

Open Letter

Driving Innovation and Competitiveness: A Strategic Policy Roadmap for a European #StartupTakeoff

European Startups are at the forefront of driving technological advancement, job creation, and economic growth. They are not only key engines of innovation, but also indispensable in tackling our time's most pressing challenges, from healthcare to climate change and decarbonizing industries. Yet, the road to scaling such ventures in Europe is paved with obstacles.

We, the signatories to this letter, represent a broad coalition of European Trade Associations committed to promoting digital innovation, growth, and competitiveness within the European Union. We hereby call on the European institutions to recognize the crucial role of startup policy in actively shaping a future of digital transformation, sovereignty, sustainable development, economic resilience, and societal well-being. As the next legislative period approaches, it is imperative to act.

Europe needs a #StartupTakeoff. This open letter highlights our key recommendations for the next legislative period, guided by the key principles of simplification and harmonization. Collectively, we aim to remove the systemic hurdles faced by startups and scaleups throughout the EU and to foster an ecosystem that enables digital businesses to thrive, innovate, and scale instead of a regulatory patchwork impeding them.

1. A European Commissioner for Startups

The need for a coherent approach to supporting startups across the EU is obvious. Consequently, we call for the appointment of an EU Startup Commissioner to further develop existing startup initiatives into a unified startup/scaleup strategy that effectively addresses the challenges of funding, regulation, and market access.

2. A unified Startup Definition

The existing patchwork of definitions across the EU does not provide a consistent data base from which to draw valid conclusions.¹ Existing definitions should be unified to create a basic framework that supports more effective benchmarking and measurement of EU startup performance.

3. Fostering Research Transfer

The EU is home to some of the world's leading research institutions. Yet, too few great ideas find their way into commercial applications due to various hurdles hindering proper research transfer. We call on the institutions to build infrastructure, provide funds, and intensify their attempt to build a European DeepTech ecosystem.

¹ European Startup Scoreboard 2023

4. Streamlining Funding, IPOs and Exit Strategies

Startups increasingly face major challenges in securing funding, executing IPOs, and implementing exit strategies.² We urge the EU to extend its efforts beyond current initiatives by creating funds and policies that facilitate access to finance, by streamlining IPO processes and by supporting startup exit strategies, including M&A frameworks.

5. State Guaranteed Contracts for Major Startup Success

Today, more than ever, innovation drives economic growth. To enable success and international competitiveness, startups and corporates need to work together more closely. The EU must play a key role by setting up a form of »State Guaranteed Contract«, to secure large private startups in maximizing their success while minimizing corporate risk. Such contracts would provide a safety net for startups (meeting specific European Commission criteria) engaging in substantial and potentially risky contracts that are critical to their scaling efforts.

6. Creation of an EU-wide Legal Form for Startups

The absence of a uniform legal structure for European enterprises presents a significant barrier for startups to scale beyond their home market. Introducing an EU-wide legal structure would reduce the administrative burden and foster cross-border activities, allowing for expansion and market access. Moreover, harmonizing the Digital Single Market and simplifying the regulatory and tax environment is imperative.

7. Talent acquisition and management of Employee Stock Option Plans (ESOP)

As many European countries face a severe labour shortage – especially in IT, companies are increasingly depended on international talent. Henceforth, we strongly advocate for simplifying and accelerating visa processes. Moreover, we urge the EU to focus on the harmonization of Employee Stock Option Plans (ESOP), which increasingly constitute a pivotal element in both attracting and retaining the industry's top talent. Additionally, a standardized employment agreement for startups with significant potential to the European economy would provide agility for companies to recruit and would allow them to meet employees' expectations in terms of international mobility.

8. B2G-Support: Promote Public Sector Engagement as a First Customer

Many startups struggle to attract their first big customers, especially in the public sector, which can be an important market. We experience a lack of policy measures in the EU to encourage public institutions to adopt innovative solutions from startups, which can not only facilitate access to public contracts and markets, but also digitise the public sector.

² Atomico's State of European Tech 2023