

How European Governments Support European Start-Ups in Silicon Valley*

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Abstract

The recipe for the creation of Silicon Valley is not clear nor easy. But it's clear from the results that something big is happening here. How Silicon Valley became that critical in the global startup ecosystem? How can Europe be part of this innovation catalyzer? The European Governments have a clear strategy: building a "two-way bridge" supporting startups in both ways (going to Silicon Valley and coming back to Europe). This does not only offer a cutting-edge service for European startups, but also is remarkably improving the European innovation ecosystem avoiding the uncontrolled "human capital (and startups) flight" and attracting international capitals in Europe.

Keywords: Silicon Valley; Innovation Policy; European Union; Global Markets; Start-Up; Ecosystem

1. Silicon Valley: What is it?

Silicon Valley is the core of the worldwide startups ecosystem.

It's located in California, expanding from south San Francisco to San José: the area is approximately 1900 square miles, with a population of nearly 3 million.

The term "Silicon Valley" first appeared in *Electronic News* on January 11, 1971 with an article entitled "Silicon Valley USA" about the semiconductors history in the Bay Area.

But the concept of Silicon Valley, a region filled with cutting edge technology, disruptive innovation and entrepreneurial mindset, was born long before that.

If you drive to 369 Addison Ave in Palo Alto (the heart of Silicon Valley) you find yourself in front of a green and brown garage with a big sign that says "Birthplace of Silicon Valley".

The sign goes on and tells you a really interesting story:

□ *"This garage is the birthplace of the world's first high-technology region, "Silicon Valley."*

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The idea for such a region originated with Dr. Frederick Terman, a Stanford University professor who encouraged his students to start up their own electronics companies in the area instead of joining established firms in the East. The first two students to follow his advice were William R. Hewlett and David Packard, who in 1938 began developing their first product, an audio oscillator, in this garage.” (California Registered Historical Landmark No. 976).

Plaque placed by the State Department of Parks and Recreation in cooperation with Hewlett-Packard Company, May 19, 1989. This garage is where HP and Silicon Valley were founded in 1938, by two guys who just got out from Stanford, with the help of their professor. Hewlett-Packard headquarter is still in Palo Alto, but the company grew exponentially in the last 80 years reaching more than 300.000 employees. Professor Frederick Terman saw this potential before time and encouraged his student to stay in the Valley, when present Silicon Valley was just a couple of companies and universities surrounded by fields and hills and apricot orchards. This is how Silicon Valley was born, out of vision and courage. The whole technology world changed after that, and is still changing (faster and faster).

2. Why is Silicon Valley that Special?

The recipe for the creation of Silicon Valley is not clear nor easy. But it's clear from the results that something big is happening here:

- There are more than 100 listed tech companies with a market value over 1 billion dollars (so called *Unicorns*);
- These companies combined are worth some \$2.8 trillion (an increase of 75% over the past 3 years), and account for around 6% of all corporate America's corporate profits;
- The startup ecosystem in Silicon Valley is 6 times bigger than the New York City one, 9 times bigger than the London one, and 13 times the startup ecosystem in Berlin;
- Silicon Valley is home to about 30.000 startup companies (and growing);
- Here are absorbed 43% of the total US share of all VC investments and 30% of the global share of early stage investments;
- During 2015 1963 deals were made in Silicon Valley with about \$34 billion dollars invested.

How Silicon Valley became that critical in the global startup ecosystem?

One of Silicon Valley's secret sauce is its people. They drive the economy and shape the region's quality of life. The region has benefited significantly from the entrepreneurial spirit of people drawn to Silicon Valley from around the country and the world: immigrants have contributed considerably to innovation and job creation in the region, state and nation. In numbers:

- Silicon Valley's percentage of foreign-born residents is significantly higher than California or the United States: Silicon Valley 36.4%, California 27.1%, United States 13%¹;

- Silicon Valley continues to attract highly-skilled immigrants: foreign-born, employed workers with a BA or higher were almost 300.000 in 2011 (150.000 only in Science and Engineering)²;
- Over 60% of employed population with a BA or higher is foreign-born (in the US the number goes down to 25%);
- More than half of Silicon Valley's population speaks a language other than English at home.

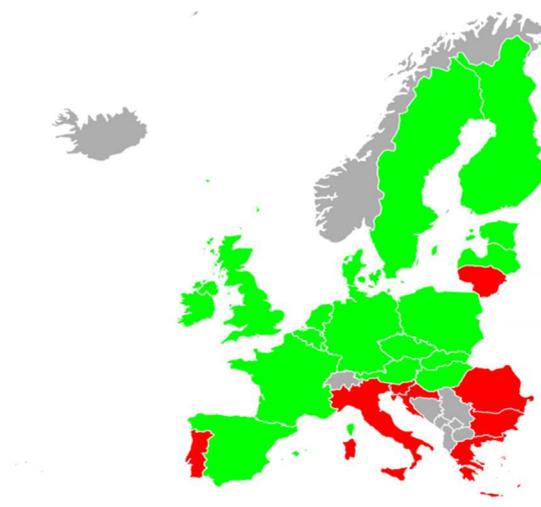
3. Overview: European Union in Silicon Valley

European entrepreneurs, along with their companies, are part of the diversity jigsaw puzzle that Silicon Valley is. They reach California from Europe seeking VC fundings, mentor's knowledge and networking opportunities. Often they approach this reality without the proper preparation and without the necessary skills to be able to raise capital. European Governments are aware of this situation and they are more and more present in Silicon Valley as a facilitator, supporting and driving the startups in their internationalization and in their fund raising. Building a "two-way bridge" supporting startups in both ways (going to Silicon Valley and coming back to Europe) does not only offer a cutting-edge service for European startups, but also is remarkably improving the European innovation ecosystem avoiding the uncontrolled "human capital (and startups) flight" and attracting international capitals in Europe.

4. A Map and a List: Who is Who, from Europe to Silicon Valley

Not all of the European Governments have currently projects or hubs supporting startups in Silicon Valley. Here is a map to have an overview of the current situation.

Figure 1: *Start-up and Silicon Valley*



Green for countries with startup supports in Silicon Valley funded by the Government.

*Red for countries without any startup support in Silicon Valley funded by the Government.
 Grey for countries not part of the EU.*

Here is a list providing all of the offices, hubs, projects brought to Silicon Valley from European Governments supporting startups and innovation.

Table 1: Startup support in Silicon Valley

European Union Country	Startup support in Silicon Valley
Austria	Go Silicon Valley: plugandplaytechcenter.com/corporations/international/austria
Belgium	Belgian Trade Commission in San Francisco: www.belgiantrade.org
Bulgaria	<i>none</i>
Croatia	<i>none</i>
Cyprus	<i>none</i>
Czech Republic	Czech Invest in San Francisco: www.czechinvest.org/en/usa-west-coast Visegrad Group - Memorandum of Understanding for Regional Cooperation in the Areas of Innovation and Startups: www.visegradgroup.eu/calendar/2015/memorandum-of
Denmark	Innovation Center Denmark: icdk.um.dk/en/innovationcentres/siliconvalley Nordic Innovation House: http://www.nordicinnovationhouse.com/
Estonia	Enterprise Estonia in Plug and Play: www.investinestonia.com/en/estonian-investment-agency/contact-by-office-locations#california
Finland	Tekes & Plug and Play + Silicon Valley Office: plugandplaytechcenter.com/corporations/international/finland http://www.tekes.fi/en/programmes-and-services/grow-and-go-global/united_states/contacts/ Nordic Innovation House: http://www.nordicinnovationhouse.com/
France	French Tech Hub: frenchtechhub.com PRIME: http://www.innovation-prime.com/services/discovery-programs/
Germany	German Accelerator: germanaccelerator.com
Greece	<i>none</i>
Hungary	Innovation Center Hungary: www.ichungary.org Visegrad Group - Memorandum of Understanding for Regional

	Cooperation in the Areas of Innovation and Startups: www.visegradgroup.eu/calendar/2015/memorandum-of
Ireland	Enterprise Ireland - Access Silicon Valley Program: www.enterpriseireland.com/en/Management/Learn-skills-to-start-and-develop-your-business/Access-Silicon-Valley-Programme.html
Italy	<i>none</i>
Latvia	LIAA Silicon Valley Trip Project “Pitch it like Silicon Valley”: www.liaa.gov.lv/en
Lithuania	<i>none</i>
Luxembourg	Luxinnovation & Plug and Play: plugandplaytechcenter.com/corporations/international/luxembourg
Malta	<i>none</i>
Netherlands	NOST Silicon Valley: nostsiliconvalley.org/about
Poland	Polish Silicon Bridge: mostkrzemowy.parp.gov.pl/en/about-the-project-polish-silicon-bridge.html GO_GLOBAL.PL: www.ncbir.pl/en/domestic-programmes/goglobalpl Visegrad Group - Memorandum of Understanding for Regional Cooperation in the Areas of Innovation and Startups: www.visegradgroup.eu/calendar/2015/memorandum-of
Portugal	<i>none</i>
Romania	<i>none</i>
Slovakia	Visegrad Group - Memorandum of Understanding for Regional Cooperation in the Areas of Innovation and Startups: www.visegradgroup.eu/calendar/2015/memorandum-of
Slovenia	<i>none</i>
Spain	Spain Tech Center: www.spaintechcenter.com ACCIÓ Silicon Valley (Catalonian Trade & Investment Agency): http://www.catalonia.com/en/contact.jsp
Sweden	Vinnova Stanford: www.vinnova.se/en/EU-and-international-cooperation/Stanford-office Nordic Innovation House: http://www.nordicinnovationhouse.com/
United Kingdom	UK Trade & Investment: www.gov.uk/government/organisations/uk-trade-investment Invest Northern Ireland: http://www.investni.com/news/invest-ni-opens-office-in-san-francisco.html

5. Interesting Cases and Good Practices

There isn't a common solution good for all. Each European Government is testing its own projects and policies on how to support startup accessing Silicon Valley.

To have a complete understanding of all the solutions currently available, we selected three countries with three different active hubs in Silicon Valley.

5.1 Innovation Center Denmark (Public Funding)

Established in Palo Alto in 2006 and funded by two Government entities: the Ministry of Foreign Affairs and the Ministry of Science, Technology and Higher Education.

All the 9 employees are part of the Ministry of Foreign Affairs.

Innovation Center Denmark is one of the direct results of the globalization strategy designed by the Danish government in 2006 to help achieve the ambitious objective of becoming one of the leading knowledge based nations in the world by 2020. The mission of Innovation Center Denmark is to build bridges between research institutions, companies and capital in Denmark and Silicon Valley; to accelerate the entry of Danish companies into Silicon Valley; promote US investments in Denmark; facilitate research cooperation and provide inspiration to help drive innovation in Denmark.

Innovation Center Denmark offers different levels of support based on the development of the startup:

- **ScaleIT**: the program is a 3 months full immersion in Silicon Valley for seed stage startups. The costs are paid, except for a fee for each team (9000€ for the 3 months). Steve Blank is part of their board.
- **ScaleIT Ignite program**: the program is a 10 days tour in Silicon Valley for startup to get the mindset, it takes place 4 times per year. The costs are paid, except for a fee for each team (2500€ for 2 people).
- **XploreIt**: the program is for scale up companies that want to establish their business in Silicon Valley. Consists of three phases:
 - a. **Explore**: this phase consists of different services spanning Business and Technology Scouting and Innovation Workshops designed to provide the Silicon-Valley-state-of-mind.
 - b. **Engage**: this phase is about taking a deep dive into the Bay Area Ecosystem, being supported with Targeted Networking, Innovation Advisory or education and innovation workshops to boost innovation capabilities.
 - c. **Establish**: this phase is for teams wanting to establish their company in the Bay Area. Innovation Center Denmark offers a complete solution (from offices to partnership) with a wide range of plug-and-play services.

5.2 Belgian Trade Commission (Regional Funding)

The Belgian Trade Commission is the base in San Francisco for Belgian startups.

Is composed by three different offices, funded separately by the three different Belgian Regions: Wallonia, Flanders and Bruxelles.

All their services are free for startups and companies, completely paid by Regional funds. They started their activities in San Francisco in 1992 with the Wallonia office.

They are about to open (in 2017) a coworking space just for Belgian startups with 30 office spaces.

Belgian Trade Commission offers different services, usually customized on each startup needs:

- Workspaces: free office in Downtown San Francisco up to 3 months. If the startup wants to stay more they provide a co- financing with Regional funds.
- HR: they provide Belgian interns for startups based in Silicon Valley
- Network: they organize business meetings based on the startups market and needs
- Financing: they co-finance offices, set-up expenses to incorporate and establish a business in US, staff expenses.

5.3 Spain Tech Center (Public/Private Funding)

Spain Tech Center is promoted by Spanish Government in association with Banco Santander and managed by the private company Opinno: www.opinno.com

The San Francisco office is based in Rocket Space and is run by 4 people: 1 director, 1 program managers and 2 consultants.

The funds are public and private:

- ICEX: ICEX Spain Trade and Investment is a public corporation at the national level whose mission involves promoting the internationalisation of Spanish companies to support their competitiveness and add value to the economy as a whole, as well as attracting foreign investment to Spain.
- RED.es: Red.es is the public corporate entity attached to the Ministry of Industry, Energy and Tourism (MINETUR) which is responsible for promoting the development of the Information Society in Spain. Its mission is also to carry out projects related to information and communication technologies (ICTs) in accordance with the strategic priorities of the State Secretariat for Telecommunications and the Information Society (SETSI).
- Banco Santander: the largest bank in the Eurozone and one of the largest in the world. Banco Santander is a global multinational bank in 2012 was confirmed for the third time in recent years, such as the Best Bank in the World, according to the annual ranking of Euromoney. At the end of last year, Santander was the largest in the Eurozone and one of the thirteen largest in the world by market capitalization: 63.000 million euros.

Spain Tech Center offers different levels of support based on the development of the startup:

- **Immersion Program:** www.stcimmersion.com - the goal of the program is helping startups assess their own readiness to Silicon Valley. It takes place twice a year, 2 weeks in Madrid to prepare the startups and 2 weeks in Silicon Valley. Is paid by the Spanish Government and Banco Santander, the participants are only responsible for paying for their flights, accommodation and living expenses while in San Francisco. The participants have to be Spanish but the company can be

incorporated elsewhere. Each batch is formed by 10-15 startup chosen out of 100 candidates. Some of the activities of the program are:

- a. 1-on-1 expert mentoring
- b. Experience workshops in marketing, fundraising and other key areas
- c. Accessing industry leaders in Silicon Valley
- d. Meeting potential clients and partners
- e. Receiving in-person pitch coaching
- f. Breaking through language and culture barriers

- **Softlanding Program:** the goal of the program is to help a startup incorporating in Silicon Valley. It takes about 4 weeks and is completely free for the startup. Some of the activities of the program are:

- g. Practical problem solving (as finding and office space, incorporating, accounting...)
- h. Weekly meetings with the Spain Tech Center team in order to review go-to-market strategy
- i. Meetings with potential partners, clients and investors
- j. Weekly networking events with other technology companies

- **Support services:** the goal of the program is to help startup in their first weeks in Silicon Valley or when they are in the area for business. Spain Tech Center offers to Spanish entrepreneurs and companies the possibility to use a Flex Desk for free for a short period of time (max 2 weeks in a row).

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Notes

¹U.S. Census Bureau, American Community Survey - <http://factfinder.census.gov/>

²U.S. Census Bureau, American Community Survey PUMS Analysis - <http://www.census.gov/programs-surveys/acs/news/data-releases.html>