European Innovation Council

Matthew King
Head of Unit
DG RTD B1: Open Innovation
1 July 2016
The EU is entrepreneurial...

- 2.3 million new enterprises came to life in the EU in 2012 alone, creating 3.5 million new jobs (Eurostat)

- But, not all entrepreneurs are innovators
  - 48.9% of all enterprises in the EU reported innovation activity during the period 2010 – 2012 (Eurostat 2012 - Community Innovation Survey)

- Innovation activity overall weaker than in the US
...but we are losing the race on scaling up disruptive, market-creating innovation

US: 101 Unicorns
China: 36 Unicorns
EU: 19 Unicorns

’Unicorns' are start-ups with market value > $1 billion
Source: Fortune, 'The Unicorn list 2016'

- Innovations that create new markets and jobs – not just improving existing products and services, not just tech (also business model, user-based)
- Major new markets led by non-EU companies: Google, Apple, Facebook, Amazon, Tesla, Netflix etc.
What is stopping innovation in Europe?

- Risk averse culture
- Difficult access to funding
  - VC in Europe only 20% of the US levels
  - Public funding often wrapped in red tape
- Regulatory barriers
- Skills shortage

"In the US, venture capital loans are commonplace, the investors understand what you are doing and are accustomed to invest in an idea."

Andreas Kunze, CEO of Konux, a German company developing sensors for industry, when asked why he looked for investors in the USA.
The EU is already making major efforts to boost innovation...

- Leveraging more private investment (Investment Plan, Capital Markets Union, venture capital Fund of Funds, InnovFin...)
- Improving regulation (Better Regulation, Scientific Advice ...)
- Strengthening markets (Digital Single Market, Single Market,...)
- Funding research and innovation (Horizon 2020, EIT-KICs)
- Building regional capacities (European Structural and Investment Funds)
WHERE WE STAND
1000+ responses

Approx. 80% from the private and research sectors
Over 100 position papers, now online
Geographical spread

What is your main field of activity?

- Business (e.g. start-up, SME, large company) 40%
- Finance (e.g. venture capital, banking, angel funding, crowdfunding) 35%
- Other 11%
- Private individual 6%
- Public body (international, national or regional) 2%
- Representative organisation (e.g. trade association, chamber of commerce) 2%
The lack of disruptive market creating innovation is considered an issue by 80% respondents.

Do you agree that a lack of disruptive, market-creating innovation is an obstacle to job creation and economic growth in Europe?
"It remains difficult for the private sector, especially SMEs, to get involved in EU funding opportunities. Minimising bureaucracy would help."

"Europe must get over its fear of disruption, fear of failure, avoidance of entrepreneurial risk-taking. It needs to support a lot more experiments - also policy experiments - which look dangerously disruptive...."

"There are far too many different EU finance channels. Single channel. The finance rules for H2020 and ESFI should be based on the same concepts and guidelines."

"There are far too many different EU finance channels. Single channel. The finance rules for H2020 and ESFI should be based on the same concepts and guidelines."

"More support in terms of market connections, strategic introduction - eg. mentorship or investment events where innovative entrepreneurs can connect with investors, partners."

"Better information for the different schemes, a way people can learn if a specific instrument is for them, remove the obstacle of "hidden information" behind rules or calls."

"Have intuitive and simple programs across various accelerators and hubs in Europe, using a step-by-step approach."

"... I think that the requirement of 3 members from 3 different countries is a barrier to true disruptive innovation."

"The website and list of programmes are still too complicated. The website and programmes should be divided into categories according to target potential applicants."
75% believe that there are gaps (and shortcomings) in the current support

Do you agree that there are gaps in current EU support (e.g. Horizon 2020, European Structural and Investment Funds) for disruptive, market-creating innovation and for scaling up of new businesses?
Conclusions

• Europe needs to be more open to "disruptive" or "market creating" innovation. This means more risk-taking and greater openness to innovations that transform existing industries.

• Current support schemes are too complex to navigate, too slow to implement, and impose too many constraints.

• Money by itself is not the answer. What is needed is funding that combines finance with advice, such as access to mentors, venture capitalists, potential customers.
FUNDING
MARKET CREATION
USER INTERFACE
VALUE CHAIN
SCIENCE
Potential areas for action

- Create more user-friendly interface for innovators
- Adapt certain instruments to foster disruptive or breakthrough innovation – *'elite funding'*
- Help young high growth innovative firms to scale
- Establish expert advisory group on policy and funding.
Thank you!

Matthew.king@ec.europa.eu