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Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs

COSME Programme

COSME Programme, SME Envoys and Relations with EASME

Report on the public consultation under the Start-up Initiative

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Table of contents

Executive Summary	3
Introduction.....	4
1. Profile of the respondents	5
2. Boosting entrepreneurial attitudes and skills - stand-up phase	5
2.1. Barriers.....	6
2.2. Policy response/support measures.....	7
3. Creation of a company - start-up phase	7
3.1. Barriers.....	7
3.2. Access to finance	9
3.3. Policies and support measures	10
4. Boosting innovation	13
4.1. Barriers.....	13
4.2. Policy /support measures	15
5. Expansion of a company - scale-up phase	16
5.1. Trends	16
5.2. Barriers.....	16
5.3. Access to finance	18
5.4. Policy/support measures response	19
5.5. Ecosystem level policies	21
6. Capital replacement – “exit” opportunities/strategies.....	22
6.1. Exit opportunities.....	22
6.2. Valuation.....	22
7. Definitions.....	23
8. The role of the EU.....	25
9. General recommendations.....	26

Executive Summary

An online public consultation in the context of the Start-up Initiative ran from end of March until end of July 2016 and it was available in all official EU languages. In total, 571 replies to the online questionnaire and 16 position papers from different groups of stakeholders were received.

The geographic coverage of the consultation was broad. The large majority of respondents (98%) originated from EU Member States while 2% of respondents were based in non-EU countries.

The majority of respondents (53%) were company founders or potential entrepreneurs, followed by business support providers (10%) and national business organisations (9%).

Access to information on EU and national regulatory frameworks remains difficult with information spread across numerous sources and often presented in a way that is not user-friendly. Nearly 85% of respondents called for better coherence and transparency of information on financing opportunities offered by the EU and the Member States.

Start-ups in Europe still face many **legal, regulatory and administrative barriers**. Nearly 40% of companies' founders reported that scaling up their company cross border had been harder than they expected while 10% found it easier. There is a strong concern from 76% of respondents on bankruptcy and being penalised for failure. There is no significant difference between the main barriers to scale up a company within and outside the EU but there is a slight variance in the ranking.

The major challenge to scaling up was with **access to finance**, in particular equity financing, and high compliance costs related to employment and tax regulations. Feedback from stakeholders also suggested that the lack of scale of EU-based venture capital funds is a significant issue for companies attempting to scale-up, including access to angel and venture capital (VC) financing. Linked to this is the issue of company valuation and exit strategies for start-ups' owners and investors.

The stakeholders also highlighted the issue of access to **industrial and intellectual property** and their protection. A further concern of over 71% of respondents is the need for more and better connections between local/regional/national entrepreneurial ecosystems.

Over 66% of respondents feel that the EU and Member States need to invest in establishing long-term **partnerships between business, research and higher education institutions** to strengthen EU innovation capacity. Nearly 70% respondents strongly supported the idea of encouraging links between start-ups, mid-caps and large enterprises.

Furthermore, the results have shown a solid emphasis on the need to tackle **skills**, including entrepreneurial, digital, technical, management and leadership skills and competencies.

Overall, the public consultation has shown a huge interest in reinforcing successful policies that already exist and possible further action.

Introduction

An online public consultation in the context of the Start-up Initiative, as announced in the Commission's Single Market Strategy, ran from end of March until end of July 2016. It was available in all official EU languages.

The Commission extensively promoted the public consultation during several events in Brussels and Member States, via the SME Envoys, the Enterprise Europe Network (EEN), the High Level Group of the Competitiveness Council and social media. The EU Delegation in Washington also promoted the consultation in the US, particularly among European startups based in Silicon Valley.

The questionnaire followed the three primary phases of the company life cycle:

- Stand-up phase when individuals or groups are equipped with the entrepreneurial attitudes and skills to attempt the creation of a new company;
- Start-up phase when resources are mobilised and regulatory requirements fulfilled to start a new company;
- Scale-up phase when successful companies expand their businesses to new markets or in innovative ways.

It also covered an Exit phase when a business owner or an investor decides to cash out an investment made in the past through trade sale or merger with a larger player in the industry (merger and acquisitions), secondary sales to third parties or initial public offerings (IPOs).

Furthermore, the need for a definition of a start-up and a scale-up company was tested, seeking stakeholders' preferences for different options proposed in the questionnaire.

In total, 571 replies from respondents originating from almost all Member States as well as non-EU countries were encoded. In addition, the Commission received a number of position papers from different business organisations, start-up communities as well as Member States' governments¹ that complemented the picture emerging from the online replies.

This report gives an overview of the replies to the online questionnaire, including the open questions, and the above-mentioned position papers.

The individual replies of those respondents, who agreed for their contributions to be published, will be uploaded on the Commission website by end November 2016.

¹ All together, the Commission received 16 position papers (ten were submitted by European and national business organisations, two - by start-up communities, three - by national governments and one by European associations gathering European cities).

1. Profile of the respondents

The geographic coverage of the consultation was broad. The respondents originated from almost all 28 EU Member States², with a large participation from Italy (15%), France (13%), UK (8%), Germany (7%) and Spain (7%). The majority of the respondents from non-EU countries (2%) were based in the US and Switzerland.

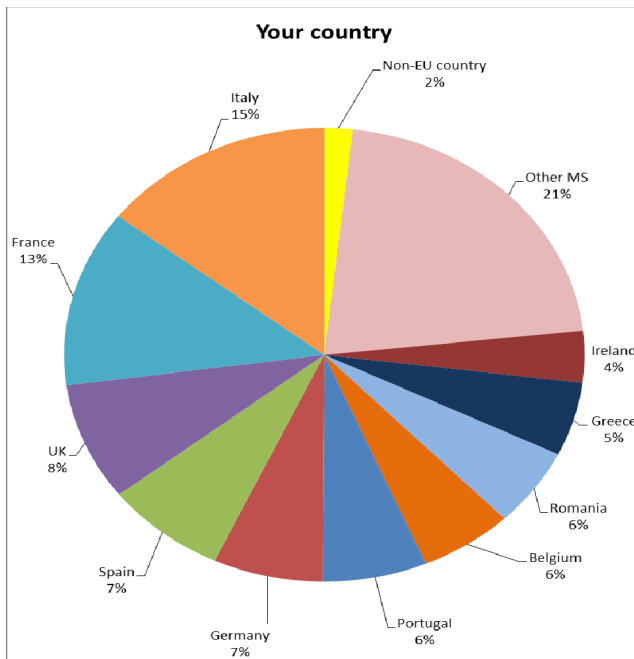


Figure 1

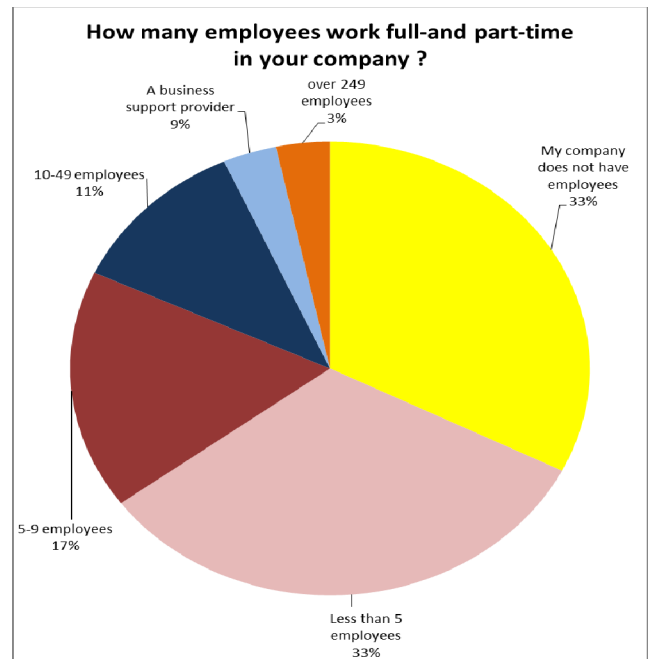


Figure 2

The majority of respondents (53%) were *company founders or potential entrepreneurs*, followed by *business support providers* (10%) and *national business organisations* (9%). The most represented sectors were *ICT, other service activities* and *professional, scientific and technical activities*.

Over 33% of respondents were entrepreneurs who established their companies within the last three years, while 18% of entrepreneurs had their companies established for longer than 10 years.

Around 82% of entrepreneurs were *'self-employed or micro enterprises with less than 10 employees'*. Most of them (83%) defined their company as "*new, independent business created by a single person or a team of people*" and 74% declared that they run (or intended to start) a private limited liability company.

² No replies from Slovenia were received.

Almost 88% of respondents reported having their company headquartered in their country of origin (one of the EU Member States) while 6% had it established in another EU Member State, with 5% having it registered outside the EU.

Boosting entrepreneurial attitudes and skills - stand-up phase

2.1. Barriers

Some stakeholders raised general concerns about the current education systems in Europe. They argued that the way future generations in Europe are educated needs to be changed, as it no longer corresponds to the needs of today's world dynamics. New education systems should encourage creativity and critical 'out-of-the-box' thinking. The emphasis should be on problem solving, practical challenges, experiments and experience-driven learning. It should also include training on public speaking and negotiations.

Many respondents argued that during formal education all students should acquire practical experience on how to run a (virtual) company. They advocated that offering hands-on opportunities for running a business at a young age in a risk-controlled environment have a great potential to help young people determining whether entrepreneurship is a suitable career path for them. Each school should have a co-working space where students can meet and work together on different projects. They should have the possibility to discuss about possible practical solutions not only with a teacher but also with an experienced entrepreneur. Young people should also be exposed to 'failure' so that they can learn how to approach it and deal with it, without developing a fear of it. Some stakeholders suggested that a status of *student-entrepreneur* that exists in France could be introduced in other EU Member States as it proved to bring good results.

The quality of teachers and mentors was often considered a key to success in entrepreneurship education. The stakeholders claimed that there should be more teachers of entrepreneurship, financed also by the private sector, and a new, holistic and interdisciplinary approach to teaching entrepreneurship should be developed and applied. Some respondents argued that fostering exchange schemes between companies, schools and universities for continuous lifelong learning is important and that actions in this field should be fostered.

Transferable and entrepreneurial skills should be embedded in the learning environment, curriculum and assessment of all apprenticeship programmes. Some respondents asked for an efficient mechanism of mutual recognition of qualifications to be put in place across the EU.

There were also suggestions that employers/business owners should be encouraged to directly interact with educational institutions to help them defining the sets of skills needed on the market.

Promoting and sharing of experience to encourage *learning by doing* concept was also strongly recommended by some respondents.

2.2. Policy response/support measures

The replies to the consultation confirmed that there is a strong support for actions aimed at fostering entrepreneurial culture, attitudes and skills. The proposed options for policy/support measures in this area received a substantial support with an average ranking from 3.5 to 4.3 out of 5.0³. The three following actions were considered the most important: *'providing local support and advice structures to encourage entrepreneurial activities'* (82%⁴), *encouraging higher education institutions to establish programmes and services to support entrepreneurship* (78%) and *introducing entrepreneurship education in all levels of formal education (from primary and secondary school to vocational education and university* (55%).

According to some stakeholders, more attention should be given to the social dimension in entrepreneurship and to benefits that social enterprises can generate for local communities. They argued that social enterprises and cooperative models should become a part of regular entrepreneurship education and should be actively promoted.

Finally, on many occasions respondents suggested that the media should play a more active role in promoting entrepreneurial culture and positive attitudes towards entrepreneurs with the aim of increasing awareness about entrepreneurship as a career choice, especially among young people.

2. Creation of a company - start-up phase

3.1. Barriers

Around 41% of respondents reported having difficulties in the start-up phase. The main obstacles were related to:

- *Access to finance* (72%)
- *The rules and costs of hiring workers* (66%)
- *Resources required to navigate overall regulatory complexity* (61%)
- *Tax compliances costs, including filing and paying taxes* (55%).

Procedures and costs to access industrial and/or IPRs were also considered an important obstacle by nearly 46% of respondents.

³ The respondents were asked to rank each option from 1 being the least important (or a minor obstacle) to 5 being the most important (or a major obstacle).

⁴ Percentage of respondents who ranked a given option at a level of 4 or 5.

In replies to open questions, lack of harmonisation of employment-related legislation across the EU, high social security costs for start-ups, insufficient workers mobility and lack of flexibility when it comes to employment contracts were often highlighted as areas of concern.

Other obstacles listed by stakeholders in this context, were: excessive taxation and fees, including for legal advice; difficult access to public procurement for start-ups; insufficient support for improving skills in preparing business plans and designing business models; and difficulties in identifying market opportunities and finding customers.

Obstacles related to the requirement for initial capital and lengthy start-up procedures as well as the language barrier were also mentioned, mostly by start-ups' founders originating from non-EU countries.

In general, the need to simplify and streamline administrative procedures related to business creation and operations, including in a cross-border context, was highlighted in a number of replies. The request to advance standardization, e-invoicing and e-ID was also made in this context.

Some entrepreneurs or potential entrepreneurs in their replies to open questions asked for a single European legal form of a company across the EU, pointing out the benefits of such solution, especially for fast growing companies with ambitions to go cross-border.

The respondents asked for a transparent, user-friendly European information system on existing and new national legal frameworks and rules governing company creation and operations.

Some respondents suggested that governments and regulators should consider establishing within their administrations a dedicated task force consisting of people with knowledge of digital economy and the agile start-ups' nature. They also asked for a revision and adjustment of the existing regulatory framework to the risks of different business models and types of firms, e.g. young, innovative and growth oriented firms that require a different approach than other types of companies. They also claimed that regulations related e.g. to the protection against dismissal or employee's participation and recruitment of foreign talent should be checked for start-up relevance and impact.

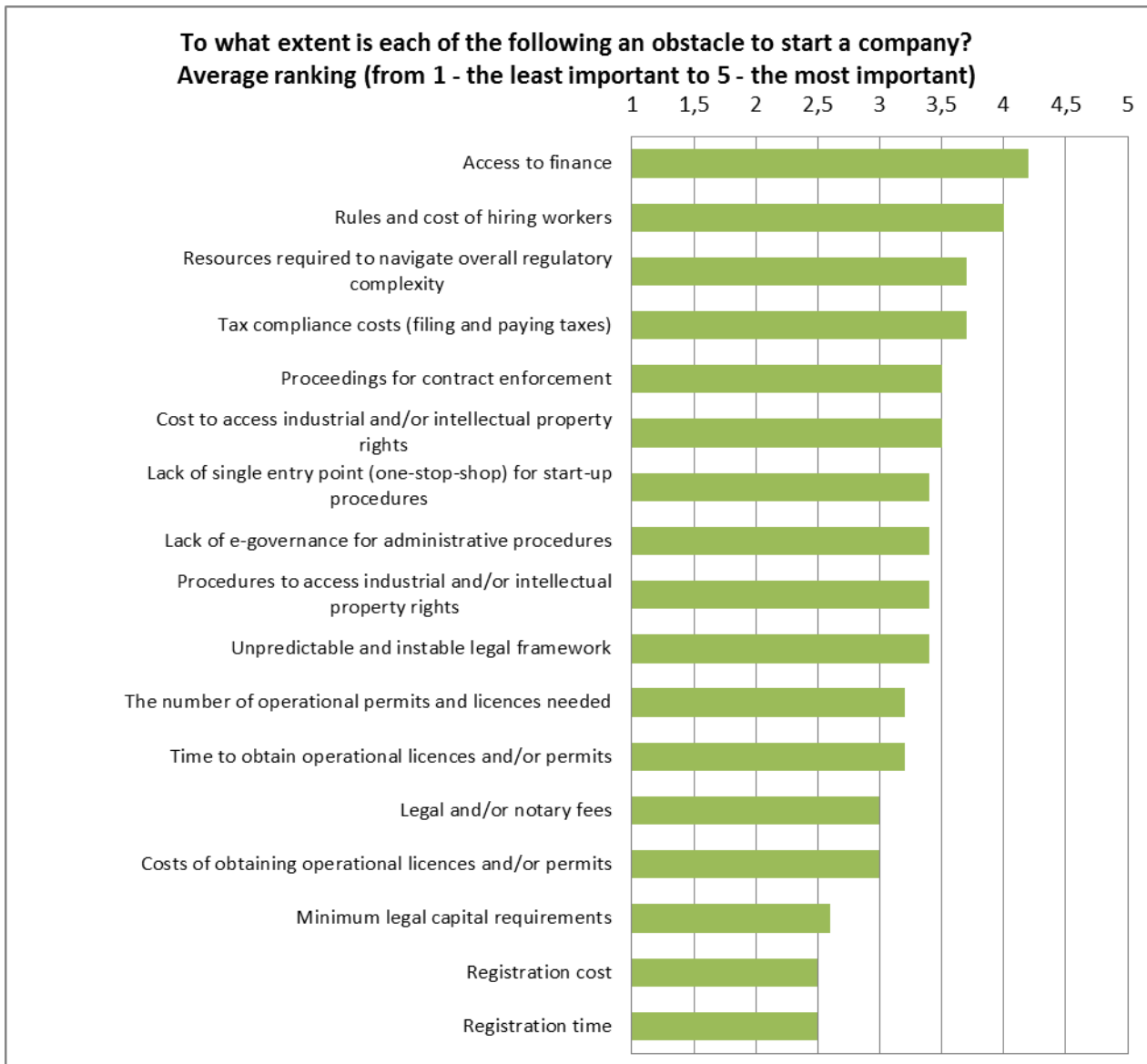


Figure 3

Some respondents also suggested that EU and Member States' legislators and policymakers should look at often more attractive legislation outside the EU to get inspiration for their own legislative work.

3.2. Access to finance

Nearly 71% of respondents stated that *Access to finance* is the biggest barrier for starting a company. Some respondents strongly argued that there is a need for new 'smart' sources of financing for start-ups as well as a set of incentives for investors to increase the volume of venture capital in Europe. Furthermore, a number of stakeholders underlined the need for increased private-public collaboration as a means to finance start-ups throughout their whole life cycle.

The feedback from respondents suggested that better access to information on support schemes and funding sources for start-ups at national level (e.g. VC, grants, bank loans, angels, crowdfunding etc.) would help start-ups to choose the most suitable strategy of financing their company. For cross-border investment, crowdfunding was indicated as a significant source of funding, and growing fast in terms of importance.

Furthermore, some stakeholders advocated for a 'cultural change' among banks and financial institutions regarding access to finance for honest bankrupt entrepreneurs seeking a second chance. So far, in the majority of cases, bankrupt entrepreneurs maintain a negative scoring for a long time and this makes it difficult for them to secure the necessary funding for a new venture. In some cases, they even have difficulty to open a bank account.

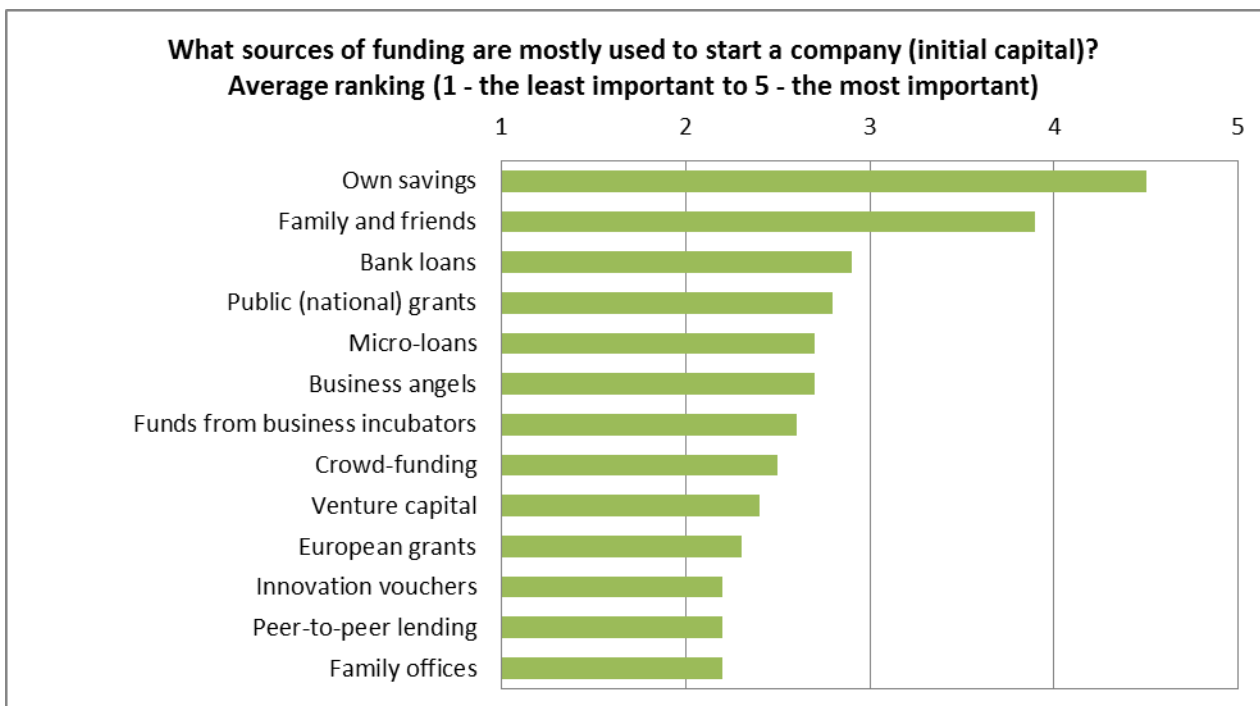


Figure 4

3.3. Policies and support measures

Among policy and support measures for start-ups, the highest 'scores' were allocated to the following options:

- *Providing training/advisory/mentoring services to young start-ups to prevent early failures (76%);*
- *Supporting the creation of incubation centres, accelerator programmes and co-working spaces for start-up projects (73%);*
- *Enabling links between source of knowledge (tech/engineering centres) and source of finance to facilitate access to finance for viable start-up projects (76%) and*
- *Ensuring better cohesion and transparency of the support schemes at EU level (68%).*

The respondents stressed that support services such as training, advice, one-to-one coaching and mentoring need to be adapted to the needs of individual entrepreneurs and should be developed by the market itself (preferably at regional/local level). They also argued that training should be made more accessible and affordable for start-ups' founders, e.g. by making it tax-deductible.

Intensive interactions between researchers, innovators as well as easier access to research institutions and facilities (universities, research centres, labs) for start-ups were considered crucial to increase business opportunities and shorten time to the market, especially in sectors where developing a new product is time and resource intensive. Stakeholders argued that start-ups would also benefit from assistance and tax exemption when in the process of filling in for patents. Many of them positively assessed the *Innovation vouchers scheme* allowing start-ups to acquire innovation-related expertise and asked for similar schemes to be introduced in their respective countries.

Other policy options aiming at *Connecting incubation centres, accelerator programmes and co-working spaces* and *establishing exchange schemes between incubators/ accelerators across the EU* also reached a significant level of support. Respectively, 63% and 59% of respondents opted for such measures to be available.

At the same time, some stakeholders stated that incubators and accelerators should attach more attention to the quality of services provided to start-ups. Some respondents pointed out that incubators and accelerators should be more inclusive, e.g. women and people over 40 years old currently seem to have difficulties to be admitted to incubators/accelerators.

The options related to *Promoting exchanges between new and experienced entrepreneurs* and *Establishing matchmaking platforms between start-ups, medium-sized and large companies* were both supported by over 65% of the respondents. They were often mentioned as very important for start-ups also in replies to open questions and in position papers.

According to many stakeholders, creative approaches to promote partnerships between start-ups and established SMEs should be fostered as they have a great potential to accelerate the dissemination of innovation, particularly in more traditional sectors. They would allow start-ups to benefit from existing services and take advantage of commercial cooperation established at national or international level. They would also provide start-ups with management experience, financial resources and opportunities to exchange innovative ideas. For the established SMEs, these partnerships would represent an important opportunity to accelerate innovation, invest in R&D, improve products and processes, diversify their activities, and increase interactions with a view to develop new business models.

In replies to open questions and in position papers, access to skilled workers and talent was often mentioned as one of main concerns for start-ups and scale-ups. The respondents asked for simplified visa procedures to attract skilled non-EU workers. The same was argued regarding a 'start-up visa' for non-EU entrepreneurs/innovators intending to establish their company in the EU. A proposal was made to establish a *Welcome Service* for non-EU workers/talent and entrepreneurs willing to work or to set up a start-up in each EU Member State.

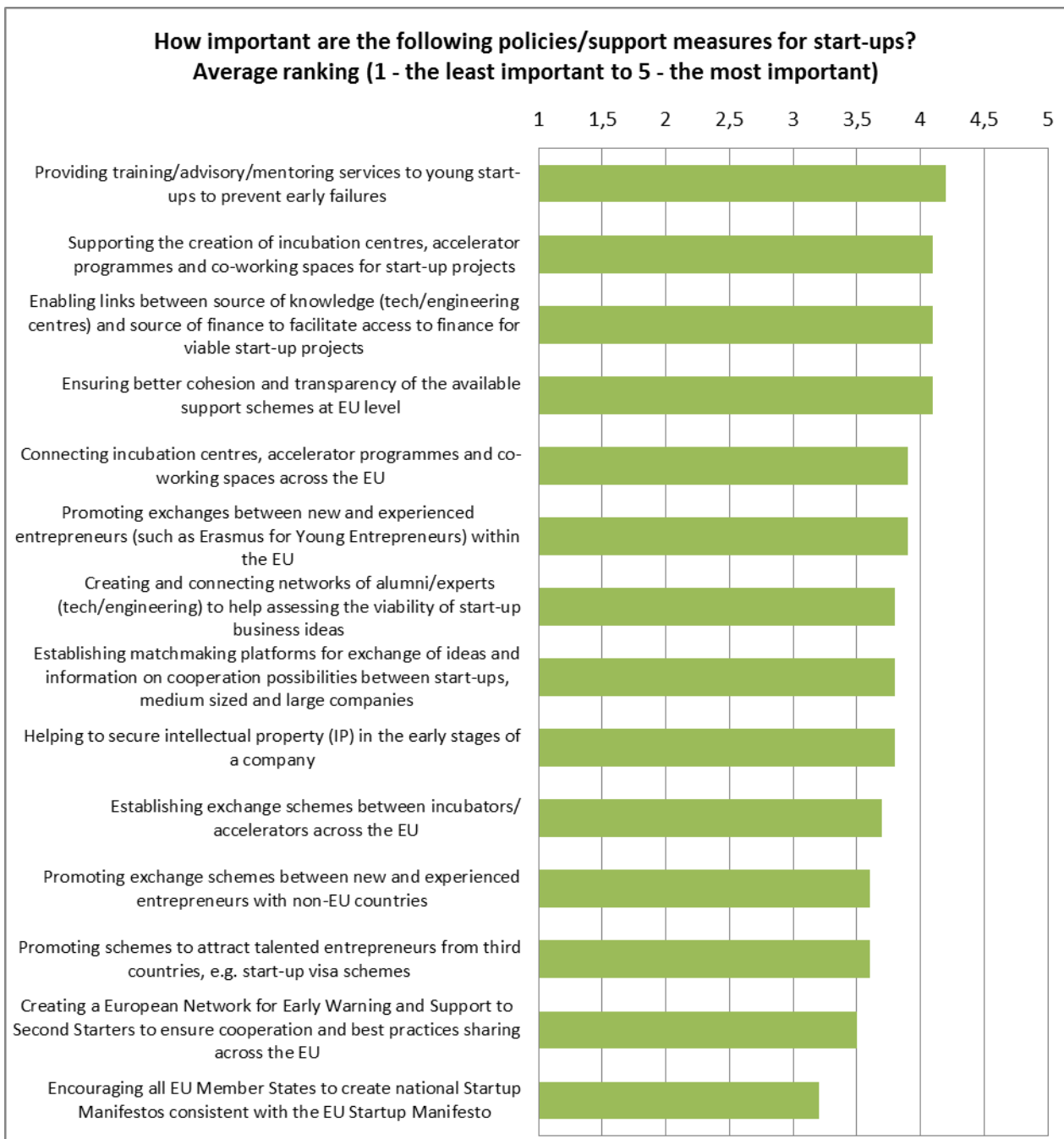


Figure 5

According to some respondents, it should also be made easier for non-EU citizens studying in the EU Member States to get an entrepreneurial visa if they intend to establish their company in Europe. Schemes similar to e.g. The French *Tech Ticket* or those offered by Start-up Delta (NL) were considered good practices that could be replicated in other EU Member States.

Furthermore, online marketplaces (such as e.g. upwork.com) for start-ups to hire and work with independent professionals around the world could also be considered and further developed.

Some respondents stated that establishing a platform for entrepreneurial ideas where start-ups could share information about their needs and their interest to find partners would be very helpful. Such a platform would increase their visibility and provide investors (public or private funds, business angels, incubators) with the information they need to make their investment decisions. This platform could benefit from the experience already gained under the Startup Europe Partnership.

Furthermore, according to nearly 65% of respondents, existing schemes for international exchanges between entrepreneurs intra-EU should be enhanced to include the learning process about market differences and customers' needs and habits. Nearly 52% of respondents were of the opinion that such schemes should also be extended in terms of geographical scope so that they also cover some non-EU countries.

Almost 60% of respondents pointed out the need to put in place measures that would help start-ups to secure intellectual property rights (IPRs) and patents in the early stages of a company life cycle. Furthermore, over 44% of respondents stated that developing intellectual property valuation models to better assess the value of intangible assets is very important for start-ups.

Making sure that public procurement rules are start-up friendly, providing guidance to start-ups on how to take part in public procurement and making a greater use of e-procurement was strongly emphasised by a large number of stakeholders.

3. Boosting innovation

4.1. Barriers

Some stakeholders were of the opinion that public support for innovation does not sufficiently target start-ups and is often channelled through intermediary institutions (e.g. universities, research centres). Some stakeholders argued that although there is a strong record of innovation and research in Europe's universities, not enough research results and new technologies get to the stage of commercialisation. Consequently, they asked for a renewed focus on this issue.

Some stakeholders argued that more tax incentives for innovation and R&D-related expenditures should be provided as this would reward innovative start-ups for their innovative activities and increase their commitment to carry out research and innovation activities. Furthermore, access to university/research centres' labs should, according to some stakeholders, become easier for start-ups so that they could test their innovative ideas with help of researchers.

A number of respondents argued that more attention should be given to a cooperative model as cooperative type of ownership boosts innovation by associating it with R&D/research laboratories (including those financed by public funds).

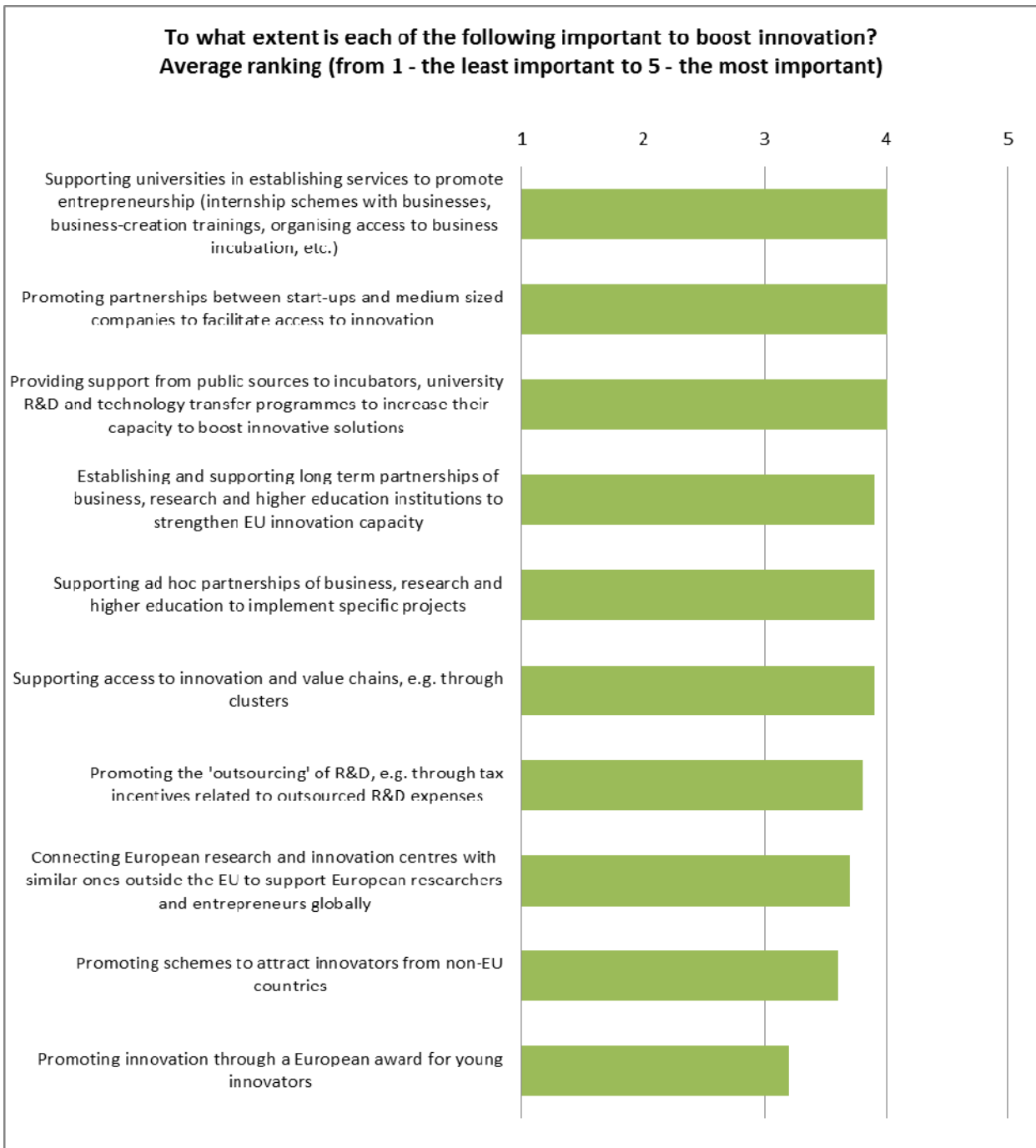


Figure 6

Furthermore, they argued that innovation comes from different sources and can refer to innovative processes or business models, e.g. social cooperatives as an effective mean to introduce a new model in offering health and social care services.

4.2. Policy /support measures

The three most appreciated measures to boost innovation, supported by nearly 70% of respondents, were the proposals to:

- *Support universities in promoting entrepreneurship via different schemes (internship with business, business-creation training, access to business incubators etc.)*
- *Promote partnership between start-ups and medium sized companies*
- *Provide support from public sources to incubators, university R&D and technology transfer programmes to increase their capacity to boost innovative solutions.*

Many stakeholders argued that building strong connections between universities, start-ups, established SMEs and larger firms is mutually beneficial, especially in terms of shortening time to the market for innovative products.

Some stakeholders pointed out that schemes providing further support to ecosystem's enablers, such as e.g. accelerators, would help them to act as European Innovation Hubs for start-ups. Innovation brokerage programmes, matching R&D solutions with SMEs needs and vice versa was also considered crucial.

As mentioned above, public-private partnerships with a goal of establishing connections between startups, SMEs, larger corporations, universities and research institutions were considered key to success. Sub-national levels of government should opt for a specialisation and provide hubs focusing on specific topics; those should also include traditional industries.

Some respondents argued that an independent expert group/council gathering representatives of European start-up ecosystems should be established with the aim to verify suggested regulatory changes and policy initiatives in terms of their impact on start-ups, to monitor the implementation of regulatory norms and to analyse existing research/available data on the individual European innovation ecosystems.

Promoting the implementation of the *Innovation Principle* (adopted by the Council of the European Union in May 2016), requesting that 'policy and regulatory measures are evaluated in terms of their impact on research and innovation' was considered key.

It has been underlined that the *Seal of Excellence*⁵ under Horizon 2020 increases the chance for its holders to receive financing but the label is not yet widely recognised by potential investors and should therefore be more actively promoted.

⁵ The label is awarded to promising projects that received high scores in the independent evaluation process, yet were not able to secure funding due to budgetary constraints.

Finally, many respondents argued that access to relevant national and European funding programmes to boost innovation should be made easier and be more flexible, especially for start-ups.

5. Expansion of a company - scale-up phase

5.1. Trends

Over 37% of entrepreneurs participating in the consultation envisaged to expand their company cross border. Over 56% out of those who envisaged expansion, planned to do it within the EU, while nearly 44% wanted to do it outside the EU. Overall, this confirms that a large number of European entrepreneurs intend to scale-up outside the EU.

Nearly 40% of entrepreneurs said that scaling up their company had been harder than they expected and 10% of them found it easier.

19% of those who scaled up their companies have chosen to do it through *Establishing a partnership with a local company* while over 12% of the company' founders did it through *Establishing a joint venture or through Setting up a subsidiary*, and these two later options were equally popular.

5.2. Barriers

On the scale-up phase, the responses on the barriers to some extent echoed those on the start-up phase: access to finance, tax and employment related issues, uncertainty about the regulatory environment and to a certain extent IPRs protection.

There is no significant difference between the main barriers to scale up a company within and outside the EU; there was however a slight variance in the ranking.

When scaling-up **inside the EU**, for 65% of respondents *Securing financing for expansion* was the main barrier, while *difficulty of complying with employment law* was a problem for nearly 58%, followed by *costs of complying with tax regulations and specifically with VAT rules for nearly 54%* of those who replied.

For nearly 61% of those who expanded their companies **outside the EU**, the main barrier was *uncertainty about the regulatory environment to start a company*, followed by *uncertainty about the regulatory environment for daily operations* and *Access to finance (57%)*, with over 54% complaining about *Complying with tax regulations*.

Taxation came across very strongly. The need to reduce and harmonise corporate taxation and VAT, ensure more stability of fiscal environment and make available transparent information about fiscal regimes and tax incentives for companies at Member States level was mentioned on many occasions. The stakeholders proposed to introduce a general rule concerning the frequency of filling

in taxes, they argued that it should be done only once a year. Re-investment tax relief was also considered very important for start-ups and scale-ups.

Among main obstacles to fast growth, some stakeholders listed a lack of qualified workers with digital and technical skills, lack of leadership skills to manage a fast growing company, limited access to government/corporate procurement, finance, distribution channels and infrastructure.

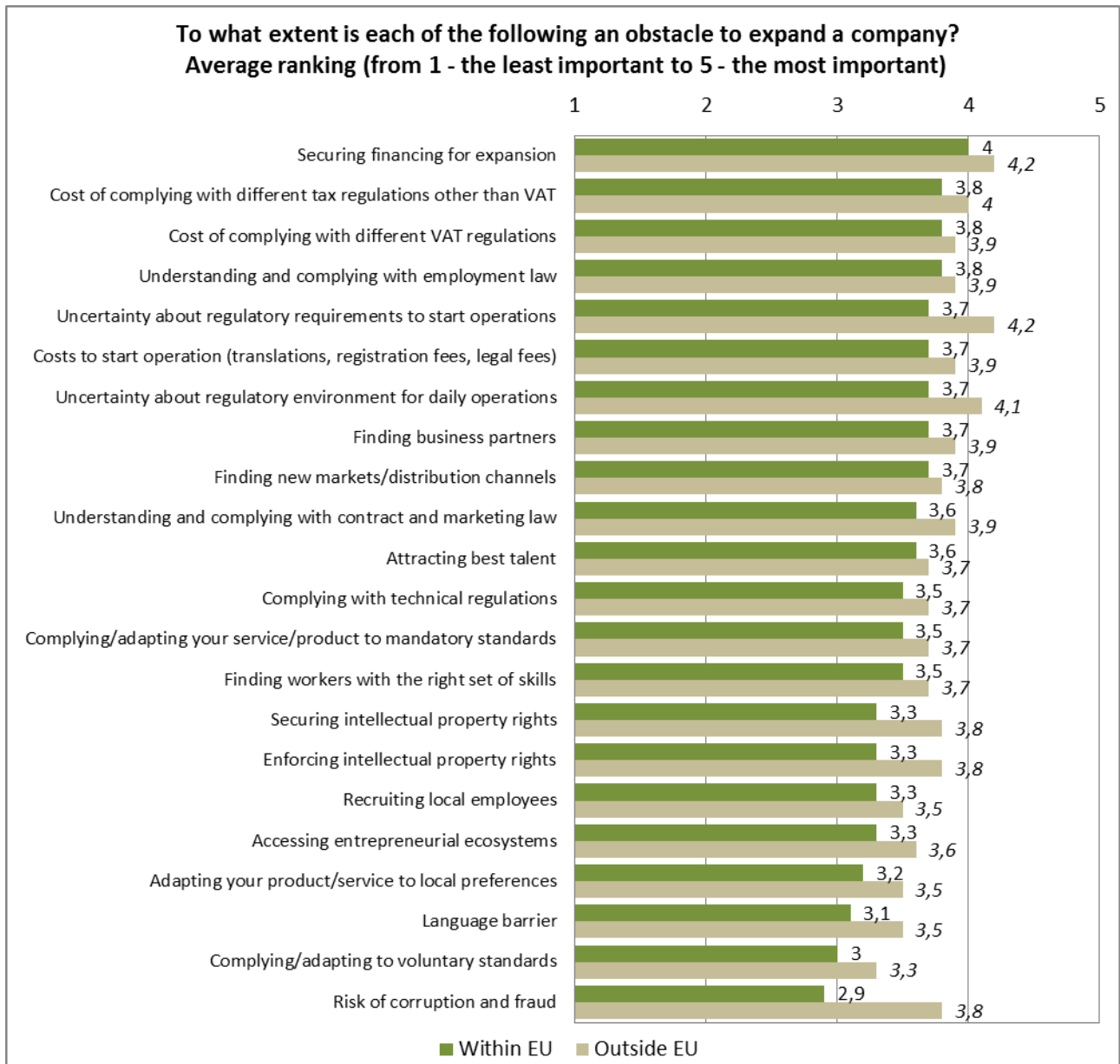


Figure 7

Difficulties with recruiting skilled workers from another EU Member State and/or from non-EU countries were specifically mentioned on this occasion. Existing solutions, such as e.g. e-residency (Estonia) or Stripe Atlas (US) were cited as good practices.

5.3. Access to finance

Above 53% of respondents stated that *Equity funding, including venture capital or business angels* is most often used for scaling up a company, followed by *Bank loans* (nearly 53%) and *Internal funds (retained earnings or sale of assets – over 42%)*. *Crowdfunding as a source of funding* was chosen by over 17% of respondents while *Debt securities, Peer-to-peer lending and Sub-ordinated debt instruments* were opted for less often (11 - 15%).

To address the issue of insufficient availability of VC financing, the stakeholders asked e.g. for EU intervention aiming at establishing a pan-European VC fund. According to some stakeholders, in the short-term, it would be essential to attract more international investors as well as corporate venture capital for European startups and scale-ups to fill in the existing gap. In this context, they proposed easier access to larger funds with less restriction on risk, including VC investments from non-EU countries, e.g. US and Asia.

The stakeholders suggested putting in place special incentives for matching funds in order to increase the ratio of private capital. At the same time, a stock market segment for startups and scale-ups in all EU Member States should be further explored. Promoting the creation of Angel/VC investors Clubs should also be encouraged as a means to pool greater capital, foster joint investments and enable EU wide crowdfunding. Some stakeholders suggested the creation of a pan-European network of Business Angels and other relevant support institutions to enhance international expansion of startups and scaleup across Europe.

There were opinions that the current trend of organising "e-pitches" allows companies to present their projects to investors via "web-conferences" and it proves to be very successful. In this context, some stakeholders suggested that such platforms should get support in order to accelerate their development and roll-out at EU level. This would also mobilise the existing platforms to reach a critical mass and achieve economies of scale. In this context, an example of Euroquity (<https://www.euroquity.com/eu>) was cited.

A significant number of stakeholders brought up the issue of introducing uniform rules on capital protection and limitation of liability across Europe.

There were also views that in many Member States national legislation and tax regimes concerning investments, stock options, profits and company structures prevent better use of cross border venture capital within EU.

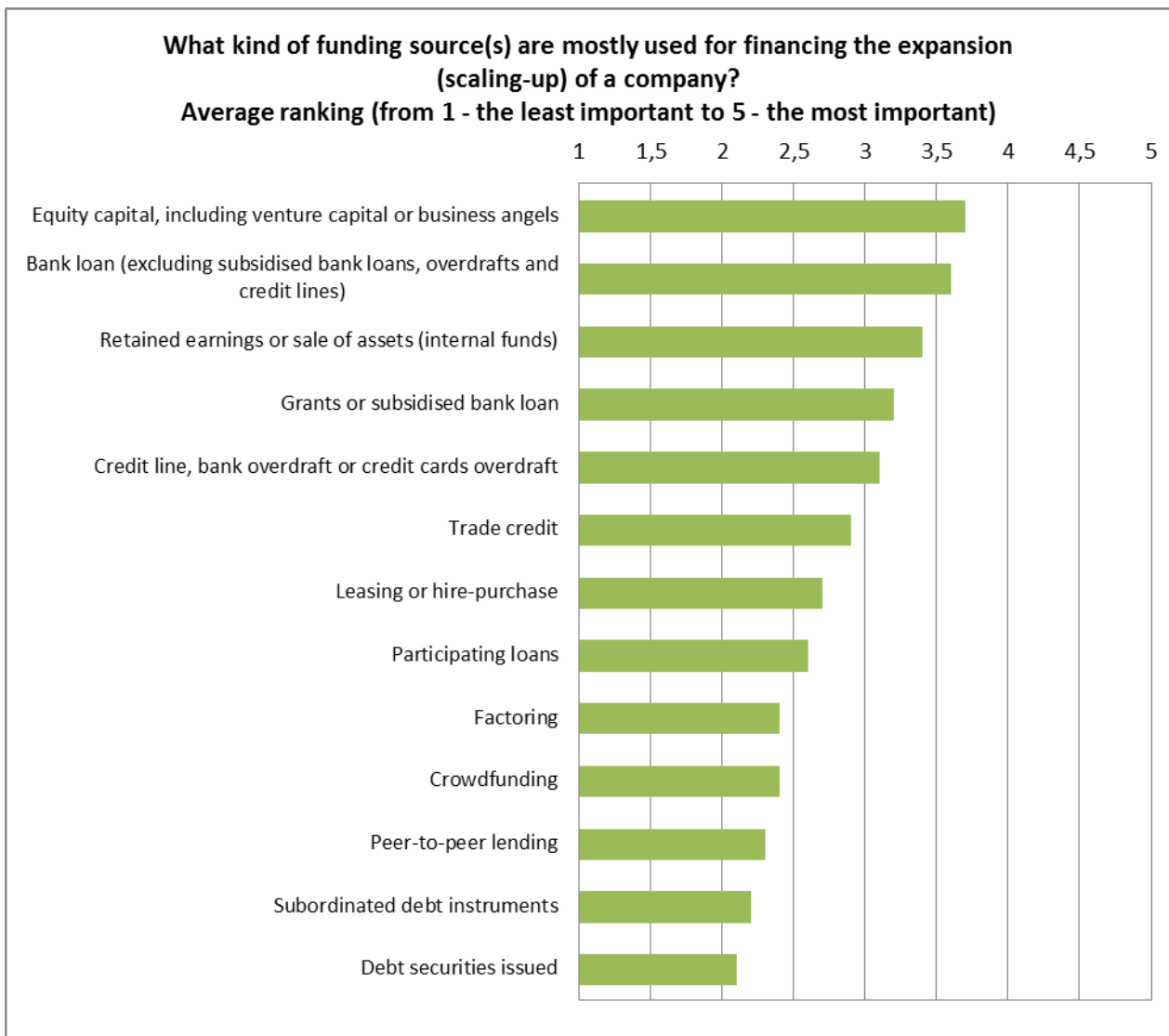


Figure 8

5.4. Policy/support measures response

Actions focused on capacity building and enhancing access to human, intellectual and financial sources as well as on fostering links between start-ups and larger corporates were once again considered crucial for scaling-up a company. The need for top-level coaching by mentors, advisers and serial entrepreneurs active on global markets strongly came out on this occasion.

Over 62% of respondents asked for *More links between large corporations and start-ups to unleash the scale-up potential through collaboration*, while over 61% opted for *An increased financial support for capacity building of a company*, with 60% being convinced that *Tailor-made support measures on how to manage a rapidly growing company* were the most needed. Over 44% of respondents highlighted the need to *Develop valuation models for intangible assets (IP)*.

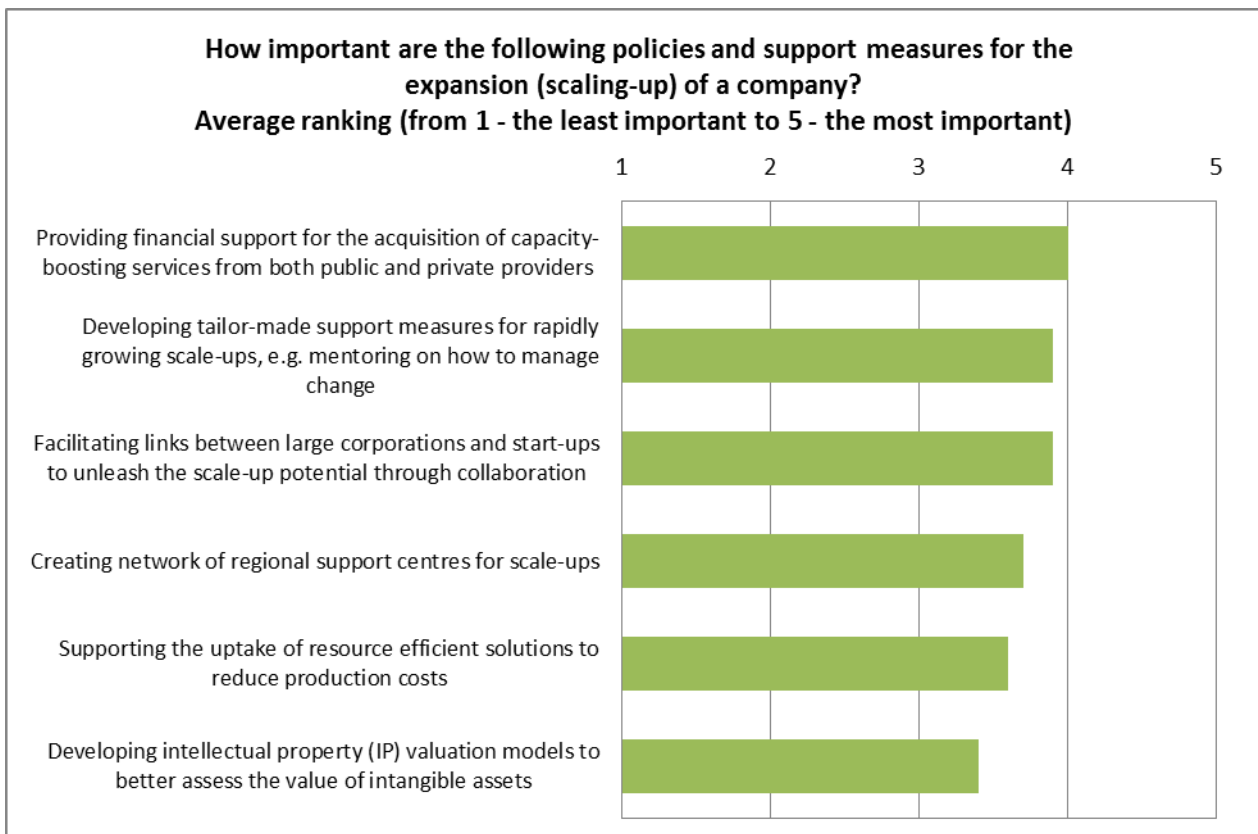


Figure 9

The recently established (January 2016) digital platform for mentoring and support for growth in the Netherlands was quoted as a good practice and a vehicle to increase the growth potential of Dutch start-ups and SMEs. There were also suggestions by some stakeholders that each Member State should establish an *Expansion Centre* to help startups from other countries to access local ecosystems, markets and financing from investors.

According to some stakeholders, the introduction of a *Quick Assessment Procedure* could promote better application of the mutual recognition principle for goods and services and it would improve access to markets.

Some stakeholders suggested that each Member State should make available all official documents and business related forms in the language that is most often used in business and trade relations, in addition to its own official language(s).

When trading outside the EU, predictability and clarity on trading conditions are of crucial importance, therefore according to some respondents, start-ups and scale-ups' interests should be taken into account and reflected in the EU trade agenda and be specifically addressed in all trade agreements.

The EU and the Member States were asked to make better use of the trade departments in their diplomatic missions/delegations in non-EU countries.

5.5. Ecosystem level policies

There was high general support for ecosystem level policies. Over 85 % of stakeholders indicated the need for *Supporting the creation of local/regional/national entrepreneurial ecosystems*, followed by *Creating EU networks of investors, entrepreneurs, universities, accelerators and co-working spaces to increase synergies and facilitate access to venture capital, new markets, talents and skilled employees* (81%) and *Connecting start-up ecosystems across the EU* (71%).

The respondents also backed-up the idea of specialisation of European start-up ecosystems (e.g. Berlin could stand for automotive, Stockholm for design, etc.). Some stakeholders suggested that start-up ecosystems from Central and Eastern European countries should be better interconnected with each other but at the same time, they also need more connections with mature ecosystems from other regions of the EU.

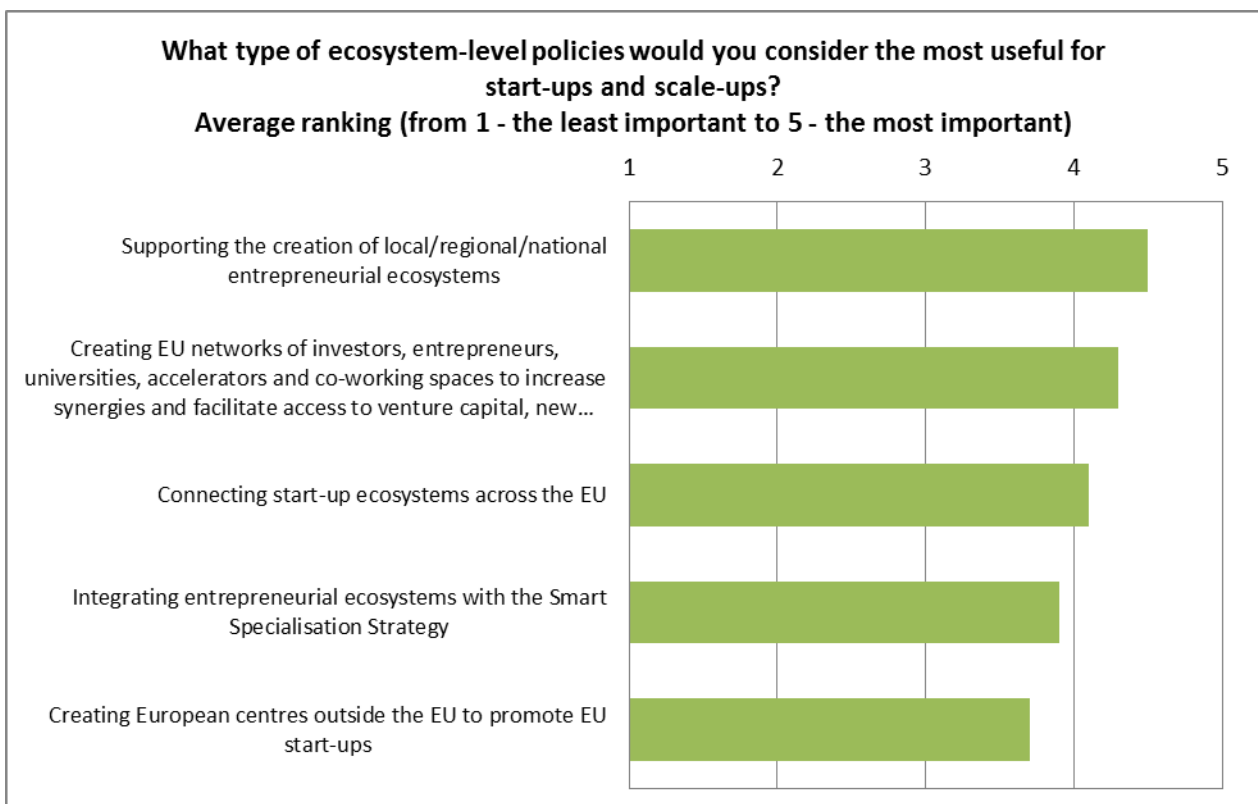


Figure 10

Some stakeholders argued that systematic transatlantic value chains to tap into the more advanced US ecosystems should be developed. In this context, they also highlighted the need to establish close links with Silicon Valley and US East Coast's hubs through knowledge exchange and networking actions.

There was also a proposal to strengthen and enhance initiatives such as e.g. the European Startup Monitor or Start-up Manifesto. The respondents argued that such initiatives provide European start-ups with a stronger voice towards policy makers and help them to gain more attention from policymakers, the media and citizens.

At the same time, a significant number of respondents asked for an EU Start-up/scale-up Observatory that would systematically collect relevant data on start-ups and scale-ups with a view to enhance their comparability and provide factual analyses of entrepreneurial ecosystems in the EU. It would also provide the basis for evidence-based policymaking and facilitate exchange of best practices related to policies and support measures for start-ups and scale-ups across Europe.

6. Capital replacement – “exit” opportunities/strategies

6.1. Exit opportunities

Many stakeholders pointed out that availability of investment remains at the heart of exit opportunities and stressed that Europe has a high number of quality start-ups, but many of them turn to the US to obtain appropriate levels of venture capital and network contacts and then they exit in the US. This trend could - according to them - be reversed, at least partly, if the EU would step up its efforts in incentivising exits, e.g. through upgrading instruments such as *Jeremie scale-up financing programme*. This would potentially increase the rate of successful exits thus generating more investment opportunities when ex-entrepreneurs become e.g. business angels.

Some respondents suggested that ideas such as better tax treatment for founders and early stage investors, tax reliefs, e.g. on capital gains, stock options etc., should be further examined and whenever possible taken on board to increase exit opportunities in the EU.

Some stakeholders considered the initiatives such as e.g. European-wide ELITE programme supporting companies in the process of scaling up an efficient tool contributing to better exit opportunities in Europe.

Full tax transparency, the equal treatment of gains and losses in taxation regimes and avoiding multiple taxation were listed by the respondents as ways of improving the functioning of capital markets and providing more exit opportunities for entrepreneurs.

There were also suggestions that the creation of an EU-wide investment fund that would be able to replace local/national investors in start-ups and scale-up with a high potential of growing internationally would be a step in the right direction.

Some entrepreneurs in the replies to open questions expressed the opinion that simpler legal and taxation frameworks should be created in the EU for those who would like to move their companies to the US.

6.2. Valuation

Many stakeholders identified valuation of a company as an area of concern that needs attention. Some respondents argued that the European investors should establish a catalogue of models/examples of valuations, e.g. by sector or by value range, and make it available to online.

This would mitigate the information asymmetry between start-ups and investors. A proposal to create an EU standard methodology for company valuation was also put forward on this occasion.

Concrete support measures were proposed to help entrepreneurs with a valuation of their companies, e.g. *valuation voucher* to hire an expert in business valuation, access to certified business valuation professionals at local/regional level, an online free valuation service to introduce a topic and make quick simulations.

7. Definitions

63% of respondents thought that it is *very useful* or *useful* to have a common agreed definition of a start-up in the EU. Between the three options proposed in the consultation, the most appreciated definition of a start-up, and choice of 80% of those who found it *very useful* or *useful*, was the following one:

A start-up is a growth-oriented small enterprise, up to 5 years old, searching for a scalable business model or innovative product/service, and open for alternative financing.

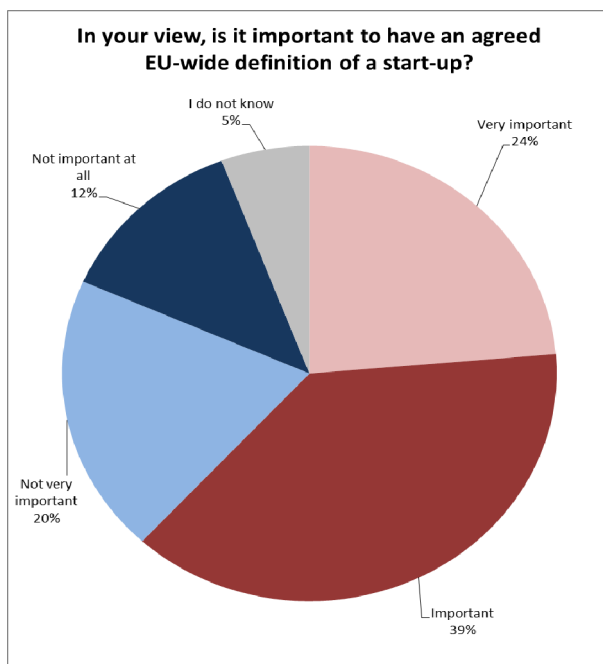


Figure 12

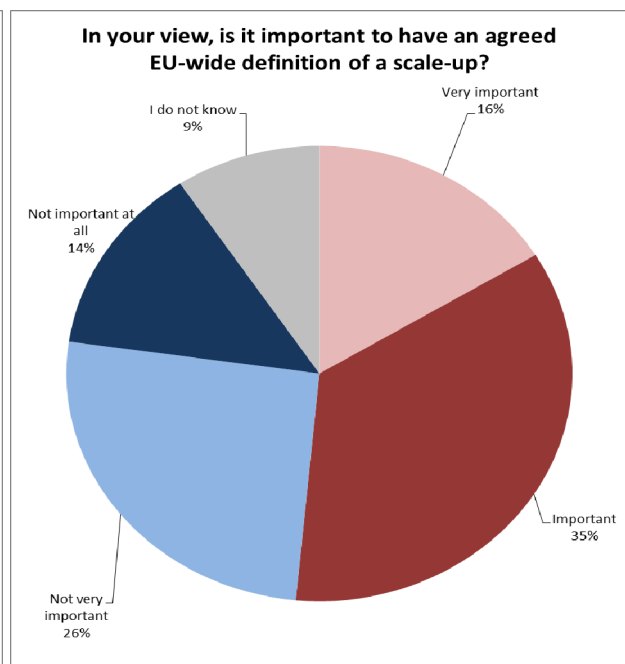


Figure 13

However, overall, there was no consensus as to what characteristics of a start-up company should be included in the definition. Some stakeholders pointed out that start-ups are characterised mostly by high dependence on equity finance and usually offer an innovative product or service. Others argued that the one and only important feature of a start-up company is growth orientation. Some stakeholders argued that the definition of a start-up company should remain very broad and cover all newly established companies.

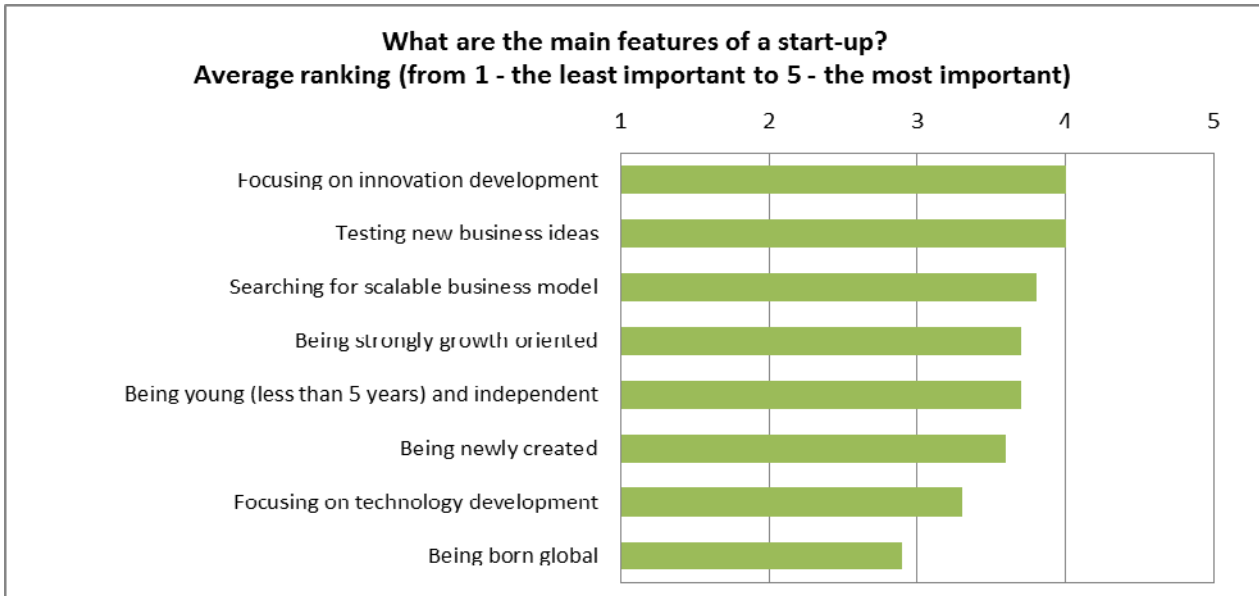


Figure 14

When it comes to the need for a definition of a scale-up company, the support was lower. In this case, 51% of respondents said that such a definition would be *very useful* or *useful*.

Between the two options proposed in the consultation, the definition below was the choice of 83% of those who found it *very useful* or *useful*:

A scale-up is a growth-oriented company that has already tested a scalable business model, gained market position and seeks investment to finance expansion.

Replies confirmed that the main characteristic of a scale-up company is its *focus on rapid growth in terms of turnover*, on *Innovation development* and on *Seeking further expansion to foreign markets*.

There were also opinions voiced by some stakeholders that there is no need for a common definition of a start-up or a scale-up company at European level as such definitions would have a difficulty to capture the dynamic and agile nature of such companies and would contain a risk of not being inclusive enough and/or requiring constant adjustments.

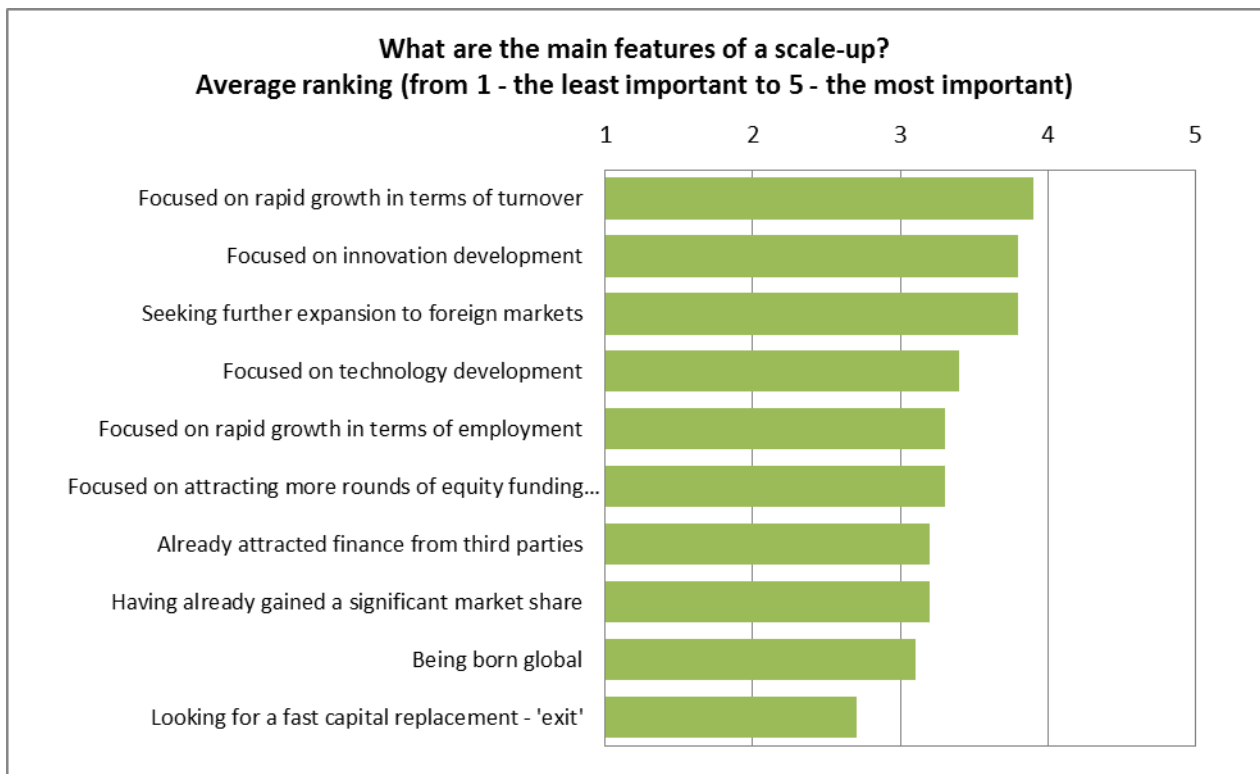


Figure 15

8. The role of the EU

According to some respondents, the EU should focus mainly on providing political impetus and targeted funding instruments to support start-ups and scale-ups. They argued that the EU should step-up efforts in identifying any legislative changes that put the European companies in a less favourable position on a global market.

Many stakeholders representing the business side called for more information and clarity as regards rules governing the participation of companies in the EU funded policies and programmes. Some argued that the EU should continue implementing its successful programmes, such as e.g. COSME and SME Instrument, and these programmes should get more funds to enable greater participation of potential and existing entrepreneurs. When it comes to Horizon 2020, some stakeholders were of the opinion that it should focus more on disruptive and open innovation.

Others called for the EU to focus on connecting existing initiatives (i.e. incubators, accelerators, start-up ecosystems and to facilitate Member States' cooperation by providing means for exchange of information and dissemination of best practices.

9. General recommendations

Apart from specific proposals made by the respondents in relation to different stages of the company life cycle there were several suggestions concerning framework conditions that are valid for each stage of the overall process of company creation and growth. These recommendations appeared repeatedly in replies to open questions and position papers.

Some stakeholders argued that for European companies to grow and go cross-border they need a holistic approach and consistent strategic solutions. They therefore asked for a European competitiveness agenda aiming at modernising the industrial basis and promoting a favourable business environment. Actions should focus on reducing regulatory burden, easier access to finance and private investments, unleashing the potential of the single market, increasing support for digitalisation, promoting worldwide market access and establishing an innovation-friendly environment.

The stakeholders claimed that European entrepreneurs should enjoy comparable framework conditions for creating and growing their businesses across the EU. In this context, they strongly highlighted the need for completing and ensuring effective governance of the single market with a particular focus on enforcing the existing rules.

Harmonising regulations and reducing red tape should become one of priorities for the EU and Member States, having in mind "Thinking small first" and Better Regulation principles. The respondents also stressed that the existing regulatory framework often hinders digital business models thus it should be urgently revised and adjusted so that it correctly addresses challenges related to digitalisation.

According to some respondents, the role of business organisations in addressing start-ups and scale-ups needs should also become more prominent in terms of diversity and pertinence of services offered (e.g. targeted training, advice, mentoring, coaching, peer-to-peer learning etc.).