



Future of manufacturing  
**Go Silicon Valley –  
Internationalisation policy measure  
(Austria)**

*[Born globals and their value chains](#)*

**Authors:** Thomas Oberholzner (Austrian Institute for SME Research)

**Research managers:** Irene Mandl and Valentina Patrini (Eurofound)

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**European Foundation for the Improvement of Living and Working Conditions**

**Telephone:** (+353 1) 204 31 00

**Email:** [information@eurofound.europa.eu](mailto:information@eurofound.europa.eu)

**Web:** [www.eurofound.europa.eu](http://www.eurofound.europa.eu)



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**Contact details**

Donald Storrie (Project Manager) [Donald.Storrie@eurofound.europa.eu](mailto:Donald.Storrie@eurofound.europa.eu)

Alessandra Massaro (Project Administrator) [Alessandra.Massaro@eurofound.europa.eu](mailto:Alessandra.Massaro@eurofound.europa.eu)

**Contents**

1. Context ..... 1

2. Content ..... 2

3. Relevance of the measure to SMEs/born globals and internationalisation ..... 3

4. The operation of the measure ..... 4

5. Monitoring and evaluation ..... 5

6. Evidence of outcomes and impact ..... 5

7. Strengths and weaknesses of the measure ..... 6

8. Recommendations ..... 7

References ..... 8

## 1. Context

### 1.1. Circumstances in which the measure was introduced, rationale, and relevance

[Go Silicon Valley](#) was initiated by the foreign trade organisation (called ‘[Advantage Austria](#)’) of the [Austrian Federal Economic Chamber](#) and introduced in 2009/2010. Advantage Austria has 110 trade offices in 70 countries around the world. In the portfolio of internationalisation support a gap was seen in supporting financing and strategic partnerships. To enable access to finance and partnerships excellent contacts are essential. Therefore, Advantage Austria wanted to directly link Austrian companies with professional accelerators/incubators based in the hot spot of Silicon Valley in order to utilise their quality connections.

### 1.2. The process of developing the measure

The measure was initially suggested by the Los Angeles office of the foreign trade organisation Advantage Austria. At a conference the head of the LA office had a meeting with the accelerator [Plug & Play Tech Center](#) and learned about a Canadian programme similar to today’s Go Silicon Valley. Following the Canadian model, the Austrian Federal Economic Chamber developed a concept and proposed it to the Federal Ministry of Science, Research and Economy for funding.

Austria actually was the first European country to introduce such kind of programme in Silicon Valley.

Since 2009/2010 it has been renewed on a yearly basis.

### 1.3. Any changes in policy context over time

At the beginning, Go Silicon Valley had two focus industries: ICT and renewable energy. However, soon it turned out that accelerators based in Silicon Valley are perfect in the ICT field but less useful and effective in the field of renewable energy. Therefore, the target group was later limited to the ICT industry.

Also, Go Silicon Valley started off with collaborating with only one local accelerator. However, as accelerators are quite different and highly specialised (for example, in terms of technology), there was a need to diversify and work with more accelerators in order to support the needs of different Austrian ICT firms in the best possible way.

There is also constant change in terms of the most topical and promising fields of innovation in Silicon Valley. For example, apps were more in the focus in previous years than today. Today, for example virtual reality, artificial intelligence, services in the cloud, and fin-tech are more prominent. These developments need to be considered in the application and selection procedures.

### 1.4. Evidence of complementarity and/or overlap between the measure and other policy measures

Go Silicon Valley is part of the wider umbrella programme ‘[go international](#)’ of the Austrian Federal Economic Chamber and the [Federal Ministry of Science, Research and Economy](#). ‘go international’ exists since 2003 and supports Austrian businesses in their efforts to position themselves as reliable and trustworthy partners abroad and to market their offers internationally. It is the main instrument to implement the government’s ‘[Internationalisierungsoffensive](#)’ ([internationalisation strategy, in German](#)). ‘Go international’ is managed through Advantage Austria and, as of 2017, consists of 32 specific internationalisation support measures. Companies often combine participation in the Go Silicon Valley initiative with financial subsidies offered under of the same umbrella programme. So they can reduce the cost burden associated with travelling and investing in preparatory work for their stay in the US.

## 2. Content

### 2.1. Objectives of the measure

The programme shall make it possible for Austrian SMEs – especially those of the Austrian IT industry - to enter one of the leading global markets, namely the US market, to develop further their business idea, and at the same time to get access to partnerships and risk capital. Quantitative target indicators have not been defined for the programme.

### 2.2. General description of the measure

Go Silicon Valley can be regarded as a business initiation programme. Austrian companies are offered participation for a period of one to three months at a business accelerator in Silicon Valley, that is, they can use the accelerator's services. These services include:

- Use of an office ('cubicle') or coworking space for free (rent paid by the programme);
- Introduction to US business habits and conventions, for example through the mentors mentioned below, instructions by the accelerators;
- Networking and establishing individual contacts with possible partner companies, venture capital companies, business angels, lawyers, consultants and mentors;
- Participation in finance forums and entrepreneurship workshops organised by the accelerator in Silicon Valley;
- Financial support for mentor schemes, that is, costs of mentors are covered by the programme; suitable mentors are usually suggested by the accelerator and selected jointly by the accelerator and the Austrian company; and
- Pitch sessions and presentation of the company's business plan to venture capital companies and business angels through the help of the accelerators.

The host business accelerators in Silicon Valley include for example the [Plug & Play Tech Center](#), the [Founders Space](#), and [GSVlabs](#). The Plug & Play Tech Center was the first accelerator used by the programme, the others were included later in order to refine the support to participants. The accelerators' specific services for participants differ to some extent depending on the business model of the accelerators, which are profit-oriented firms. Some accelerators are less flexible in terms of the mentors they offer. The costs of the accelerator's services are largely covered by the programme budget. The same holds for the costs of external mentors.

It is one or two persons – usually managers with sufficient decision power - of the participating Austrian company who are supposed to go to Silicon Valley for the period stated above.

### 2.3. Available budget

The budget is made available jointly by the Austrian Federal Economic Chamber and the Austrian Ministry of Science, Research and Economy. More specifically, the ministry contributes the financial funds while the Chamber contributes in-kind through the administration of the measure and their staff. EU funding sources are not used. Over the last years the annual budget provided by the ministry has remained unchanged in nominal terms. The majority of the budget goes to covering the accelerators' costs and those of the mentors.

The travel costs to the US and the cost of living there have to be borne by the participating companies. These costs can be estimated at € 15,000. In addition, there is an administrative registration fee to the amount of € 500.

### 2.4. Target groups of the measure

The target group is Austrian SMEs (in accordance with the EU definition), also including spin-offs of larger companies, which meet the following criteria:

- Minimum two employees

- Innovative business idea, technology or business model that is market-proven (that is, there are users/customers) or where there is a prototype available. In other words, the initiative is suitable in particular for late stage innovators, that is, they should already have some clients and users. The programme is not suitable for those who are still in the process of developing the technology, service or product as such.
- Participating staff have a good level of English language skills

The programme focuses primarily on the Austrian IT industry. It does not target any specific type of internationalisation.

Usually participants so far had less than 100 staff.

Companies may participate only once.

### **3. Relevance of the measure to SMEs/born globals and internationalisation**

#### **3.1. Relevance in relation to different types and stages of internationalisation**

Go Silicon Valley is useful for Austrian start-ups (mainly in the IT and related industries) that already have a certain market experience and have products and services available. A proof of existing users is also helpful before going to Silicon Valley in order to effectively find and convince partners there. Thus, the programme is less useful for those who would only start developing their product there or are still in the process of doing so. Participants should focus on finding clients and investors rather than on technical development. The programme is therefore suitable for later stage innovators.

Most of the participants are young companies and can therefore be regarded as born globals. Only an estimated 10%-20% of participants are older companies.

#### **3.2. Support for cooperation between SMEs/born globals and wider international collaboration (if any)**

The programme strongly supports international cooperation between Austrian SMEs and US firms and investors as networking is a key part of the programme. For examples see chapter 6.

#### **3.3. Contribution of the measure to tackle SMEs'/born globals' internationalisation support needs**

Overall, the main contribution of the programme is the provision of valuable advice from experts with broad experience when it comes to establishing international contacts and creating international partnerships. Contacts that would require months or years in Austria happen in weeks in Silicon Valley.

Go Silicon Valley addresses a crucial bottleneck of innovative born globals, namely the commercialisation phase.

It is especially relevant for smaller companies as they lack both the resources to pay for the help of accelerators and mentors – their services are very expensive - and the visibility and reputation to easily establish contacts and open doors to key people in Silicon Valley themselves.

## 4. The operation of the measure

### 4.1. Promotion of the measure to internationalising businesses

The programme is promoted through the go international website (<https://www.go-international.at/index.html>), through the networks of the regional Economic Chambers, through festivals and events, through universities and their incubators, and through other business support agencies throughout Austria. For example, the incubators tech2b in Upper Austria or build! In Carinthia spread information on Go Silicon Valley among their communities. Ads in newspapers are rarely used.

### 4.2. The process of application and assessment of applications

There is a multi-step selection procedure by a US-based jury/committee consisting of industry experts and financing experts including for instance business angels and incubator CEOs (three jury members in 2017).

As a **first step**, following an annual call, an application is to be submitted in English language by e-mail and includes a registration form (two pages) and an executive summary of the case. The executive summary includes, amongst others, descriptions of the product's or innovation's competitive advantage and the problem it solves, current users or clients, the market opportunities seen, the (possible) funding sources, a financial forecast of costs and revenues, and the people/team involved. The summary extends to a few pages only.

As a **second step**, pre-selected applicants are required to participate in an information and pitching workshop in Austria, which is held approximately two months after the application deadline. At the workshop, the companies present their business ideas to the jury/committee. For 2017, approximately 40 candidates proposed their business ideas and plans. The US-based jury committee ensures that the products or services actually fit to where the Silicon Valley community is strong at. In general, scalability is an important criterion.

A few days after the workshop the jury/committee selects and announces the winners. There are a maximum number of possible participants which was initially set at 11 in 2016 and 2017 respectively. However, in 2017, 14 companies were selected.

Selected companies have to re-confirm their interest and participation within 10 days and a three-month time slot is then finally agreed with the selected companies (not all selected companies can go to the Silicon Valley accelerator at the same time). Furthermore, all participants are invited to a pre-departure workshop which shall help to define aims and preparatory activities. Also, once selected for the programme the administrative registration fee of € 500 needs to be paid by the company.

### 4.3. Delivery mechanism of the measure

Basically the services and support are directly delivered by the host business accelerators in Silicon Valley. These include the:

- Plug & Play Tech Center;
- Founders Space; and
- GSVlabs.

Their usual assistance services, expertise and contacts are used and the costs are covered by the Austrian programme budget. The same principle applies to additional individual US mentors or experts.

The Los Angeles office of the foreign trade organisation Advantage Austria (which is an organisational part of the Austrian Federal Economic Chamber) is assisting participating Austrian companies during their stay in Silicon Valley and they hold entry, progress and exit meetings with them on a monthly basis to define and monitor achievements. Furthermore, participating companies

need to file a brief progress report to the Los Angeles branch on a monthly basis. From 2017 onwards it is planned to assist participants from another branch located in San Francisco.

#### **4.4. Administration of the measure**

Go Silicon Valley is managed by the foreign trade organisation (Advantage Austria) of the Austrian Federal Economic Chamber and its headquarters in Austria. The headquarters in Austria are mainly in charge of raising awareness of the initiative in Austria and attracting interested companies to apply. They are organising the application process in Austria. Management and administration on-site in the US is provided by their local offices as explained above. The LA and San Francisco offices are also in charge of maintaining and developing partnerships with US accelerators and other partners.

### **5. Monitoring and evaluation**

#### **5.1. Monitoring of the implementation and take-up of the measure: method and contents**

The Los Angeles and San Francisco branches of the Austrian Federal Economic Chamber are monitoring progress of each participating company on the basis of monthly meetings and mandatory activity reports to be submitted by the companies. This is mainly about contacts and possible agreements made. At the end of each stay there is a final feedback meeting and a feedback questionnaire to be completed by the company.

There are no specific quantified targets to be achieved.

A questionnaire is sent to participants on a regular basis to follow them up after the end of the programme. There is also an alumni club of participants, organised by the programme managers, with regular meetings. This is used to track and get some information about the further development of programme participants. However, only some of the previous participants show up regularly.

Every two years there is report from the Chamber (as administrators) to the ministry, but that report is not made public.

#### **5.2. Evaluation of the measure: methods and contents**

There is no comprehensive formal evaluation of the measure.

In 2012, the Austrian Federal Economic Chamber won the first prize when it submitted Go Silicon Valley to the ‘TPO Network Award - Excellence in Export Development Initiatives’ of the International Trade Centre (ITC) as a [best practice example](#) of trade promotion programmes.

#### **5.3. Any changes to the content or delivery of the measure following monitoring and evaluation**

N/a.

### **6. Evidence of outcomes and impact**

#### **6.1. Evolution of the measure’s spending**

The budget of the measure has remained unchanged in nominal terms over time.

#### **6.2. The quantitative and qualitative outcomes of the measure**

In the period from 2010 to 2016, 106 Austrian SMEs participated in the programme. Thereof, 20 companies established a branch, joint venture, or subsidiary in the US mainly to market their products



there. Another eight Austrian companies received investments mainly (but not only) by US investors. Some companies have been bought and taken over completely, for example one by McKinsey and another one by Cisco.

### **6.3. Impact of the measure on its beneficiaries and other actors**

In general, learning and a change of mind-set is seen as the major positive effect on participating companies. At the end of their stay in the US approximately 90% of participants state that it had a significant learning effect. More specifically, companies get lots of feedback during their stay which helps them to adapt and improve their business plans and how to ‘pitch’. They also quickly get an overview of who is working on similar solutions. All this may often result in tangible outcomes and better market success at later stages. The learning effect is actually seen to also spread over to other companies in the Austrian ICT business community once participants return to Austria, for example, through joint project development.

In terms of cooperation effects, by way of example, the Vienna-based software firm [opvizor](#), which participated in the programme in 2014, established cooperation with two US investors and together with them founded a new joint company in Houston. This also resulted in additional jobs at the Vienna headquarters. Overall, the CEO of [opvizor](#) established 250 contacts within the three month period.

The participant [Tapkey](#) also highlights new useful contacts as the main effect of programme participation although they could not find an investor. The Vienna-based start-up [Scarletred](#) and the Linz-based company [Rudy Games](#) reported a similar experience in relation to a significant networking effect.

Another programme participant, the firm [expressflow](#), benefited mainly from a learning effect in terms of how to develop new products in a more open and collaborative way. This helped them in a more indirect way in later successful development projects in Europe.

### **6.4 Evidence of economic and employment impact**

An evaluation of the wider impact on for example value added or overall employment – that is, beyond the evidence mentioned above - has not been carried out yet.

## **7. Strengths and weaknesses of the measure**

### **7.1. Strengths of the measure**

The main strength of the measure is in establishing new contacts and partnerships between Austrian and US firms, including client relationships and investment relationships. Another strength is the learning effect the programme creates. The extended physical presence of the Austrian participants in the hot spot of Silicon Valley and the use of first-hand local expertise makes it much more effective than networking programmes which operate over the distance.

A strength of the application process in Austria is that US experts are involved as a jury already at that stage which ensures selection of suitable participants.

### **7.2. Weaknesses of the measure**

One weakness is the fact that since the outset the measure’s budget remained unchanged in nominal terms. Because of increasing costs (of accelerators, mentors etc.) funds are actually decreasing in real terms. In particular, this limits possibilities to further refine the measure, for example by including more accelerators in Silicon Valley and raising the service level.

A potential weakness of the measure may be seen in the phenomenon of ‘flipping’: if an Austrian SME is successful in finding a (venture capital) investor in the US this could lead to eventually moving or relocating the firm’s headquarters or some core functions from Austria to the US. However,

up to now there is not much evidence that this has actually occurred. Those companies which set up branches or subsidiaries in the US have usually kept their technology development functions in Austria. The main reason is that labour costs of IT experts are way higher in Silicon Valley than in Austria.

### **7.3. Evidence of policy learning over time**

The Go Silicon Valley initiative has triggered similar programmes in other target regions, for example the Go Tel Aviv initiative and a programme targeting Hong Kong. A programme for Sao Paulo is being planned. This underlines the transferability of the model to other target regions. A precondition for transferability is to find strong cooperation partners from the local eco-systems.

It has also been learned that such kind of programmes need to be focused and tailored. It has been learned that Silicon Valley is suitable for specific firms and innovations but less for others. The same for incubators: They have specific strengths and weaknesses and care needs to be taken to ensure a perfect fit between the company and the incubator.

If more budget became available for the initiative, they would invest in increasing quality of services (for example additional accelerators) rather than in raising the number of participants.

## **8. Recommendations**

### **8.1. Overall recommendations regarding the measure**

To keep or even increase the quality of the services offered through accelerators and mentors in the US and to further differentiate and tailor services to different needs there would be a need to constantly raise the funds available. This is also required because similar initiation programmes of other European countries operate in Silicon Valley, too. So there is a certain competition for market entry there and the quality of support can be decisive.

Furthermore, a broader network of different US-based mentors would be beneficial to increase the quality of the programme.

The programme could also be enriched by offering participation in other coworking spaces (beyond those of the dedicated accelerators) abroad.

However, additional budget would not be spent for increasing the number of participating Austrian companies per year. There are not more than 10-20 companies per year with a ‘Silicon Valley potential’.

### **8.2. Recommendations on the national support system for SME/born globals’ internationalisation**

- Expanding the exchange programme ‘Erasmus for Entrepreneurs’
- Start-up centres of universities should have a more international orientation and approach
- The availability of business angels and venture capital needs to be improved in Austria

### **8.3. Any gaps in the provision of policy support and suggestions**

A gap is seen in the provision of support in terms of infrastructure abroad, for example co-working spaces in foreign countries. These could increase the networking effect.

Another gap is seen in access to risk capital and financing for Austrian born globals, especially poor availability of business angels and venture capital. Often the bottleneck is found in the commercialisation phase of an innovation rather than in technological development.

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**All Eurofound publications are available at [www.eurofound.europa.eu](http://www.eurofound.europa.eu)**

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