Future of manufacturing

Start Alliance – Internationalisation policy measure (Germany)

Born globals and their value chains

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Contents

1. Context

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

Start Alliance was initiated by [Berlin Partner for Business and Technology](#), a local business and technology support agency (see section 4.4). The measure is part of the wider support portfolio of Berlin Partner, focusing on promoting start-ups and business growth in general. The measure started in 2015 with its very first event in Tel Aviv. The main rationale was to create a business exchange programme which targets and connects geographic **'technology hubs'** rather than whole countries and which is based on reciprocity rather than being one-directional. This is why the programme focuses on selected cities, all of which can offer outstanding eco-systems and interesting markets to foreign start-ups.

1.2. The process of developing the measure

The programme was developed by Berlin Partner for Business and Technology with a group of experts from the private sector (for example, from incubators) and, in particular, on the basis of a survey to Berlin-based start-ups carried out in 2015. For this participatory process, Berlin Partner was able to take advantage of its large existing network of companies and science organisations. The main purpose of the survey was to identify the most interesting hubs/cities from the viewpoint of Berlin's start-ups; the result of this being: Tel Aviv, New York, Shanghai, Paris and London.

The next step was to negotiate agreements – of a written and formal nature - with relevant institutions/service providers of the identified partner cities. This would include, for example, the most important (private or public) local incubators, business agencies and work space providers. The programme always involves city administrations and public development agencies as key implementation partners.

1.3. Any changes in policy context over time

There were no major changes so far. Start Alliance has changed from public run Berlin Partner für Wirtschaft und Technologie to its private holding entity named Partner for Berlin Holding Gesellschaft für Hauptstadtmarketing mbH. This change was done in order to make quicker decisions and to be able to also create revenue streams.

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

The programme does not overlap but complements the 'German Accelerator' programme', which also helps German start-ups entering foreign markets (with a focus on the USA and South-East Asia) through missions abroad, including for instance the provision of an office space, networking, mentoring, etc. However, many other German internationalisation support programmes are rather complementary; for instance, they can be used to provide financial support to companies participating in Start Alliance missions.

2. Content

2.1. Objectives of the measure

The main goal of Start Alliance Berlin is to speed up the internationalisation and scaling-up of start-up businesses. More specifically, the goal is to help businesses entering (new) markets, developing international relations and collaborations, achieving scaling effects, adapting their business models to

international requirements, and raising international capital for research and development. These goals have not been translated into specific quantitative targets for the measure.

The programme also aims to assist large corporations with scouting of innovation opportunities and finding partners for innovation projects among start-ups.

2.2. General description of the measure

The goals shall be achieved through an exchange programme based on an enhanced partnership model between major cities in the world. As of 2017 the cities include Berlin, New York, Tel Aviv, Shanghai, London, and Paris. The innovative feature of the measure is the reciprocity of the missions, which take the shape of exchanges between the involved cities.

More specifically, **start-ups** from these cities can benefit from the following services:

- Joining **group programmes/missions** to the cities. The duration of the missions is one to four weeks (depending on the region) and participating start-ups get connected to the local industry ecosystem. The service may include a free office space; access to relevant start-up events; pitch training; meeting with accelerators, venture capitalists and universities; and mentoring or coaching, among others. Missions are often organised around relevant major conferences taking place in the city and conference participation or exhibition space is included in the package. The number of participants (group size) ranges from 5 to 20 people. Some of the missions are targeted at specific sectors or industries. The specific services depend on the host city and may be different for each mission. For each city there should be at least one mission per year. There are several missions to Berlin per year.
- Getting **free office space in international coworking spaces** in the partner cities for up to two months, and access to excellent start-up networks/communities.

Large companies (corporations, such as for example Airbnb or Deutsche Bahn) can team up with Start Alliance to: help funding and mentoring start-ups, develop accelerator programmes, and get deep insights and access into the start-up communities and ecosystems of each partner city. Start Alliance offers these corporations scouting trips to every partner city using its good network connections, so to familiarise them with local players, start-ups and cultural specificities. For example, Deutsche Bahn participated in a scouting trip to Tel Aviv where they found a start-up offering an innovative obstacle detection system for railways.

The cities target different industries and this focus may change over time. Each city's focus areas are briefly presented on the programme's website. For example, Paris focuses on the sharing economy, Internet of Things, Artificial Intelligence and big data.

2.3. Available budget

A significant part of the core budget for the management of the programme is provided by private sector partners. A few selected activities are also co-sponsored by the city of Berlin, as they are promoting Berlin's tech scene at global level.

Based on the principle of reciprocity, the host cities provide their services as in-kind contributions. In addition, partner cities also pay a small management fee to Start Alliance Berlin.

Participating start-ups cover their own travel and accommodation expenses related to the exchanges. Corporate partners like Airbnb may offer services like vouchers for accommodation.

2.4. Target groups of the measure

The programme targets start-ups:

- based in one of the participating partner cities,
- which are beyond the idea/prototype stage and have successfully launched in their domestic market, and
- with a scalable product or service.

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2

There are no precise eligibility criteria though. The majority of participating companies is only a few years old and their size usually ranges from five to 20 staff. There are also a few larger SMEs - with up to 100 persons employed - among the participants.

Large companies/corporations can participate as strategic partners as described above.

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

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

The programme is mainly used by companies that are planning to go international for the first time: approximately 80% of programme participants are not yet internationalised, while 20% are already internationalised firms which seek to further expand their international activities.

The programme is relevant for many types of internationalisation, including exporting of goods or services, foreign investments, licensing and so on. Given the industry focus of most of the cities (see section 2.2), the export of IT services is probably among the most important modes of internationalisation within the programme.

Another key form of internationalisation is cross-border investments. Start-ups can raise equity from foreign (strategic) investors or develop joint ventures with foreign partners (see also section 3.3).

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

Fostering international collaboration is central to the programme due to its exchange nature. Participants meet and get into contact with the relevant community in the partner city.

The programme also creates and enhances international cooperation between cities and municipal institutions (see sections 1.2 and 2.2).

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

The main support need addressed by the programme is the offer of a network of relevant key players and business contacts in the foreign target market. For example, the programme offers access to investors whom young and small start-ups cannot reach out otherwise. This in turn helps start-ups tackling their need for finance. The programme provides access to strategic investors who do not only offer money but also help in shaping the company's market strategy and facilitate market access by providing contacts to clients and partners and giving advice. Next to investors, potential foreign clients certainly constitute another important group of business contacts offered through the programme.

4. The operation of the measure

4.1. Promotion of the measure to internationalising businesses

The main channels to promote the programme among the target group are:
- Being represented and informing about the programme at various events relevant to the start-up community, for example the 'startupnight';
- Through the programme's public and corporate partners (for instance, partners disseminate information through their newsletters, websites and own events);
- Through social media; and

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3

- The dedicated Start Alliance website, providing all relevant information about the programme, including application procedures.

Promotion activities in partner cities are done by the relevant local partner organisations.

4.2. The process of application and assessment of applications

Applications for both group missions as well as individual stays in co-working spaces can be submitted via a common online application tool. For group missions there is an application deadline (usually approximately one month prior to the mission), while applications for individual stays can be sent any time. The application includes a profile of the business and a description of the motivations and intentions related to the exchange. The selection of candidates is done in cooperation by the sending and the receiving cities. In particular, the receiving city (that is, the strategic partners there) assesses whether or not the candidate fits the planned programme and interests of the local community. These selection procedures are rather informal and non-bureaucratic. Decisions are taken within a few weeks.

4.3. Delivery mechanism of the measure

Both types of services – group missions and individual stays - are delivered/provided by the receiving cities. They develop and organise the group missions and make the office space available to foreign start-ups.

4.4. Administration of the measure

The central programme coordinator is Partner für Berlin, a private entity owned by 300 private sector partners (companies). Berlin Partner for Business and Technology as the official economic development agency for Berlin has initiated and designed the programme. The organisational work of setting up cooperation agreements with foreign partner cities, organising the application tool and procedure, and run the joint programme website is done by Partner für Berlin.

There are one or more partner organisations in each of the other cities. The partner organisation in Shanghai, for example, is Shanghai Invest. The partner organisation in New York is the Office of Brooklyn Borough President. These are responsible for collaboration with additional local partners.

5. Monitoring and evaluation

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

There is a satisfaction survey among participating start-ups after each exchange.

Furthermore, three Key Performance Indicators (KPIs) have been defined which are monitored by Berlin Partner on a semi-annual basis. The three KPIs include:

- Jobs created;
- Investments made; and
- Funds acquired for research and development.

Information on the target and realised values of the KPIs has not been disclosed.

5.2. Evaluation of the measure: methods and contents

There was no evaluation of the measure and, as of 2017, there are no plans to conduct any evaluations.

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

There have not been any major changes so far as the programme is relatively young.

Please see section 8.1 for information on the planned changes and improvements foreseen for the programme.

6. Evidence of outcomes and impact

6.1. Evolution of the measure's spending

No information available.

6.2. The quantitative and qualitative outcomes of the measure

The number of group missions foreseen for 2017 is 10. In 2016, there were five group missions – one to Paris, one to New York, one to Shanghai and two to Tel Aviv. As mentioned in section 2.2, the number of participants per mission is between 5 and 20 (precise information on the total number of participants per year is not available).

According to media articles (Vertical Media GmbH 2016a and 2016b), participating companies usually report about valuable contacts they made through the programme (with investors, clients, innovation partners etc.).

Data on the three KPIs mentioned above have not been disclosed.

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

The most widespread effect for beneficiaries is a learning effect. The exchanges are a test bed for the products and services of the participating start-ups. They learn what they need to improve or change to make their products more successful and suitable for the market. According to the interviewee, 80% of the programme participants confirm a learning effect. Concrete, tangible cooperation emerges for approximately 10% of programme participants.

6.4 Evidence of economic and employment impact

Data on the three KPIs mentioned above have not been disclosed.

7. Strengths and weaknesses of the measure

7.1. Strengths of the measure

A main strength of the programme is that it is based on mutuality and reciprocity. One city offers assistance and support services to foreign start-ups in exchange for similar assistance and support provided by another city. The exchange missions are organised by local partners in the receiving city, using all their knowledge of the local eco-system, rather than by support organisations of the sending city.

Because of its strong focus on networking the measure is particularly useful for young and small firms, which still have to develop their networks and get known in their communities.

Another strength of the programme is its straightforward application procedure and limited red tape when compared to traditional public support programmes.

7.2. Weaknesses of the measure

There are three areas of improvement: The first one is that partner cities show different levels of initiative and activity. Some partner cities need to be motivated to organise missions, better promote the programme etc. The second issue is that most exchange activities involve Berlin either as the receiving or as the sending city. In other words, missions organised in cities other than Berlin are rarely attended by start-ups from cities other than Berlin. There should be more exchanges between Berlin's partner cities to make it a real network of cities. Thirdly, the budget to run and expand the programme is quite limited.

7.3. Evidence of policy learning over time

There are three takeaways from the programme implementation so far:

- It is important to start the initiative with partners from the private sector and involve the public sector (authorities) at a later stage. This allows to get started much quicker and then makes it is easier to convince authorities to participate.
- Programmes should be designed from bottom up: the target community needs to be involved to ensure the programme really meets their needs.
- Setting up, developing and maintaining the network is very time consuming and more resources need to be committed to this task.

In general, the programme can be transferred or expanded to other countries or regions. However, cities should be large enough to offer a critical mass of relevant and interested start-ups as participants. Cities and their entrepreneurial eco-systems also need to be attractive for each other to avoid that only one-way traffic happens in exchanges between cities.

8. Recommendations

8.1. Overall recommendations regarding the measure

There are two recommendations/plans for the near future:

- Direct exchanges of start-ups between Berlin's partner cities – that is, exchanges not involving Berlin – need to be encouraged.
- Start Alliance Berlin intends to further enlarge the network of participating cities. In particular, Vienna, Beijing, Warsaw and Dubai are going to join the network from 2018. The Vienna Business Agency will be the central partner organisation in Vienna.

8.2. Recommendations on the national support system for SME/BG internationalisation

The following recommendations regarding the overall support system have been mentioned:

- The transparency of the system of support initiatives needs to be improved. It is difficult for small companies to get an overview of what is available in terms of support.
- Application procedures of many public support programmes are quite complex and involve a lot of red tape. These procedures should be simplified.
- The same holds for reporting requirements for beneficiaries; these requirements should be simplified.

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

See section 8.2.

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6

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All Eurofound publications are available at www.eurofound.europa.eu

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