed to the initiative. Ideally, these programmes would bring together people from companies operating in different regions and sectors, make the latest knowledge and technology accessible to them, and generate partnership projects between companies and educational and research establishments;

⁽⁴⁾ European Commission, 'Effects and impact of entrepreneurship programmes in higher education', March 2012.

⁽⁵⁾ McKinsey Global Institute, 'Help wanted: The future of work in advanced economies', March 2012, by James Manyika, Susan Lund, Byron Augustine and Sreenivas Ramaswamy.

⁽⁶⁾ CoR2392/2012.

28. In addition, the accreditation procedures for these programmes need to be streamlined.

29. It is essential that synergies be generated between the various European projects supporting entrepreneurship, particularly Horizon 2020, the COSME programme for the competitiveness of Enterprises and SMEs and the European Structural and Investment Funds (ESIF).

Smart specialisation of ecosystems

As it has already pointed out in its previous opinion *Closing the innovation divide* ⁽⁷⁾, the CoR reiterates:

30. that the Council of the EU has highlighted the embedded role of smart specialisation in the Europe 2020 policy framework. The EU Guide to Research and Innovation Strategies for Smart Specialisation (RIS3) defines these strategies as integrated, place-based economic transformation agendas;

31. that the Smart Specialisation platform (S3Platform) needs to give more support for local and regional level activities, with particular emphasis on the less-developed regions. This means above all supporting the processes that help to identify high-value added activities in each region. It also means providing the best opportunities to strengthen region's competitiveness and the policy portfolio that should be put in place to draft their smart specialisation strategies;

32. the importance of EU- and regional-level funding of innovation and production ecosystems with strong local, regional, or trans-regional characteristics.

Other useful measures

The CoR strongly urges the regions of the various Member States to:

33. **coordinate the contributions of the ecosystem's various players.** Encouraging interaction and formation of networks of ecosystem players is public authorities' main task;

34. **purchase more from small and medium-sized high-tech enterprises.** Throughout the EU, most public contracts are won by major multinational companies. It is time to comply with the new public procurement directives ⁽⁸⁾, which considerably improve market access for SMEs.

35. endeavour to attract leading high-tech companies so as to broaden the technological talent base and generate positive spillover effects. All this should be planned within a framework that looks beyond the local dimension.

Brussels, 7 October 2014

*The President
of the Committee of the Regions*
Michel LEBRUN

⁽⁷⁾ CdR 2414/2012 fin.

⁽⁸⁾ Directive 2014/24/EU replacing Directive 2004/18/EC; Directive 2014/25/EU replacing Directive 2004/17/EC.