

Attracting and retaining foreign startup founders: Workshop overview and conclusions

EMN Annual Conference in 2017 'The EU in the global race for talents: Challenges and solutions in strengthening the EU's competitiveness'¹

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Introduction

European leaders at all levels are facing a number of **labour market challenges**, from ageing population, the sustainability of welfare and pension systems to companies' growing struggles to find skilled workforce. Migration is increasingly viewed as a possible way how to tackle these problems, especially the arrival of skilled persons from third countries. European Migration Network's (EMN) Annual Conference, entitled 'The EU in the Global Race for Talents: Challenges and Solutions in Strengthening the EU's Competitiveness', sought to tackle these issues in Tallinn on 21-22 September 2017.

Many European Union (EU) Member States (MSs) are in particular interested in attracting foreign entrepreneurs, especially startup founders. The workshop strand on 'Attracting and retaining foreign startup founders' reviewed numerous startup schemes currently in place in Europe and explored the possibilities to improve the attractiveness of the region in future. The aim of such schemes is generally to attract startups and potential founders to **promote the development of innovative entrepreneurial ecosystems** in Europe, which could facilitate both **job creation** and **innovation**. In other words, the hope is that **foreign startup founders could drive economic growth locally**.

Session I of this workshop focused on measures in place for attracting startup founders, while **Session II** addressed the question of retention by trying to understand what makes – and keeps – a region attractive to startup founders. The workshop was organized by **Startup Estonia** and the **Ministry of the Interior of the Republic of Estonia** and aimed at migrant entrepreneurs, the startup community and

policy makers. Speakers included representatives of the European Commission, Startup Genome, different MS' and the members of startup community in Estonia. Workshop was moderated by **Lauren Proctor**, Head of Marketing at Jobbatical.

Key takeaways

- While there is not one EU-wide startup visa policy currently in place, recent years have seen a **proliferation of startup schemes** across MSs offering various incentives to startup entrepreneurs from third countries.
- The common aim of startup schemes is to **develop entrepreneurial ecosystems, fuel economic growth** and **innovation**, and make the country more **competitive in the knowledge economy**.
- Although the admission conditions vary across MSs, having an **innovative idea** is a common condition to all startup schemes. Yet MSs define 'innovation' in different ways.
- MSs with no special regulation for startups can also be successful in attracting foreign startup entrepreneurs**, especially if they have a reputation for being a tech hub.
- Wider promotion of startup schemes is important**. As such schemes are relatively new in most countries, many potential applicants are unaware of the existing possibilities.
- Measures for attracting and retaining startup founders should be part of **broader efforts in fostering innovation and entrepreneurial ecosystems in the EU**.
- TCN founders often choose to relocate to **places where they think they have the highest likelihood of succeeding**. This means that **besides migration policies, the general business environment also needs to be supportive**.
- Starting a business in an unfamiliar business environment creates additional risks for entre-

¹ EMN Annual Conference was held in the framework of the Estonian Presidency of the Council of the EU at Tallinn University on 21-22 September 2017. For further information about the event, including the programme, speaker bios, presentations, photos and videos, please visit the EMN website: <http://emn.ee/race4talents/>

preneurs. A **dialogue** with the private sector and founders themselves is essential to design a system that would be attractive for entrepreneurs and would help them to **minimise any additional risks caused by relocation**.

Summary of session I: Attraction foreign startup founders

A number of **new startup hubs and ecosystems are developing** fast across the EU, but they **need a critical mass of startups, entrepreneurs and investors** to fuel their growth. As a result, many countries are actively trying to stand out by offering various incentives to attract foreign startup entrepreneurs that could drive such growth, ranging from funding schemes and tax reductions to fast-track startup visas.

The first workshop session begun by reviewing the different startup schemes currently in place in EU MSs, addressing both their successes and challenges, and exploring what else can be done to attract foreign founders. **Killu Vantsi** from the **Estonian Ministry of the Interior** presented an overview of the the outcomes of EMN ad-hoc query on ‘**Startup policies for third-country nationals**’², which found that there are currently **12 MSs** (AT, CY, DK, EE, ES, FR, IE, IT, LV, LT, NL and UK) with **startup schemes for founders**. Out of those states, **3 MSs** (CY, EE, FR) have also **schemes intended for startup employees**. 14 MSs have no specific schemes and **3 MSs** (FI, HU, PT) are **currently developing new startup schemes**.

The **minimal requirements for qualifying** as a startup founder **differ significantly between MSs**. When it comes to investment requirements, 5 MSs (AT, CY, IE, IT and UK) require the startup to have raised investments that amount to at least 50 000 euros; 3 other MSs (EE, FR, NL) require that founders would have an income or savings of certain amount, whereas 3 MSs (LT, ES, DK), instead, had other types of criteria in place (e.g. enough resources to achieve the set business goal or for the startup to be able to sustain itself). 1 MS (LV) responded that they require both investments and that the founder can prove a sufficient income of certain amount.

In addition to financial requirements, MSs generally also had other requirements for enterprise to be qualified as a startup. These included among other things:

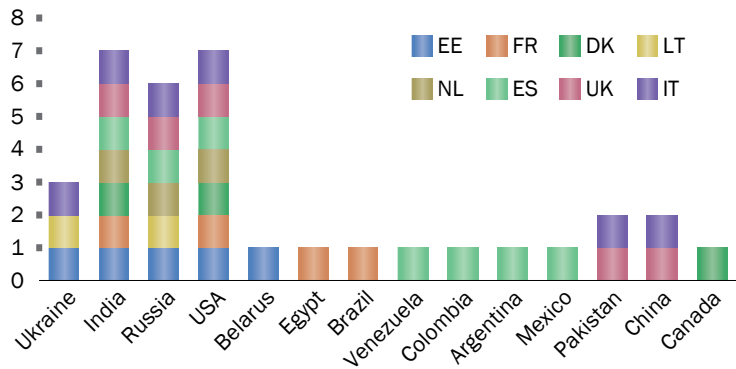


Figure 1. Main countries of origin of applicants in 8 MSs. Source: EMN ad-hoc query on ‘Startup policies for third-country nationals’

- having a **scalable** business model;
- being a **newly founded** business;
- having **high/global growth potential**;
- having a business plan;
- aiming to **create jobs**;
- being **registered** or having the **headquarters in the MS**.

Moreover, all startup schemes required the business to be ‘innovative’ and it was presumed that the startup would create additional value through implementing new ideas, business models or technologies.

While most MSs associate startups with ICT, tech or even intellectual property sectors, some countries had **further specifications for sectors**. **Lithuania**, for instance, requires that the startup must operate in one of the following fields - Biotechnologies, Nano-technologies, Information Technologies, Mechatronics, Electronics, Laser Technologies.

MSs also vary in the ways in which authorities evaluate startup applications. In most cases, the **startup evaluation consisted of several steps and involved several actors**. Typically, the first stage involved assessing whether the business qualifies as a startup. This evaluation was generally conducted by a committee comprised of both public and private sector representatives. After determining that the enterprise qualifies, applicants are in the second stage invited to submit their actual visa or a residence permit application.

The **processing time of applications** usually depends on the timetable of the committee and is not necessarily set in law. However it is **between 3 and 12 weeks** depending on a specific MS. For example, in Estonia, it takes 10 days to get the startup committee’s assessment and 4 weeks for the visa. Also the **validity period differs** between MSs, ranging from 1 year up to 5 years. The **average acceptance rate** was reported to be between 30-40%.

² The full version of the EMN AHQ on startup policies for third-country nationals (part 1) available at: <http://bit.ly/2zZ4Ecy> and (part 2) available at: <http://bit.ly/2jchtWY>. Additional information about those countries that did not participate in the AHQ (e.g. DK) was provided by the Estonian Ministry of the Interior.

Figure 2. The economic impact of Act 12/2013. Source: MINECO³

Categories	Total investents	Direct jobs	Indirect jobs per visa
Investors	2,275,543,509	7,415	N/A
Entrepreneurs	251,389,278	4,912	N/A
Highly-qualified professionals	N/A	5,668	N/A
Researchers	N/A	1,568	N/A
Intra-corporate transferees	N/A	3,784	N/A
Total	2,526,932,787	23,347	11,204
		34,551	

Besides offering an overview of the schemes in place in EU MSs, Session I also introduced the experiences and practices of two MSs, who have a working startup scheme in place. The Netherlands have had a startup scheme in place since 01.01.2015. **Rogier Kok (Ministry of Security and Justice, Netherlands)** noted that although the requirements for startups are similar as in many other MSs, the distinctive and most important part of the Dutch scheme is having a local or international ‘**facilitator**’. The role of such a facilitator is to help and advise a startup. They are required to have at least 2 years of experience in dealing with startups and a solid financial base.

The Netherlands, however, have some difficulties with the scheme. Firstly, instead of attracting new founders to the country, the scheme was often used by individuals, who had been legally in the country with either a tourist or student visa, **highlighting the problems with the existing immigration system in maximising the potential of individuals already in the country.**

Secondly, the initial startup legislation was soon found not to be supportive enough for TCN founders in the Netherlands. The salary threshold was often too high for startups and the validity period of a startup visa too short⁴. After a thorough dialogue with stakeholders, the government decided to make amendments and make it easier to **prolong the permit** and simplify the application process. Soon founders can more easily **apply and register digitally** at the Chamber of Commerce. In addition, the goal is to make it easier for Dutch startups to hire employees from abroad.

The Dutch example shows the importance of having a **direct dialogue** with stakeholders not only in the beginning of implementing such schemes, but

3 The Act gives a permit to enter Spain on grounds of economic interest to investors, highly qualified professionals, entrepreneurs, researchers and intra-corporate transferees, who wish to engage in entrepreneurial activities. This Act also makes provisions for startup entrepreneurs.

4 The startup visa in the Netherlands is valid for one year, after which the startup founder would need to apply through the general scheme for entrepreneurs, where the requirements are more stringent and numerous.

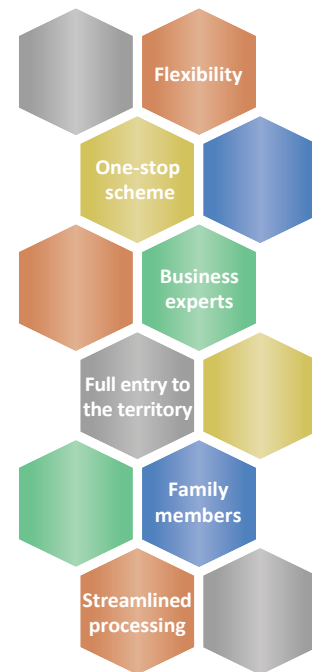


Figure 3. Key considerations of the Spanish startup scheme. Source: Spanish Ministry of Employment and Social Security

also to continue the dialogue and collect feedback on how the scheme is working.

In the case of Spain, according to **María Reyes Fernández (Ministry of Employment and Social Security, Spain)**, the startup scheme is part of broader efforts to foster innovation and economic growth and attracting foreign talents. Established in 2013, Spain’s entrepreneurship visa is one of the earliest examples of special schemes in Europe that incorporated measures to attract startup founders alongside other entrepreneurs⁵. Early evaluations show a strong positive effect on the economy. The Spanish government has estimated that the scheme has resulted in about 34,500 new Spanish jobs being created as a result and about 2.5 billion euros invested into the economy (See Figure 2).

The main focus from the beginning has been on assessing the business plan – its innovativeness and effectiveness. The government wanted entrepreneurship visa to be a one-stop scheme that would be flexible, streamlined, offer a full entry to the territory, oriented towards business experts, but also offer an access to family members (see Figure 3). The application process in Spain is **not digital**, but it is **straightforward and streamlined** – in most cases the decision will come and the foreign founder can enjoy the benefits within a month.

It was noted by the Spanish representative, however, that the **availability of information about the scheme has been an issue**. In order to attract

5 Residence visas Law 14/2013 available at: <http://bit.ly/1fBwNGW>

TCN founders and convince them to start their businesses in Spain or elsewhere in Europe, there is a need to provide relevant information, but at times the information available does not address the concerns of business owners or it just does not reach the right people. Thus it is essential to invest in promoting such schemes and having a dialogue with the business community to determine what sort of information they need.

The success of some MSs has encouraged others to introduce their own schemes. **Elina Immonen (Ministry of the Interior, Finland)**, stated that although Finland does not yet have a startup scheme, the proposal for startup visa and residence permit is already in the Parliament and it is likely that Finland will also be launching a specific residence permit in the near future.

Many MSs, however, have decided against launching startup schemes. According to **Gregor Forschbach (Foreign Service/Federal Ministry of the Interior, Germany)**, Germany has decided not to develop a scheme, because they believe that the **current system is able to address the needs of entrepreneurs**. Moreover, Mr Forschbach argued against involving the public sector too closely in assessing the entrepreneurial potential of individuals and, instead, leaving it to the private sector. Germany currently relies on existing business structures like the chambers of commerce and industry to evaluate the business potential of foreign companies.

Marketa Havlova (Investment and Business Development Agency, Czech Republic) explained that in the Czech Republic there is a discussion about launching a fast-track procedures for entrepreneurs wishing to join Czech incubators and accelerators, but it would not be a special startup scheme in itself. For some applicants, it may take up to 6 months to receive a residence permit, but the fast-track system would bring it down to 2-3 months.

The session also sought to understand the specific **reasons behind TCN founders' decisions to found their company in the EU** and, more specifically, by using the Estonian startup scheme. The founders present noted that these decisions are determined by a number of personal considerations, but highlighted the importance of **additional measures** in Estonia that helped them to **minimise business risks, the inclusive nature of the scheme** (besides founders, it also includes startup employees) and a **reputation as a startup hub**.

Avijit Sarkar, a co-founder of **CapOne Research**, had been looking for a possibility to start a business in different countries since 2015, but found that **most regulations were not startup friendly nor transparent**. Why he finally decided to do so



Image 1. Marketa Havlova, Elina Immonen and Gregor Forschbach



Image 2. Avijit Sarkar, Kwun Lok Ng, Shaun Deanesh and Lauren Proctor

in Estonia was linked to the **e-residency program** that allowed **himself familiarise with the business environment in Estonia and the EU** and to be better prepared before applying for startup scheme. Starting a business in an unfamiliar business environment creates additional risks, which this extra time to learn about the new context helped to minimise. **Shaun Deanesh**, the founder of **Omg**, a greentech startup, also appreciated the **possibility for startups to hire TCN employees**, which differentiated it from many other EU schemes.

Kwun Lok Ng, a co-founder of **Samplify**, was interested in Estonia due to its thriving tech community and a reputation as a startup hub. As an entrepreneur from Hong Kong, he had limited business connections in Europe, which is why the access to the startup circles was essential. Moreover, he was also interested in the possibility to **collaborate with EU entrepreneurs** and having an access to the EU market.

Startup visa in Estonia

To whom:

- for foreign founders to launch and run a startup in Estonia
- for Estonian startups to employ talents from third countries.

A startup is defined as a company that is setting up its operations, whose goal is to launch an innovative and scalable business model with great global growth potential that will contribute to the development of Estonian business environment.

For evaluation, applications are submitted electronically to a startup committee (no state fee)

Startups may be issued:

- visa for up to 12 months, prolonged for another 6 months
- residence permit for up to 5 years, extendable for 5-year periods

Startups are exempt from investment and salary requirements.

While the launch of the scheme in Estonia has been an overall success, **Killu Vantsi** noted that there have also been some challenges that the Estonian government did not foresee. Firstly, the interest in the program has been greater than was anticipated (200 applications within 6 months), putting a lot of strain on the system. Secondly, the allocated budget did not support the high ambitions. Although the aim was to keep the system as simple and convenient as possible, there was for instance no budget for developing a web platform. Luckily the problem was solved by the Estonian startup community itself, who developed the platform themselves to attract new startups and diversify the local startup ecosystem.

Summary of session II: Retaining foreign startup founders

While the first session focused on attraction, the second part of the workshop tried to understand what are the factors that are critical for building a

supportive ecosystem for startups to thrive after they are here? Moreover, startup entrepreneurs are always on the move, looking for the best surrounding to grow their business, which raises the question whether we should support the mobility of startup founders across the Member States or, instead, tie them down and limit their movements?

This session offered insights from the research carried out by **Startup Genome**. Startup Genome was established to understand why founders remain in some startup ecosystems and leave others. Startup Genome is an organization that works with governments to **accelerate the growth of their startup ecosystems through evidence-based policymaking**. Based on the voice of 10,000+ entrepreneurs, 300 local partners and more than 40 city members, Startup Genome benchmarks startup ecosystems, combining objective data analysis with input from founders, to provided knowledge that empowers regions to drive innovation and attract startup communities.

Mark Penzel and **Tilman Wiewinner** from Startup Genome stressed that while startup schemes send a positive signal to founders, in reality the data suggests that startup founders do not move to a new country, because of its immigration policy, but instead choose **places where they think they have the highest likelihood of succeeding doing business**.

In their interactions with different startup schemes, they have come to a conclusion that **you cannot compete with everyone on everything**. Instead, countries should focus on specific groups and startups in order to maximise the return on investment into these schemes meant to attract founders. The key steps in devising a strategy involve identifying a sub-sector, where your regions stands out compared to other startup ecosystems in the world. Then identifying the key reasons



Figure 4. 2017 Global Startup Ecosystem Ranking. Source: Startup Genome

why startups move there and assessing based on that which startups are most likely to move to your ecosystem in future (See Figure 5).

Startup Genome stressed that the ability to attract and retain TCN founders comes down to the **general performance of your startup ecosystem**. It is thus important to build local success stories to make the ecosystem better and more competitive for all startup founders – local and foreign. **Big exits and success stories are critical for putting an ecosystem in a global map.**

Another important issue when it comes to startup retention is the global and mobile nature of startups and their founders. This issue was addressed by a panel discussion led by **Aleksander Tõnnisson**, a co-founder and CEO of **Buildit Hardware Accelerator** and also one of the members of the Estonian Startup Committee. The panel also included **Laura Corrado** who represented the **European Commission**, **Riina Einberg** from **Taxify** and **Mari Vavulski** from **Startup Estonia**.

The panel noted that when it comes to addressing startup mobility, it is important to acknowledge the maturity state of the company as this can determine the reasons behind relocating.

Most startups are founded by a single person or a small team, so the **initial location** is often tied to that **individual's networks, migratory routes or merely emotions**. Mr Tõnnisson reflected from his own experience as a founder that the **choice of choosing a country**, where to start a business has much more to do with emotion than we would dare to admit publicly. We choose a location that meets our values and needs at a specific time and thus in many cases can be 'random'.

What would make a startup founder choose one country over the other?

- *How supportive is the educational system?*
- *How easy is it to get information about the local system?*
- *How well do locals speak English?*
- *What are the employment laws – how easy is it to employ (and dismiss) people?*
- *How complicated is the taxation system?*
- *What services are available and offered by the authorities?*
- *Is it possible for a foreigner to open a bank account and is the banking system digitalized?*
- *How fast can you deal with bureaucracy and what is the level of corruption?*

Yet Riina Einberg expressed that while this might be the case in the early stages, later on other aspects start to play a more significant role. Firstly, a founder

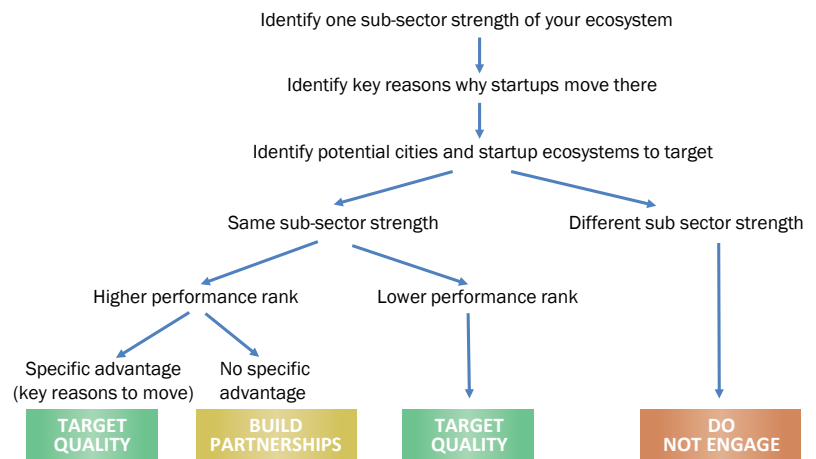


Figure 5. Necessary steps for determining which startups to target and how. Source: Startup Genome

London	Better sales & marketing opportunities (31%) Better partnership opportunities (15%) Better place to scale startup to a unicorn (8%)
Berlin	Lower cost of living (16%) Easier to get funding (14%) Better place to scale startup to a unicorn (10%)
Amsterdam	Better partnership opportunities (24%) Better place to scale startup to a unicorn (10%) Easier to find good technical employees (9%)

Figure 6. Top three reasons why startups choose a specific European city. Source: Startup Genome

has to **ensure a product-market match**. At some point in the startup life-cycle, the **market will become a trigger to move**. Secondly, in order to scale up, similarly to all businesses, startups need a pool of talented employees to tap into. Thirdly, startups need **investors**. While initially local angel investors might be enough, but soon the local investor pool might exhaust itself and startups need to seek out new investors. So when it comes to choosing a location, **emotional whims soon become rational deliberations for many founders**.

Ms Vavulski added that **relocating a company is not necessarily a bad thing**. Although governments often try to find new ways to keep startups in the country, this can hinder their growth and often when companies move abroad, they retain a base also in their initial location. This is the experience with many successful Estonian startups (e.g., Skype and Transferwise), who have moved their HQs abroad, yet maintain offices also in Estonia. ■

Appendix 1

Programme of workshop strand III: Attracting and retaining foreign startup founders

	The workshop was moderated by Lauren Proctor , head of marketing at Jobbatical.	10:00-10:20	What are the expectations of Startup Founders themselves. Avijit Sarkar , CapOne Research, Estonia; Shaun Deanesh , Slo Varmen, Estonia; Kwun Lok Ng , Simplify, Estonia. Discussion is moderated by Lauren Proctor , Jobbatical, Estonia
08:00-08:45	Registration and networking		
08:45-08:50	Introduction		
08:50-09:05	Overview of Startup Schemes in different Member States. Killu Vantsi , Ministry of Interior, Estonia	10:20-10:35	Coffee break
09:05-09:40	Are Startup Schemes successful in attracting talent: the experience of the Netherlands and Spain. Rogier Kok , Ministry of Security and Justice, Netherlands; María Reyes Fernández , Ministry of Employment and Social Security, Spain	10:35-11:35	The concept of Global Resource Attraction: How to attract startups, Insights from Startup Genome. Marc Penzel and Tilman Wiewinner , Startup Genome
09:40-10:00	Attracting foreign founders without a specific Startup Scheme: the experience of Germany, Czech Republic and Finland. Marketa Havlova , CzechInvest, Czech Republic; Gregor Forschbach , Ministry of Interior, Germany. Discussion was moderated by Elina Immonen , Ministry of Interior, Finland	11:35-12:05	What is there to gain from startup mobility. Laura Corrado , European Commission; Mari Vavulski , Startup Estonia, Estonia; Riina Einberg , Taxify, Estonia. Discussion was moderated by Aleksander Tönnesson , Buildit Accelerator of Hardware Startups
		12:05-12:45	Lunch and workshop conclusions



The European Migration Network (EMN), established by the Council of the European Union in 2008 and co-ordinated by the European Commission, is a network for information collection and exchange on migration and asylum issues, comprised of National Contact Points (EMN NCPs) and national networks of relevant stakeholder organisations.

The EMN plays a key role in providing up-to-date, objective, reliable and comparable information on migration and asylum topics to policy makers (at EU and Member State level) and the general public.

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Co-funded
by the European Union