



SKEMA BUSINESS SCHOOL

The consequences of not adopting
active measures

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Sources of constraints

Scale-ups are needed to have an own, larger eco-system in Europe. **Digitalization has not eliminated need for proximity. This eco-system includes established companies too. Evidence from our study on fintech.**

Companies need to stay independent, which requires raising funds as opposed to be acquired (including > EUR 100M rounds). EU has improved a lot in terms of developing a VC industry. **Significant resources are spread across Europe.**

Companies should not be constrained in their growth, and thus be able to scale up more easily at the European level and beyond. **Regulation often a constraint.**

Companies should be able to hire internationally skilled talents very easily. **Difficulty for startups in sourcing them, which requires linking different eco-systems.**

Digital companies should be able to build alliances with European large companies, such as communication companies and financial industry, to receive European help to scale up further. Also, universities need to do more early on.

Consequences of not adopting measures

Slower growth of startups, as they may first look for a solution nationally. Loss of advantages.

Fragmented markets may prevail in Europe.

Companies will be acquired and technologies, knowledge and jobs potentially relocated. Although eco-systems can “recycle” some of these skills, where similar to related use cases can be applied in other sectors.

Scale-ups have the potential to increase eco-systems and thus ensure stability.

Industry standards will be decided elsewhere. Leading companies often shape their industry a long time. Data protection issues will be more difficult to solve.

Lack of European-wide initiatives will continue to foster national ones, which will inevitably remain smaller eco-systems. A lot of activities are national. A more vibrant discussion and meeting point of innovative startups needed at the European level to foster collaboration.

How to measure their impact?

There is a broader discussion on scale-ups that focuses on job creations, also due to the definition given.

Here, we focus on particular scale-ups in digital industries. One should not focus too much on job creation, since these companies are not yet mature and still innovating. **Post-money valuation seems more appropriate, though a growth component is also needed.**

The type of scale-ups considered here are “outliers”, so really difficult to identify early on and track their development early on.

Next, one needs to measure the scale-up’s contribution to the eco-system.

Need to construct more comprehensive databases, especially longitudinal. Many industry reports work with large players, and therefore omit the broader eco-system and thus offers quicker but less precise policy recommendations.

THANK YOU!

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Gazel and Schwienbacher (2021). "Entrepreneurial Fintech Clusters," *Small Business Economics* 57, pp. 883-903.