DG GROW

Commissioner Bieńkowska meeting [redacted], President of EMEA Business & Operations at Google

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BRIEFING NOTE

Scene setter:

You will have a short meeting (of 30 minutes) with [redacted], President of Europe Middle East and Africa (EMEA) Business & Operations at Google. They asked to discuss the support to Central & Eastern European start-ups and SMEs, their ongoing Growth Engine campaign, and the the promotion of digital skills among EU citizens.

Google launched "A Growth Engine for Europe" initiative targeting SMEs and start-ups in various countries to promote digitisation, and improve their image (corporate social responsibility). In 2016 through Growth Engine programmes Google invested €42 million to build a new platform to train over 2milion of Europeans by the end of 2016.

Google is very active in the field of digital skills and has renewed last February a pledge to provide digital skills over 2 million European citizens.

Objective of the meeting:

The main objectives of the meeting are the following:

- Inform about what we are doing through European Enterprise Network and Erasmus + and the upcoming start-up initiative;
- Update on our initiatives on skills (and digital skills in particular);
- Explore whether Google has specific initiatives in mind that would target Central-Eastern European start-ups and SMEs;
- Find out more about the results of ongoing Growth Engine campaigns and on possible further actions in this field.

Main KEY MESSAGES

- Our main instruments to support SMEs and start-ups in central and eastern Europe are the Enterprise Europe Network and Erasmus +.
- We have all been working hard and with good results on clearing the way for entrepreneurs to start-up companies in Europe. Now is the time to take the next step for those start-ups to scale-up into major companies and globally.
- Digital skills are indispensable for all European businesses and citizen. We want to make sure that training and upskilling programmes are demand-driven.

KEY messages

Support to start-up and SMEs located in Central & Eastern Europe

- Through the Enterprise Europe Network, we are helping EU SMEs to make the most of business opportunities in the EU and 38 third countries with about 625 organisations, many of them located in Central & Eastern Europe.
- A specific action has been launched via the Network providing Scale-up advisors to help young innovative companies scale-up their activities. The Network will provide **Scale-up advisors** in every region of the EU and COSME participating countries to help young innovative companies scale-up their activities outside their home country.
- Erasmus for Young Entrepreneurs gives the opportunity to young entrepreneurs to exchange experiences with successful entrepreneurs, which is especially useful for start-ups. This seems especially useful for start-ups, given their apparent need for coaching, mentoring and networking. Besides, through a

pilot project initiated by the European Parliament, the program will be scaled-up to international markets, e.g. the US and Israel.

Start-up communication

- As we know it is the rapidly-growing companies that generate a disproportionately large share of new jobs. It is on average 6% of companies who create more than 50% of all new jobs.

- Our public consultation on the possible Start-up Initiative has shown that there are three sets of barriers in the way in Europe: legal and regulatory environment that hampers rather than enables businesses to scale, especially cross-border; insufficient access to: skilled workers, relevant finance and IPR protections; European start-up and scale-up ecosystem that needs to be better interlinked to reap full "benefits of scale"

- We are now in in the process of designing our policy response. We are determined to add real, practical value through the EU level policy making, including through a sense of real partnership also with key private stakeholders.

Digital skills

- Digital skills are indispensable for all European businesses and citizen. The Commission (VP Ansip) will launch a new Digital Skills and Jobs Coalition on 1 December 2016. Google will continue to play a key role in it.

- The Commission will support a Blueprint for sectoral cooperation on skills in 2017. It will be piloted in six sectors automotive, defence, space, maritime technologies, tourism and textile-clothing-leather and footwear.

- Google is invited to join these efforts to accelerate the take up of new digital technologies and ensure that the European workforce is skilled with the latest digital technologies

Questions to the interlocutor

1. *What are the ambitions of Google for 2017 and beyond when it comes to their actions aiming at facilitating access to digital skills for European citizens?*

3. *In your view, do Central-European start-ups have specific needs that make them different from start-ups in other European regions?*

4. *Are there obvious differences between Europe and other regions: in terms of the profile and success of start-ups and behaviour of customers?*

Defensives / Q&A

SMEs going international in general

Why should SMEs go international?

Internationalisation can result in competitiveness gains at firm level which may eventually translate into improved economic performance at national and European level:

- Being internationally active strongly relates to higher turnover growth.
- SMEs that are internationally active generally report higher employment growth than non-active SMEs.
- The relationship between internationalisation and innovation is strong.

What percentage of EU-based SMEs already venture beyond the borders of the EU?

According to a Eurobarometer survey we did last autumn, over the previous three years, 30% exported outside their own country, one in five (20%) have exported to a country outside the Internal Market, while 19% have imported from one.

What are the main barriers they encounter?

Just over half of all SMEs say the administrative procedures when exporting are too complicated (52%), with 24% saying this has been a major problem. At least four in ten companies with export experience say the fact that delivery costs are too high (49%), identifying business partners abroad is too difficult (45%), or the financial investment is too large (42%) are either minor or major problems for them. In each case around one in five say these have been major problems.

What does DG GROW do to support SMEs that want to go international?

The Enterprise Europe Network provides advice on market access and access to finance and creates matchmaking opportunities for EU-based SMEs in foreign markets.

The IPR Helpdesks in China, South-East Asia and Latin America help SMEs secure their Intellectual Property before entering foreign markets.

DG GROW contributes the SME perspective to the Commission's free trade negotiations.

We hold SME Dialogues with several countries/regions in order to work towards a business environment that would help EU-based SMEs enter these markets.

<u>For each item on the Agenda</u>

Question: What are the benefits of matching start-ups with mid-caps and larger corporations?

Answer: *In the Consultation, the idea of establishing matchmaking platforms between start-ups, medium-sized and large companies was supported by over 65% of the respondents. 'Matchmaking measures' were repeatedly highlighted as very important for start-ups in the open questions, position papers and also came up in all direct contacts with the start-up community itself.*

This idea comes from real entrepreneurs, as a practical instantiation of policies aimed at 'interconnecting of the European ecosystems' and 'increasing innovativeness and competitiveness of the European industry and firms'.

Matchmaking big and small helps small access a larger/stable client base, skills and infrastructure and also increases start-ups 'Exit' options by mobilising 'new' private capital. It serves to also accelerate companies in the more traditional sectors.

Question: What is the Commission doing to help startup and scale-ups grow in the European Single Market and is it a policy priority?

Answer: *There is already a plethora of relevant and successful policies and strategies across the European Commission. Accelerating all types of innovation, increasing diversity of capital available, accelerating digital transformation, addressing skills shortages, deepening of the Single Market to help cross-border trade and links. But barriers persist and yes, for us accelerating the success of start-ups and scale-ups in Europe and globally is a priority. In the 1st half of 2016, public consultation on start-ups was organised to seek direct feedback and new ideas from all relevant stakeholders on how the environment for start-ups and especially scale-ups in Europe could be improved. The Commission will report on the outcome of the pubic consultation in the Staff Working Document that will be published in November.*

Question: What is the added value in 'repeating' the initiatives that are already ongoing in the Commission?

Answer: Streamlining and demonstrating political leadership in the area of startups and scaleups is extremely important for the stakeholders. It is the necessary answer to the repeated plea throughout the broad consultation process. Putting the multiplicity of relevant actions together increases their publicity, visibility and impact. Internally, it helps fostering better cooperation and coordination across the Commission services themselves. Moreover, the majority of initiatives so far concentrated on helping entrepreneurs to start-up while it became clear that now more needs to be done to help them scaling up. It is rapidly-growing companies that generate a disproportionately large share of new jobs. Studies find that between 5-7% of companies create more than 50% of new jobs.

Background information

Growth Engine programmes

The main objective of Growth Engine programmes is to boost people's digital potential. Through Growth Engine programmes Google intends to help 2 million Europeans get the digital skills they need to be successful online.

The flagship projects under this programme are the following:

'Weltweit Wachsen' (Germany) has been created in collaboration with partners like DHL, Commerzbank, BDO, PayPal and KERN AG. The goal of this initiative is to help businesses to expand into new markets by going online. The partners of this initiative offer information and trainings about online export to businesses.

Activate in Spain where they offer unemployed people free courses on subjects like web development, digital marketing and e-commerce

Eccellenze in Digitale (Italy) where they help traditional businesses develop their digital skills and Crescere in Digitale, our partnership with Minister of Labour to offer 3K internships to young unemployed.

Digital Garage (UK) where they help businesses enhance their digital presence through personalised face-to-face trainings in different cities.

The main areas for actions or target groups covered by the Growth Engines programmes are the following:

- Digital Skills
- Business
- Entrepreneurs
- Android Partners
- Non-profit organisations
- Creators
- Educational institutions
- Cultural Organisations

Digitalisation in Europe – challenges

Over 76 percent of Europeans say they use the internet regularly. But the reality is that Europe has a long way to go to fully tap the potential of digitization – according to a new report from McKinsey Global Institute, the

continent is operating below its digital potential, and accelerating digitization could add trillions of euros to economic growth in less than a decade.

The extent to which companies have used digital to redefine business processes and their labour forces is still relatively low. Digitization also varies greatly among countries, sectors, and companies within the region. If more is done to adopt, diffuse, and use digital, tremendous economic value could be captured. Although there are active initiatives to deepen Europe's digitization, including moves towards removing barriers to a single digital market (that remains to be seen with the UK's recent decision to leave the EU), proposals for the European Cloud Initiative, and a range of e-government initiatives, a further push is clearly needed.

According to the report, Europe is in the midst of a digital transition driven by consumers, thriving technology hubs, and some world-renowned companies. But digitization is also about the extent to which firms and industries invest in and use digital. In these respects, Europe is much less advanced. Yet if its laggards double their digital intensity, Europe can add €2.5 trillion to GDP in 2025, boosting GDP growth by 1 percent a year over the next decade.

By digital intensity, it means the degree to which digitization drives sectors and firms. Its 'Industry Digitization Index' uses dozens of indicators to provide a snapshot of digital assets, usages, and workers. It finds that Europe operates at only an estimated 12 percent of its digital potential, compared with the United States' 18 percent. In addition, there is enormous variation between Europe's countries: while France operates at 12 percent of its digital potential, Germany is at 10 percent, and the United Kingdom is at 17 percent.

The European digital frontier, represented by the ICT sector and its digitization of assets, uses, and labour, is only 60 percent as digitized as the US frontier. Some large sectors such as professional services, wholesale trade, and real estate are further behind the digital frontier in Europe than they are in the United States.

The continent is also a net importer of US digital services, running a digital trade deficit amounting to nearly 5.6 percent of total services trade between the European Union and the United States. Again, there is enormous variation among countries. The United Kingdom and the Netherlands are net exporters of digital services to Europe, while Italy is a net importer. Europe has not matched the United States as a producer of global content and a developer of major platforms, although it has had a measure of success in incubating Internet companies.

Europe has key digital strengths that it can exploit for economic gains. The 'Digital Single Market' (which is now threatened given the UK's potential exit) could accelerate GDP growth, adding €375 billion to €415 billion each year and providing a common platform to allow domestic firms to achieve scale. Even this is dwarfed by the GDP impact if laggard firms and sectors became more digitized.

Relevant findings from the Public Consultation on the role of the EU for start-ups and scale-ups

The EU should continue what is good, provide more coherence and streamline info sources for start-ups – this requires a more coordinated approach within the EU.

A significant number of respondents called for more information and clarity as regards rules governing the participation of companies in the EU funded policies and programmes. Some argued that EU should continue implementing its successful programmes, such as e.g. COSME and SME Instrument, and they 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.

Furthermore, the EU should **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.

The respondents argued that **access to information** on national, EU regulatory frameworks remain difficult, and that often-burdensome legal, regulatory, administrative and tax regulations and procedures prevent them from expanding cross-border. Furthermore, entrepreneurs face the situation that information is spread across numerous sources and often presented in a way that is not user-friendly. The same concern was raised regarding the information about financing opportunities offered by both the EU and the Member States. Nearly 85% of respondents called for better coherence and transparency in this area.

In the consultation access to finance was ranked highest among the barrier for starting a company, with over 71% stating that it is a barrier. Some respondents strongly argued that there is a need for new 'smart' sources of financing for start-ups and 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 mean to finance start-ups throughout their whole life cycle.

Securing finance for expansion was listed by 65% of respondents as the number one obstacle to scaling up within the EU.

Nearly 60% of respondents pointed out the need for measures that would help start-ups to secure intellectual property rights (IPRs) and patents in the early stages of a company life. Furthermore, the need to develop intellectual property valuation models to better assess the value of intangible assets was highlighted by over 44% of respondents.

Furthermore, among main obstacles to fast growth, listed in the replies to open questions stakeholders pointed to the 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.

The need to increase support for digitalisation and establishing an innovation-friendly environment was mentioned throughout the consultation.

Background information

The Enterprise Europe Network remains the world's largest business and innovation support network comprising 625 organisations located in over 60 countries (chambers of commerce and industry, technology centres, development agencies…). More than 3000 internationalisation experts offer a wide range of business support services to SMEs worldwide. Matchmaking events are organised through the network: they help European SMEs connecting to worldwide SMEs and developing their commercial presence on new promising markets.

Recent specific actions have been launched within the COSME programme (through call for tenders) to support SMEs' internationalisation:

- a first test project to implement strategies, policies and actions aimed at helping European SMEs without international experience seize opportunities for growth beyond the borders of the EU;
- the organisation of events between the EU and third countries at the occasion of major international fairs, inside and outside the EU, including business-to-business, cluster-to-cluster, cluster-to-business meetings, and information events (10 fairs should be covered over two years).

BACKGROUND INFORMATION

Google pledge on Digital Skills

Google has announced in February 2016 that it has reached its goal of training one million people by 2016 and are now committing to train another million Europeans on digital skills by the end of 2017 (two million Europeans in total). This pledge will be implemented through Google's landmark initiative, A Growth Engine for Europe.

In June 2013 Google joined the Grand Coalition for Digital Jobs and made an ambitious pledge. By the beginning of 2015 not only had they implemented their pledge successfully but they also exceeded their initial commitments. In March 2015 Google renewed their pledge and committed to train up to one million Europeans by 2016 and successfully fulfilled it.

Google will participate at the launching event of the new **Digital Skills and Jobs Coalition** on 1 December 2016 with the participation of Vice-President Ansip and Commissioner Oettinger. The launch of this coalition was announced in the New Skills Agenda for Europe adopted by the European Commission last June.

Google initiative "A Growth Engine for Europe: Boosting people's digital potential"

Online Digital Skills Training Platform across the EU

- To achieve its one Million Pledge, Google launched a digital skills online training platform.
- The platform provides users with a bespoke training path, based on their needs and interests and delivers digital knowledge in a rich and interesting way through bite-sized videos, with the help of everyday experts: real-life business owners.
- This learning platform is the ‘online engine’ that powers Google's local digital skills programmes in Europe.
- It is available in 12 countries (UK, France, Italy, Germany, Sweden, Denmark, Greece, Luxembourg, Poland, Bulgaria, and Hungary) and will be launched in 20+ more by the end of 2016.

Tackling export and unemployment

In Italy, Google is running two digital skills programmes:

- Made In Italy through which they have helped 80 000 traditional businesses develop their export skills and

- Crescere in Digitale, Google's partnership with Minister of Labour which was launched in the Summer of 2015 and offers 3000 internships to unemployed youth.

The results of the Crescere in Digitale programme have been very good so far:

- More than 41 000 unemployed young people enrolled in the program
- More than 24 000 unemployed young people were trained
- 3000 graduates
- 1500 SMEs are offering internships
- 104 internships have been assigned

Other Local Digital Skills Programmes

- Weltweit Wachsen in Germany inspires and equips businesses to explore new markets through the web by providing them with the right export tools. 854 000 SMEs have used Google's export tool so far, and have trained 80 000 SMEs.
- Activate in Spain helps build the next generation of digital experts, equipping them with the skills needed to succeed in the local economy. 94 000 students have been trained, 4 out of every 10 students have started or developed their own project.
- Digital Garage in the UK where Google helps businesses enhance their digital presence through both online and personalised face-to-face trainings in different cities.
- Google Pour les Pros in France where we support SMEs growth via digital trainings at their shops, matching them with young graduates. We have trained / mentored 29 000 SMEs
- Grow Greek Tourism Online in Greece where Google helps travel companies get online via face-to-face trainings and specific digital skills training via their online hub
- Internetowe Rewolucje in Poland where Google helps Polish SMEs grow online through digital skills education, creating a digital experts ecosystem.
- Success Online & Digital Akademin offers SMEs in Denmark and Sweden trainings that help them improve their digital presence.

Google for entrepreneurs

Campus: Campus Madrid and Campus Warsaw opened their doors, welcoming over 11 000 new members. Campus London grew to 52 000 members and piloted new programs such as Founders over 50, helping seasoned professionals turn their ideas into viable businesses. Over 6 700 people participated in programmes at Google's European Campuses in 2015.

Along these Google-operated spaces, Google for Entrepreneurs (GFE) partners with a number of leading independent tech hubs in major European ecosystems. In addition to their existing partners in Berlin (Factory) and Paris (NUMA), since mid-2015 GFE has launched partnerships with Epicenter in Stockholm and Dogpatch Labs in Dublin, and announced a deep collaboration with The Next Web in Holland, who will be launching their Amsterdam space later in 2016.

GFE has also expanded its partnership with TechHub, the startup co-working community, to include their locations in Riga and Bucharest. Startups in each of these partner spaces can access GFE content and programs, including GFE Exchange, their International Demo Days and Blackbox Connect, their partner-led residential immersion program in Silicon Valley.

Computer Science Education

In 2015 Google worked with 140 STEM (science, technology, engineering and math) and computer science education organisations across Europe. This had an impact on 51 031 young people and 17 369 teachers in 2015, as part of Google's suite of CS Education programs (RISE, CS4HS etc.). Student outreach focused on three specific groups, girls, children from lower socioeconomic backgrounds and ethnic minorities. Google supported 140 EU organizations.

CV

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