

Declaration on a Pan-European Ecosystem for Innovation and Entrepreneurship

July 2018



As the Fourth Industrial Revolution fundamentally reshapes the ways we live, work, and relate to one another, Europe must compete more effectively in the global digital economy: the continent's innovation is stronger than ever¹, but it is far from leveraging its full potential². We need to combine the strengths and knowledge of all relevant stakeholders – founders, corporates, academic institutions, public services and investors – to build a truly pan-European ecosystem in which businesses and entrepreneurs have access to the entire European market, and can scale their operations from day one.

Regional and city-based ecosystems nurture innovation in Europe. However, in order to compete at the global level, Europe must pull together successful practices and knowledge from across the continent and define its own model of innovation based on strengths in areas where it can achieve or build on a competitive edge.



I. Switch from a local to a pan-European approach to innovation

Entrepreneurs often grow their operations locally – but even a focus on national markets can be too limiting to successfully respond to global competition. Europe lacks incentives for accelerators, venture capital firms and other city-based or regional multipliers to test their business models and connect with new customers beyond local contexts. We need to foster pan-European players in venture capital, law, regulation and banking, remove barriers to cross-border operations and enable entrepreneurs to focus on the European market with a global mindset from the beginning. Europe's diverse ecosystems should complement rather than compete with each other, offering an attractive business environment for companies at all stages of growth.



II. Increase collaboration between start-ups and corporates

Europe boasts many successful businesses, including multinational corporations operating in highly effective industrial clusters. However, the continued success of the European economy requires a better collaboration between incumbent industry and technology start-ups. Both can benefit: collaboration allows corporates to enter and create new markets and disrupt from within, and start-ups to foster their products and to scale. But collaboration is challenging, as corporates and start-ups have different cultures, expectations and time horizons. Creating more openness to collaboration, and triggering more corporate investment in new ventures in Europe, will depend on systematically sharing opportunities, good practices and lessons learned.



III. Foster European innovation funding

Europe's economy is growing faster³ and saving more than the US, but has far less capital available for innovative start-ups. Reasons include venture capital funds primarily investing in geographies, where they are familiar with rules and legislation, and a well-documented European culture of risk aversion which leads especially institutional investors to rely on "safe" government and corporate bonds. New incentives to address this culture need to be explored, along with the potential to focus public funding on market-creating innovations, as well as strategic areas and technologies where Europe can develop a competitive edge. Corporates could also play a more significant role in innovation funding, making private capital available for promising ventures either as direct investment or through private equity funds or corporate M&A activities.



IV. Encourage the public sector to be an innovation role model and drive public sector digitization

With its legislation proposal on the free flow of data, Europe demonstrates global leadership in agile governance. It can build out this role by defining a common approach to other areas of technology where regulations are now unclear or non-existent, such as artificial intelligence and self-driving cars. The public sector should also lead by example in championing collaborations with technology start-ups, to foster innovation by experimenting with technologies and increase the offering of digital services across borders. Pan-European initiatives can build on Europe's existing frontrunners in e-government.



V. Support maximum access to data and providing high levels of data protection

Anonymized data from industry or public sector entities can be the basis for developing new business models and services that create new kinds of value. Europe can become an attractive data economy through a regulatory approach that enables free flow of such data across the continent, coupled with high privacy and security standards that make European business models appealing for global consumers. Existing open data efforts could be scaled to become Europe's strong point in the global data revolution.



VI. Build a world-class talent pool, foster mobility, and attract international talent

European entrepreneurs frequently cite access to talent as their primary concern, so facilitating global mobility of talent will significantly strengthen the pan-European innovation ecosystem. Europe should build on existing initiatives to lower the financial, linguistic and administrative barriers that can make it difficult for talent to move – for example, recognizing skills beyond formal degrees to qualify for a working visa, and simplifying steps for settlement. As personal connections remain a key success factor for vibrant innovation ecosystems, leveraging networks of ecosystem builders can help talent settle across Europe.



VII. Boost digital education and upskilling

Education systems need to empower people for the digital age by teaching skills and competences from coding to internet law, business management, dealing with failure, fraud, cyber security and digital footprints. Europe is very strong in some technological areas, but lacks the talent to develop research into viable business models: it could foster entrepreneurial skills by better linking its world-class academic and research institutions with local innovation ecosystems. Life-long learning programmes should also foster entrepreneurial mindsets, and enable employees from all industries to continuously adapt their skill sets.



VIII. Leverage gender diversity in Europe's innovation landscape

Women comprise 52% of Europe's workforce, but this talent pool remains underutilized: women are systematically under-represented at all levels in tech-related industries, and the gender gap has widened since 2011. While barriers vary across industries and geographies, a key factor – especially in start-ups – is the ability to reconcile work and family life. Entrepreneurs often overlook organizational culture when they have the strongest opportunity to influence it – in the early stages of building a business. The earlier start-ups think of diversity the more they will be able to reap its dividends.



IX. Address shortcomings in Europe's infrastructure and boost interoperability

Many more common business interactions and public services could be conducted by digital means. Ensuring that digital infrastructure performs well – especially in non-urban areas and less-developed regions – is key for start-ups to design and scale solutions, and for consumers to adopt usage. There are also large potential benefits from establishing the soft infrastructure of shared cross-border standards and services: European start-ups and small companies would be able to access the entire European market, enabling them to devote resources and attention to their core business rather than navigating national restrictions.



X. Harmonize legislation and standards across borders to create a true single market

Many cross-border business interactions and public services are unnecessarily complicated by national and sub-national authorities not adhering to the same laws and standards, creating barriers that challenge incumbent and fledgling companies alike. The European Union's Digital Single Market (DSM) initiative remains to be fully implemented. In addition, European decision-makers should discuss a DSM 2.0 initiative that focuses on making disruptive technologies such as AI and quantum computing a success by leveraging Europe's track record for open standards, building talent clusters, and stimulating market-creating innovations.

Context

This Declaration is an initiative of the Digital Leaders of Europe – a World Economic Forum network of founders, investors, corporate leaders, public officials and start-up ecosystem builders from across Europe who are dedicating their time, energy and passion to making the Digital Single Market a practical reality and strengthening Europe's position in the world economy.

The Digital Leaders defined the above areas of action as key to public and private efforts to develop a pan-European ecosystem for innovation and entrepreneurship. Throughout 2018, they will discuss these areas in subgroups, identify concrete examples that can be scaled (e.g. national start-up visa schemes) and formulate actionable recommendations for the public and the private sectors (e.g. include start-up cases in the curricula of European business schools).

The Declaration will be opened for signature to all contributors and relevant stakeholders by the end of 2018, and presented in early 2019 at the Annual Meeting in Davos. In 2019, the group will concentrate on building cross-border task forces to implement these recommendations and help spread the message across Europe. McKinsey & Company is the project's knowledge partner from 2018 to 2019.

¹ Wehmeier, Tom: The State of European Tech, Atomico and Slush Report, November 2017

² Europe currently only reaches 12% of its digital potential, compared to 18% in the United States.

McKinsey Global Institute, "Digital Europe: Pushing the Frontier, Capturing the Benefits", June 2016

³ Eurostat, GDP up by 0.6% in both euro area and EU28 News release, 14 November 2017, <http://ec.europa.eu/eurostat/documents/2995521/8444168/2-14112017-BP-EN.pdf/2de0034c-e53f-4bf7-ac31-c553a2ce7de5> and European Political Strategy Centre: Europe is Back, January 2018