

Regional Agenda

Global Growth Company CEO Workshop Series Innovation, Entrepreneurship and Global Growth

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CEO Workshop on Innovation, Entrepreneurship and Global Growth

The Global Growth Company CEO Workshop convened entrepreneurs, leading fast-growth companies and policy experts in London on 15 April 2013 to debate how to strengthen Europe's competitiveness. The workshop offered the opportunity to share illuminating experiences, think through the key barriers and enablers of entrepreneurial innovation and global growth, and define actions to improve the entrepreneurship ecosystem in Europe.

Forty-four delegates from 14 countries took part in the workshop, representing the World Economic Forum's New Champions community. They concluded that entrepreneurship is vital to bringing new ideas to market, scaling businesses internationally and improving Europe's competitiveness. Workshop participants considered the following to be the most important drivers impacting entrepreneurship in Europe:

- The lack of education about the value of entrepreneurship in schools, universities and society
- The need for more collaboration between large and small enterprises
- Regulation that does not hinder entrepreneurship
- The diversity of the European market often inhibits growth across member states
- Identification and use of distinctively European growth opportunities
- Access to finance and quality of financial advice

The debate centred around culture and education, collaboration, regulation, finance and the diversity of the European market. These five themes are summarized in this report, followed by a concrete set of improvements that were identified by the participants.

Collaboration between small and large enterprises

Sometimes the disruption of established businesses and markets is essential for empowering innovations to manifest and improve productivity. However, the reality is that both emerging and large enterprises can benefit significantly from intelligent collaboration instead of cut-throat competition. Incumbents that struggle with entrepreneurship find it difficult to innovate, but they can mitigate the attendant risk by working with small companies to plug the gaps. In return, small companies can use the reach of their large counterparts to gain access to markets that would otherwise be beyond their resources. Savvy incumbents understand the value



of entrepreneurs, but this is not universally the case. There is often no incentive in large enterprises to work with small, innovative companies, and no process to align their needs with innovative ideas. In procurement, for example, large enterprises tend to be risk-averse and cost-conscious. It is therefore crucial for new companies to find a champion within large organizations. Above all, both players need to understand that compromise, flexibility and culture are the key components of successful and profitable collaboration.

Entrepreneurship rooted in culture and society

Understanding between large enterprises and entrepreneurs must improve. So too must the relationship between European regulators and its business innovators. If European leaders want to encourage people to take the risks required in becoming serial entrepreneurs, then they must actively foster a spirit of entrepreneurship, banishing the fear and stigma of failure. The lack of understanding about what entrepreneurs do is widespread throughout European society, but it is most acutely felt at school-leaving age. Young people do not understand the value

of entrepreneurs, and so have no wish to follow in their footsteps: role models are few and far between.

The process of improving the public reputation of entrepreneurship must start in the education system, with the study of entrepreneurship and innovation becoming an integral part of the curriculum in schools and universities. That education should carry through to the adult generation so that entrepreneurial ambition comes to be seen as something to be encouraged and lauded.

Financing growth

A corollary of this culture is the difficulty that entrepreneurs have in securing funding. Living in a mature and crisis-ridden economy, Europeans tend to be more risk-averse in their investments. Many companies in Europe are family-owned, and often future goals include maintaining rather than disrupting the status quo. Businesses reach a plateau and stay there, rather than seeking out new opportunities and markets within and beyond European borders.





As a result, compared to the United States, there is a lack of venture, seed and leasing capital in Europe. What further mirrors Europe's financing growth challenge is the little interest from US investors in European venture capital because the exits are relatively small. European financial services companies have preferred to focus on equities and bonds rather than venture capital funding; leasing finance has also been difficult to secure. While there appears to have been some improvement in first-stage funding, second- and third-round funding is still proving difficult to find. However, finding the right growth financing support not only remains difficult in Europe, but also in other major regions in the world.

Heterogeneous markets

Investors may be deterred by the diversity of the European market, which is both a blessing and a curse. On the positive side, diversity is a prerequisite for new ideas and innovation to occur. Also, Europe's high GDP per capita, e-commerce penetration and depth of knowledge offer a decent environment for entrepreneurs. But this is offset by the market's peculiarities. However, while Europe may be a single market in name, it is impossible to write a single advertising campaign that would enable a product to be sold throughout the region. In effect, each product campaign can only address a market one-tenth of the size of the US market, making scalability difficult.

The patterns of demand differ in Europe as well. Consumers are slower to adopt new technologies and products, buy them later and buy fewer of them. Even if the supply of entrepreneurs were to be boosted, the demand for their products and services has to be stimulated if their companies are to survive and grow. One such stimulus could come from the fact that English is the language of the Internet, because the market may flatten as online business continues to grow (in the United Kingdom, as a percentage of GDP, it is growing by 10-15%). While the particularities might

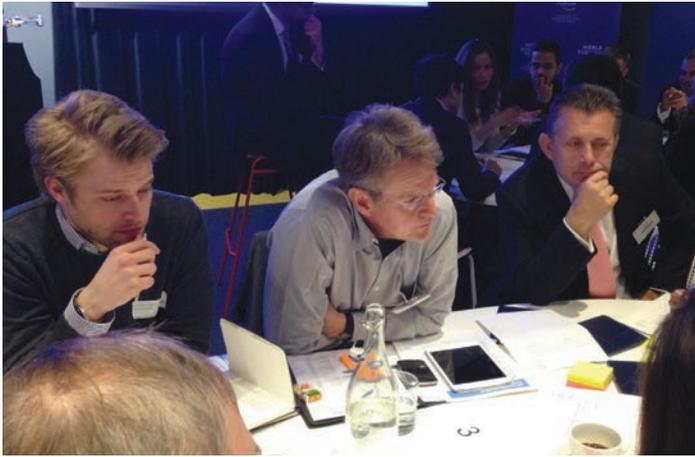
hinder entrepreneurial innovation and growth, they have also led to enormous growth in the past. The liberalization of the European telecommunications market was one such positive example.

Smart Regulation

Market diversity creates problems, and so does poorly designed government regulation. Whether it is a French entrepreneur who cannot apply for a loan for five years if his business fails, or stock options that are taxed up to 85%, or social protection measures (such as redundancy payments) stifling growth by deterring companies from hiring talent, government regulation can stop entrepreneurship in its tracks. Europe's diversity is apparent in this, too, with some governments being more business-friendly than others. The UK Government, for instance, recognizes that small and medium-size firms drive growth and innovation. It aims to be innovative in its support, while not distorting the market. However, conversations about structural developments tend to be more advanced between large enterprises and the public sector. Smaller enterprises are less equipped to enter the discussion.

Although Europe can be seen as overly bureaucratic, consistent legal and regulatory frameworks are necessary for orderly business to be conducted – they provide security and certainty. However, new ideas should be explored, such as entrepreneurs being able to operate throughout Europe on “regulation-light” terms to encourage the spread of entrepreneurship and keep up with the emergence of new technologies and a rapidly changing global economy.





Improving the Entrepreneurship Ecosystem

Five ideas were pitched for a plan of action to accelerate and scale entrepreneurial innovation and growth in Europe. Four were based on the need to educate, to explain what entrepreneurs do and to encourage others to follow in their footsteps. The fifth concentrated on collaboration between large and small businesses.

The five proposals:

- (1) to establish Student Entrepreneurship Clubs in universities in Europe, funded by the top 10 businesses and open to the wider community;
- (2) to create a media platform ranking, relating the stories of Pan-European entrepreneurial “champions”;
- (3) to build an Internet platform to match high-school students with the World Economic Forum’s New Champions mentors and offer them summer internships;

(4) to develop an online platform for children and adults to learn about entrepreneurship, with educational content being sold to businesses keen to teach their workforce about innovation;

(5) to capture systematically and hold events to celebrate successful partnerships between large and small businesses, including creating and monitoring five partnerships at the next Annual Meeting of the New Champions in China, and holding panels on large-small partnerships and corporate venturing.

If such initiatives to accelerate and scale entrepreneurial activity are to succeed, key questions must be addressed:

- The **audience** has to be identified and the message has to be targeted. Which policy-makers, business leaders, entrepreneurs and financiers can make a difference? Those working at the grass-roots level also need to be engaged: teachers who will spread the word to their pupils, university lecturers who will promote innovation and entrepreneurs who will provide the raw material.

- A **platform** as vehicle for dialogue and impact is a sine qua non. It must have clear purpose and effective scope. Should it be built around the opportunity to learn, to foster collaboration, or to test, create and develop ideas?
- In a rapidly-moving world, the direction of **supply and demand** is more difficult to anticipate. On the supply side, how can talent be put to better use, serial entrepreneurs be encouraged and the strength of Europe be leveraged? On the demand side, what measures are required to boost consumer demand? How can a balance be struck between entrepreneurial ideas in hi-tech manufacturing and knowledge-intensive businesses?

These questions are best answered collectively rather than in isolation. To share best practices and connect the different parts of Europe effectively requires a combination of virtual collaboration and physical engagement. In the short and medium term, the outcomes of the Workshop will directly shape the work conducted by the World Economic Forum on Europe’s competitiveness and the agenda on innovation and entrepreneurship at the Annual Meeting of the New Champions 2013 in Dalian, China.



Background

The World Economic Forum Global Competitiveness Report 2012 (<http://reports.weforum.org/global-competitiveness-report-2012-2013/>) reveals that Europe's productivity has been declining in comparative terms. It is recommended that Europe relentlessly focus on innovation in order to catch up with the productivity advantage enjoyed by the United States and find an appropriate response to the increasing competition from emerging economies. Although innovation has been at the top of the growth agenda, Europe has not been able collectively to narrow the gap. While frontier research and industrial policies are critical, an environment fostering entrepreneurship is equally important for innovations to reach market maturity, improve productivity and lead to sustainable growth.

Against this backdrop the World Economic Forum has launched a series of CEO Workshops on Innovation, Entrepreneurship and Global Growth. Members of the Forum's New Champions community are brought together to think through barriers to and enablers of entrepreneurial innovation and growth, and map possible actions to improve the entrepreneurship ecosystem. The inaugural workshop for Europe, held in London, focused around three questions:

- What are the key barriers to and enablers of entrepreneurship?
- How can strategic partnerships and governments improve entrepreneurial innovation and international growth?
- What concrete actions can improve entrepreneurship in the short and long term?

Moderator

- Mark Spelman, Global Managing Director, Accenture, United Kingdom, and Member of the Forum Global Agenda Council on Europe

Speaker and Panellists

- Matt Brittin, Vice-President, Northern and Central Europe Google, United Kingdom
- Philipp Freise, Partner, Kohlberg Kravis Roberts, United Kingdom
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- Les Matheson, Managing Director, Products and Marketing, UK Retail, Royal Bank of Scotland Group, United Kingdom
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Discussion leaders

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- Vivake Gupta, Chief Executive Officer and Co-Founder, Lab49, United Kingdom
- Maria Pinelli, Global Vice-Chair, Strategic Growth Markets, Ernst & Young, USA
- Diana Verde Nieto, Founder and Chief Executive Officer, Positiveluxury.com, United Kingdom
- Louis Poire, Chief Executive Officer, Moda in Casa SA de CV, Mexico
- Maryse Thomas, Founder and Chief Executive Officer, Pokeware, USA

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Upcoming Meetings in 2013

24-26 May, World Economic Forum on the Middle East and North Africa, Dead Sea, Jordan
Contact: MiddleEast@weforum.org

5-7 June, World Economic Forum on East Asia, Nay Pyi Taw, Myanmar
Contact: EastAsia@weforum.org

11 June, World Economic Forum Japan Meeting, Tokyo, Japan
Contact: Tokyo@weforum.org

27-29 June, GGC CEO and Technology Pioneer Workshop, Palo Alto, USA
Contact: Simon.Mills@weforum.org

11-13 September, Annual Meeting of the New Champions 2013, Dalian, People's Republic of China
Contact: NewChampions@weforum.org

15 September, World Economic Forum Strategic Dialogue on the Future of Mongolia, Ulaanbaatar, Mongolia
Contact: Mongolia@weforum.org

19-21 October, World Economic Forum Moscow Meeting, Russian Federation
Contact: RussiaCIS@weforum.org

5-6 November, World Economic Forum Strategic Dialogue on the Future of Ukraine, Kiev, Ukraine
Contact: Ukraine@weforum.org



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Sincere thanks are extended to all participants of the Global Growth Company CEO Workshop on Innovation, Entrepreneurship and Global Growth 2013 in London on 15 April 2013.

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