

GREECE'S STARTUP ECOSYSTEM

A PRIME OPPORTUNITY FOR ECONOMIC GROWTH



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INTRODUCTION

GREECE IS EMERGING AS a hub for innovative startups. Helping to fuel this transformation is EquiFund, a platform established by the European Investment Fund. EquiFund expects to provide Greek startups with up to €1 billion for early-stage and growth-stage funding by 2022; about €260 million has already been committed for this purpose. This infusion of capital will embolden growing startups and help investors fund young companies with high potential.

Although capital is a catalyst for growth, a sustainable startup ecosystem requires more than investor interest. Large enterprises can play a critical role in nurturing the startup ecosystem by partnering in product development and funding mentoring programs. Collaboration among universities and government agencies can provide growing startups with a competitive edge.

In this report, we examine the current obstacles to boosting entrepreneurship and building equity in Greek startups, including limited access to the right talent, undeveloped collaborative networks, and still a largely unfriendly business environment and market structure.

To overcome these challenges and create a sustainable startup ecosystem, Greece needs a new paradigm. Host-Up Greece is a combination of a bold vision, legislative actions, and innovation-inducing initiatives intended to fuel Greece's startup engine. This platform would be sponsored by the government, private sector, and academia. Based in an innovation district in Athens, it will drive key reform actions to make the ecosystem happen.

Four pillars support a structural foundation for Host-Up Greece: a collaborative innovation network, a business environment that is conducive to growth, the right talent, and sustainable funding.

In this report, we outline strategies and actions for large corporations, government officials, academic institutions, and entrepreneurs. These strategies and actions can encourage competition and innovation as well as demonstrate Greece's capacity to host and grow Greek and international startups. We also provide examples of international programs that have helped countries such as Ireland and Portugal convert cities into sought-after startup destinations. In short, Host-Up Greece is a model for change that can boost the momentum of Greece's startup ecosystem and contribute to its sustainable growth.

GREECE'S STARTUP ECOSYSTEM

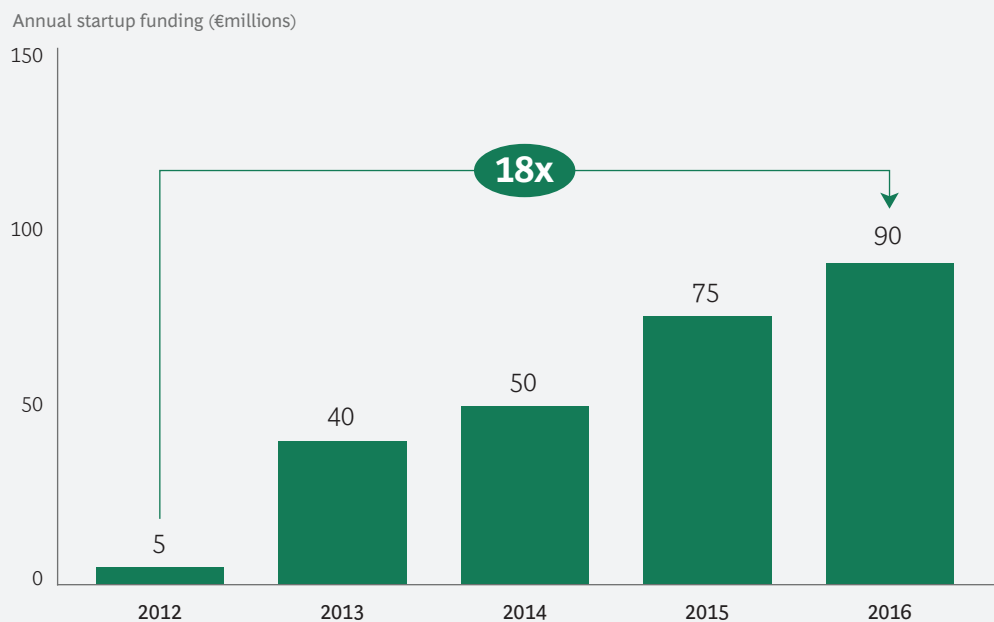
A SNAPSHOT

EVER SINCE THE ANCIENT Greeks established powerful trading colonies along the coast of the Mediterranean Sea, the country has encouraged entrepreneurship. Greece is continuing its tradition of supporting companies with high growth potential with Equi-Fund, an investment platform established by the Ministry of Economy and Development and the European Investment Fund. This initiative anticipates pouring up to €1 billion

into Greek startups through intermediary venture capital (VC) and private equity funds and is expected to cover the majority of funding for Greece's startup community in the midterm.

That's good news for entrepreneurs, and it's not all. More than €250 million has been invested in Greek startups since 2012. (See Exhibit 1.) Foreign investors have acquired ma-

EXHIBIT 1 | Investment in Greek Startups Is on the Rise



Sources: Starttech Ventures; Marathon Venture Capital; OECD; ECVA/Invest Europe; BCG analysis.

majority stakes in startups (for example, Delivery Hero has invested in e-food.gr, Samsung in Innoetics, and Daimler in Taxibeat). Four Greeks were in the 2017 edition of Forbes 30 Under 30, an annual list of youthful visionaries, and two Greeks made the 2018 list.

Additionally, incubators, such as Corallia, the EGG, iQbility, and Orange Grove, are supporting startups in high-potential industries with seed funding, strategic partnerships, and business innovation clusters. Coworking spaces, such as the Cube, Found.ation, and Impact Hub Athens, are enabling entrepreneurs to network and collaborate in affordable offices. Meanwhile, VC groups, including Venture-Friends, Marathon Venture Capital, and NBG Business Seeds, are accelerating startup growth with early-stage funding.

Buoyed by this support, startups can play a pivotal role in Greece’s economic recovery. They can attract more foreign investment, lure highly skilled talent, and recast struggling cities as epicenters of innovation just as their peers in other countries have done or are doing. For example, startups in Switzerland raised €772 million (or 0.14% of GDP) in 2016—mostly from foreign investors.¹ Startups in Lisbon are attracting talent from abroad and helping the city reclaim its cool factor among European cities. And although Israel’s startup brain trust has long attracted foreign investment, the 2017 acquisition of Mobileye by Intel for US\$15 billion took it to a new level.

complementary partnerships with established companies. Startups are adept at tapping into new market demands and designing innovative products, and corporations can scale operations for mass manufacturing and product distribution. (See Exhibit 2.)

The time has come to rev Greece’s startup engine. The health and activity of the country’s entrepreneurial ecosystem is improving after a decade-old debt crisis. Nearly two-thirds of Greeks believe that entrepreneurship is a smart career choice.² And investment initiatives, such as EquiFund, are boosting entrepreneurship and building equity in Greek startups.

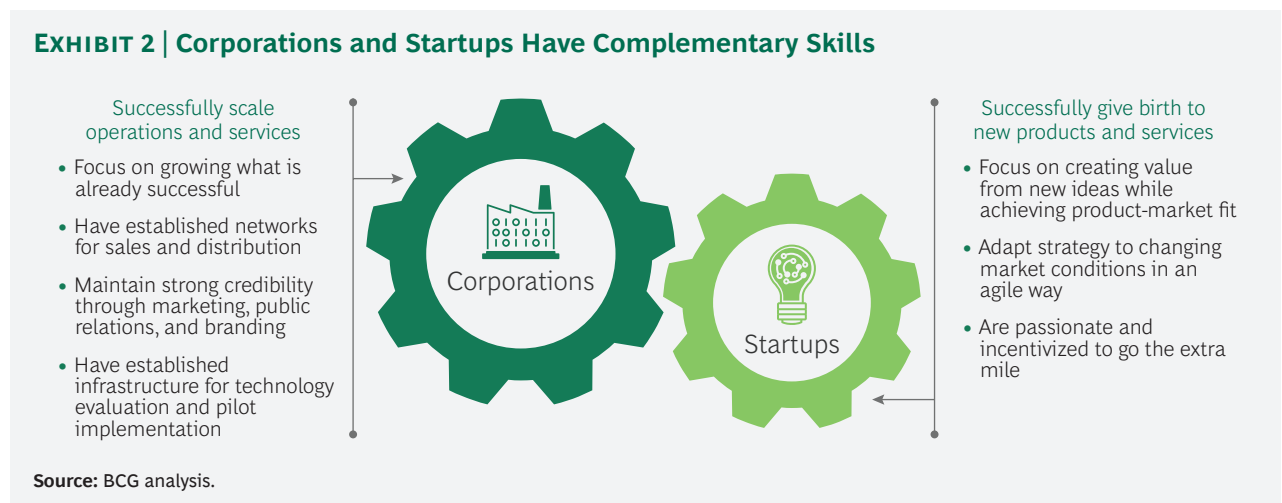
Seizing this unique opportunity requires addressing significant obstacles, such as limited collaboration among the key actors and unfavorable business conditions. Yet with a bold vision for sustainable change, legislative actions, and innovative initiatives, an alliance of government officials, large corporations, and academic institutions can ensure that Greece’s startup ecosystem thrives.

NOTES

1. See *Swiss Venture Capital Report*, startupticker.ch, Edition No 5, January 2017. As of December 25, 2017, CHF 908.7 equaled €772.3.

2. See *Global Report 2017/18*, Global Entrepreneurship Monitor, 2018.

Startups can also increase the global competitiveness of existing industries by forming



STARTUPS FACE LONG ODDS

A COMBINATION OF FACTORS MAKES Greece a favorable location for startup activity and investment. The country has a highly educated talent pool: 25% of 25-to-64-year-olds have a bachelor's degree (the OECD average is 16%), with 25% holding a science, technology, engineering, or mathematics degree (the OECD average is 22%).¹ Situated at the crossroads of Europe, Asia, and Africa, Greece is surrounded by major markets, and it is part of the European Union's €15 trillion market.² It also has excellent living conditions: mild temperatures, a low crime rate, and affordable housing.

Despite these favorable conditions and multiple sources of support, including funding, Greece's nascent startup scene faces important challenges. Government agencies, large corporations, and universities must act now to address them in order for Greece to achieve steady, sustainable growth to its startup ecosystem.

Limited Access to the Right Talent. Despite the high number of science, technology, engineering, and math graduates, 59% of Greek employers are unable to find suitable talent.³ The tight labor market stems from a mass exodus of at least 420,000 young graduates since 2008,⁴ as well as a shortage of workers with training in high-demand fields, such as software development. Publicly funded universities aren't providing students

with specialized training courses on entrepreneurship—a missed opportunity to teach potential founders how to launch, fund, and operate a successful startup—and large corporations rarely offer internships.

Underdeveloped Collaborative Networks. A lack of institutional support and limited government incentives continue to discourage corporations, universities, and startups from investing in and collaborating on R&D. Case in point: when compared with the average R&D investment across countries in the European Union, Greece's R&D investment is 76% less; in addition, only 40% of the country's R&D investments are made by corporations. Without corporate R&D spending and greater collaboration among companies, universities, and startups, opportunities for R&D spinoffs and early-stage product development will continue to dwindle.

An Unfriendly Business Environment and Market Structure. Greece's highly restrictive product and service market regulations can impede economic progress and stifle technological innovation. In fact, Greece is 67th in the World Bank's 2018 ease-of-doing-business rankings—the lowest among OECD members. An example of a difficulty that Greek businesses encounter is the time required to resolve a commercial dispute in court: it takes, on average, 53 months, compared with 19 months in other OECD member coun-

tries.⁵ Barriers to entry, pricing restrictions, and state monopolies can also create heavy competition distortions in the local market. The result is a small economic structure that discourages the creation of large, globally competitive corporations with the capacity to innovate and export. A report published by the European Commission estimates that Greece exports about 33% less, largely because of institutional barriers.⁶ Also noteworthy is that although exports currently represent 30% of GDP (the euro area average is 44%), high value-added manufactured goods represent a small share; about one-third of exports are oil re-exports that have very little value added domestically.

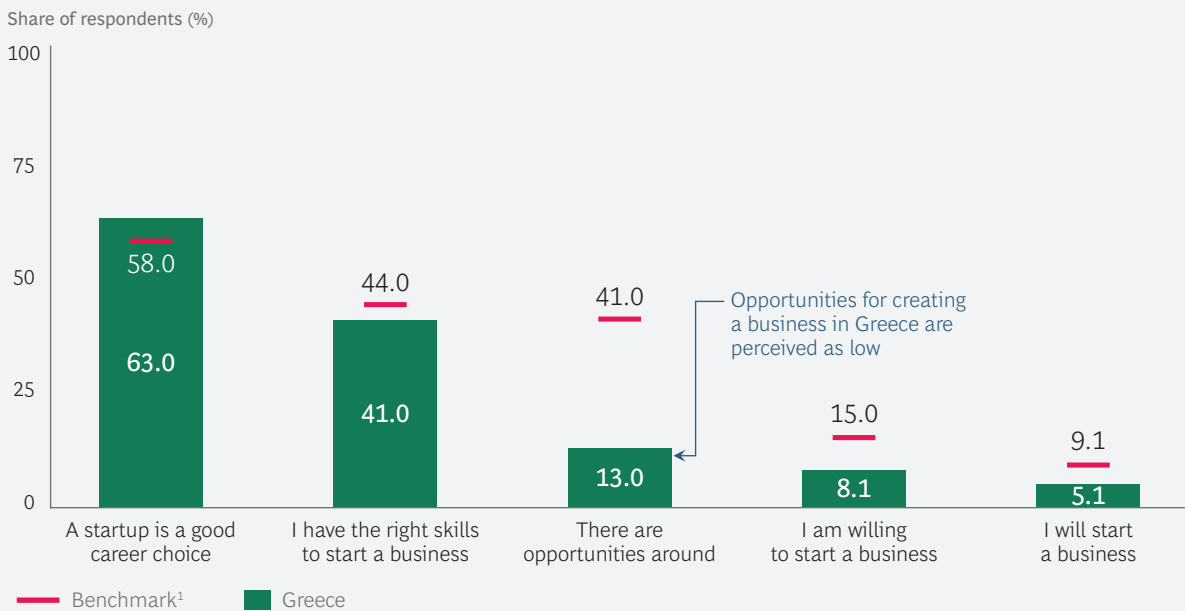
Fear of Failure. Studies show that fear of failure is preventing Greek citizens from setting up new businesses.⁷ Cultural factors are partly to blame. Because Greece’s rigid education system does not actively teach entrepreneurship and the societal stigma of failure is great, young graduates and workers generally consider careers and jobs that are less risky than starting a new business. However, Greek bankruptcy laws also make closing a business a costly and time-consuming endeavor; in some cases, it is punitive,

without any second-chance provisions. The result? According to a survey of prospective entrepreneurs, a scant 13% of respondents perceived opportunities to launch a startup,⁸ compared with 41% of those in innovation-driven economies, such as Portugal’s. (See Exhibit 3.)

NOTES

1. See *Education at a Glance 2017: OECD Indicators*, Country Note–Greece, OECD, 2017.
2. See “Share of Member States in EU GDP,” Eurostat, October 4, 2017.
3. See 2016–2017 Talent Shortage Survey, ManpowerGroup, October 16, 2016.
4. See *Economic Bulletin Number 43*, Bank of Greece, July 2016, refers to 2008-2013.
5. See *Doing Business 2018: Reforming to Create Jobs*, World Bank Group, 2017.
6. See *The Puzzle of the Missing Greek Exports*, European Commission, 2014.
7. See *Global Report 2017/18*, Global Entrepreneurship Monitor, 2018.
8. See *Global Report 2017/18*, Global Entrepreneurship Monitor, 2018. The survey was based on a representative sample of 18-to-64-year-olds.

EXHIBIT 3 | Fear of Failure Discourages Potential Founders from Creating Startups



Sources: Global Entrepreneurship Monitor; BCG analysis.

¹The benchmark reflects the responses of survey participants in innovation-driven countries, including France, Germany, Israel, Portugal, and the US.

HOST-UP GREECE

A BOLD VISION FOR GREECE'S STARTUP ECOSYSTEM

SUCCESSING IN TODAY'S FAST-PACED and competitive world of startup ecosystems requires a bold vision, careful planning, and widespread support. Our vision is Host-Up Greece—a new paradigm for a startup ecosystem. The overarching goal of Host-Up Greece is to help the country establish a structural foundation for a startup ecosystem that can host and grow national and international startups in the near and long terms. Such a foundation requires the resources and knowledge of corporations, government agencies, universities, venture capitalists, incubators, and entrepreneurs.

The four pillars of this structural foundation are the following:

- **A collaborative innovation network**, which consists of large enterprises, academic institutions, and startups working together to further innovation
- **A business environment that is conducive to growth**, which helps entrepreneurs quickly and easily set up, operate, and close a startup, as well as provides fiscal incentives designed to accelerate startup growth
- **The right talent**, which consists of highly educated and competitively priced talent with specialized skills that are aligned with current market needs

- **Sustainable funding**, which is continuous access to capital that enables startups to grow and succeed over the long term











By bringing stakeholders together to build this foundation, Greece can create a shift in how organizations collaborate, governments legislate, employees work, and startups receive funding. These pillars are underpinned by several strategies for sustainable ecosystem growth.

Create a Collaborative Innovation Network

Collaboration is critical to ensuring that startups have access to the necessary resources, whether those are specialized ones, such as subject matter experts, or practical ones, such as office space and support. By implementing five strategies, Greece can encourage government agencies, business teams, university groups, and entrepreneurs to work together to further innovation. (See Exhibit 4.)

Launch a private, independent research fund. Unlike university R&D funds, which are typically for academic initiatives, an independent research fund, financed primarily by corporations, can direct funding to commercially viable projects. The result can be increased R&D activity and collaboration among corporate investors, universities, and startups. In addition to enabling advance-

EXHIBIT 4 | Five Strategies Can Further Innovation

		BEST PRACTICE ¹
	Launch a private, independent research fund	
	Develop a global networking program to promote mentoring, investment, and collaboration	
	Revamp university entrepreneurship centers	
	Design and develop local innovation districts	
	Entice anchor tenants to innovation districts with incentives	

Source: BCG analysis.

¹Countries that have the best practice for these strategies.

ments in areas such as science and technology, an independent fund could support larger, international projects, as well as encourage greater cooperation among public universities and world-leading institutions.

An example of such a fund is the Stifterverband, a joint initiative started by German corporations and foundations. The Stifterverband provides close to €35 million annually to academic institutions and collaborates with local businesses to address challenges in higher education, science, and innovation.

Private funds can be complemented by government support, a model that has worked in several countries to kick-start private investment. A relevant example is that of Israel. Since the early 1990s, the Israel Innovation Authority has been providing government guarantees for private investments in segments where the cost of risk was too high for private investors. More recently, in February 2018, the Innovation Authority also announced that it would provide loan guarantees to startups. In each case, the initiative was directed toward reducing the risk of research and entrepreneurship for local private stakeholders and increasing collaboration among them.

Develop a global networking program to promote mentoring, investment, and collaboration. A global networking program that provides mentoring—teaching startups how to grow their business, avoid common pitfalls, navigate a complex regulatory environment, and identify new market opportunities—is critical to fostering innovation and a vibrant ecosystem. The networking program should also connect entrepreneurs with potential investors from around the world and help with practical matters, such as providing coworking spaces.

Many international networking programs begin as smaller, country-based initiatives. Singapore, for example, created a government agency to focus on promoting the growth of startups. Today, Spring Singapore helps entrepreneurs network with small and midsize enterprises (SMEs), corporations, research institutes, and universities. In 2016, startups collaborated with research institutes and universities on more than 400 projects.

The agency also helps startups with funding. In 2016, more than 30,000 startups and SMEs participated in one-on-one interactions with one or more investors. The agency also earmarked €8 million for direct investment in

16 startups, a move that attracted €21 million in additional funding.

Greece could take a similar path and develop a global networking program by working with existing country-based initiatives. OpenCoffee Club, for example, organizes informal in-person meetings for entrepreneurs and investors in Greece.

The Costa initiative is another example of a country-based effort to foster greater collaboration among corporations and startups. Launched in 2016 in the Netherlands, it recently united Shell, Asml, Akzo Nobel, ING, Philips, and 11 other Dutch corporations in a joint agreement to partner with at least 300 startups by May 2018. Costa also plans to provide tools that support these partnerships. One such tool is the Corporate Startup Readiness Tool that gauges a corporation's preparedness to collaborate with a startup.

Around the world, waves of entrepreneurship have revitalized major cities.

Revamp university entrepreneurship centers. Greece's young adults with tertiary education degrees have been significantly impacted by the country's financial crisis and face the lowest employment rates of all European Union countries at 55% (the EU average is 81%). By revamping on-campus entrepreneurship programs and centers, universities can reverse this trend by better preparing young adults to join a startup, connecting them with relevant opportunities at startups, or helping them launch businesses of their own.

To date, universities have primarily focused on organizing events for potential entrepreneurs and offering support services, such as legal aid. However, universities can better foster entrepreneurship in several ways. For example, the Center for Entrepreneurial Studies at Stanford Graduate School of Business helps students develop and test new ideas for commercialization, hosts lectures and networking sessions, and provides shared access

to workspaces. Other initiatives could include holding startup competitions, organizing visits to startups, and establishing entrepreneur-in-residence programs. Large corporations can also foster entrepreneurship by working with universities to create internship programs, offer training sessions, and sponsor innovative student projects.

Design and develop local innovation districts. Startup ecosystems flourish when companies, research centers, and startups are in proximity to each other. Consider, for example, the role that technology companies, major universities (such as Stanford and Berkeley), venture capitalists, and startups played in building Silicon Valley.

Around the world, waves of entrepreneurship have not only boosted collaboration and accelerated the pace of innovation but also revitalized major cities. The innovation district 22@Barcelona, for instance, was built on about 500 acres of neglected industrial land. Since 2000, more than 3,500 businesses (including Indra, one of the leading technology companies in Spain) and 100,000 employees have moved to the area.

Sometimes such districts start naturally: large enterprises that have a footprint in an area act as magnets, attracting startups with complementary products and services. Other times, innovation districts are the result of collaboration between the private and public sectors. No matter how a startup district comes about, though, the key is for stakeholders to work together to repurpose a particular area while securing commitments from anchor tenants, such as companies, academic institutions, and incubators.

Entice anchor tenants to innovation districts with incentives. When foreign companies and academic institutions establish offices, facilities, or campuses in an innovation district and lend brand name recognition, other foreign organizations soon do the same. Greece could entice such tenants by offering incentives.

Consider Israel's efforts, for example. It cut its corporate tax rate and is now home to more than 300 R&D centers, many of which

are operated by international companies such as Apple, eBay, Google, HP, IBM, Intel, and Microsoft. Ireland took a similar approach. In 2003, the country instituted a low corporate tax rate of 12.5%, a 25% credit on R&D expenditures, and favorable IP regulations. US corporations seized the opportunity: Google and eBay established substantial operations in the country in 2004, Amazon followed in 2005, and Facebook and Microsoft set up shop in 2008 and 2010, respectively.

Greece should follow suit and offer incentives to attract foreign corporations and universities. These efforts must be targeted, though. Greece should focus on its highly competitive industries, including tourism, shipping, and energy, to convince relevant organizations (such as hospitality company Airbnb and renewable energy provider SolarCity) to set up R&D, testing, and pilot facilities. Tesla has already set up an R&D center in Athens that is led by Greek colleagues of Elon Musk. To attract more companies that are making an impact, the corporate tax reforms must not only favor foreign companies but also compete

with incentives that are being offered around the world.

Build a Business Environment That Is Conducive to Growth

Startup-friendly tax policies and regulations are fundamental to generating economic growth and driving greater competitiveness. Yet cumbersome tax requirements and regulations are still in place. Targeted tax reforms, regulatory changes, and incentives can help increase business investment throughout all stages of a startup's development. (See Exhibit 5.) Although many reforms and incentives may initially entail a small cost for the Greek government, in the long term they can have a positive impact on the Greek economy and government revenue.

Reform existing tax policies to incentivize startup development. A number of reforms to tax policy can spur startup growth. For example, reducing social security contributions for startups in their early years can lower costs and stimulate investment in R&D

EXHIBIT 5 | Six Ways Greece Can Boost Economic Growth

		BEST PRACTICE ¹
	Reform existing tax policies to incentivize startup development	
	Develop incentive packages to attract and retain talent	
	Incentivize angel investment	
	Ease regulations to promote growth in high-potential segments	
	Overhaul the IP support network and revamp bankruptcy laws	
	Establish an online one-stop shop for government interactions	

Source: BCG analysis.

Note: IP = intellectual property.

¹Countries that have the best practice for these areas.

and talent recruitment. Social security exemptions could be allowed for foreign residents who are board directors and shareholders and who own more than 3% of a startup; the same could apply to foreign residents who have social security coverage in their country of residence.

Revamping R&D tax credits can also boost investment in R&D activities. One approach could be to offer R&D cash grants for up to 30% of an investment and allow losses to be carried forward for up to ten years.

Another tax policy reform: simplifying accounting and tax payment requirements to ease startups' liquidity constraints. For example, the government could allow corporate taxes and the value-added tax (VAT) to be calculated using cash-basis accounting. In this way, businesses pay the VAT on sales when they receive cash, as opposed to prepaying it, and then reclaim the VAT on purchases when they pay a supplier.

Tax policies can encourage greater investment in Greece while preventing brain drain.

Still other tax reforms can include introducing a corporate income tax reprieve for startups, which can spur the reinvestment of profits; providing capital subsidies for startups, which can stimulate the recruitment and training of local talent; and increasing tax breaks for revenue generated from intellectual property (IP), which can encourage further IP development and stir competition in the startup ecosystem.

The British government is fueling its startup engine with generous tax incentives such as these. Incentive schemes include giving private investors an income tax credit of up to 50% or £150,000 of their investments. Companies large and small can take advantage of tax credits that offset the high costs of R&D. And a cash accounting scheme for the VAT lets businesses pay it on sales after receipt of payment and reclaim it on purchases.

Develop incentive packages to attract and retain talent. Incentive packages and personal income tax policies that benefit Greek residents and expatriates alike can encourage greater investment in Greece and its startup ecosystem while preventing brain drain. Such policy reforms could include:

- **Providing Expatriates with Tax Incentives.** Tax incentives could encourage expatriates to return and invest their talent and expertise in the Greek economy. An example incentive is a 15% flat income tax on domestic income for ten years. Another is a ten-year exemption of 50% on an expatriate's remuneration earned in Greece if that income exceeds €100,000 a year or a five-year exemption of 20% on a person's remuneration or €8,550 (whichever is less). Some exclusions could apply. For example, incentives could be given irrespective of a person's domicile status, but not granted if a person was a tax resident of Greece for three out of the five years prior to filing for the incentive.
- **Reforming Tax Policy on Employee Stock Options.** Greece could set up a two-tier stock option system that creates a separate category of stock options specifically for employees. Under this system, the sale of employee stock options would not be taxed as income but as a capital gain, for which the rate is 15%. However, employees must hold the options for more than one year from date of exercise or more than two years from date of grant.
- **Expanding the Golden Visa Program to Include Founders and Startup Employees.** Greece could amend its golden visa program so that startup founders and employees who are not residents of the European Union can obtain a Greek residency permit that is valid as long as the person is working for a startup. Greece could also extend the visa program to include the immediate family members of startup founders and employees.

Cyprus is attracting top tech talent—and achieving notable startup success—with a series of incentives, including a fast-track visa

program with a clear path to citizenship and personal tax exemptions for expatriates and new residents.

Incentivize angel investment. By implementing incentives for angel investors, Greece can help increase the availability of funding and mentoring. Such incentives could include an income tax deduction of 50% on investment income up to €100,000 per tax year on qualifying shares; tax provisions for each stage of an investment that acknowledge the high risk for individual investors (these could be similar to Britain’s Enterprise Investment Scheme and Seed Enterprise Investment Scheme); or a policy that allows investors to carry losses forward for ten years for tax purposes.

Ease regulations to promote growth in high-potential segments. By introducing new regulations—or by relaxing existing ones—that govern emerging technologies, Greece can stimulate R&D activity and growth in high-potential areas, including the following:

- **Unmanned Aerial Vehicles.** Unmanned aerial vehicles, or drones, can be used for deliveries, advertising, agriculture, photography, and land surveys with some limitations. Greece could boost growth in this area by relaxing the operational limitations, allowing operators to fly drones beyond their sight and to fly larger drones (ones that weigh more than 25 kilograms, for example) in selected zones.
- **Autonomous Vehicles.** Greece could permit autonomous vehicle trials on public roads provided that companies share their test data with the government.
- **Hydrogen and Electric Vehicles.** The country could allow local authorities, health trusts, fire brigades, police forces, and private companies to bid for funding to build hydrogen and electric vehicles.

Creating a watchdog group to identify emerging industries and the regulatory barriers that hinder them could help promote growth of high-potential segments.

Overhaul the IP support network and revamp bankruptcy laws. Greece’s intellectual proper-

ty (IP) framework has been a pain point for both universities and startups. A lack of a structured patent scheme has prevented universities from successfully engaging in technology transfers. Additionally, entrepreneurs have been forced to engage with patent agents that lack the scientific background necessary to understand their technology.

Improving the IP support network in two ways can not only help startups better secure their IP but also allow universities to fully engage in the technology transfer process. First, the job qualifications for patent examiners should include specialized experience applying engineering or scientific principles or a graduate degree in topics relevant to the patents the candidate will be reviewing.

Improving the IP support network can help startups better secure their IP.

Second, the government should fully implement the recently passed law 4512/2018 regarding patent agents. Article 124 defines the terms and conditions of the certification of an IP-training organization and the content and duration of the relevant basic IP education programs and training.

At the same time, the government should revamp its bankruptcy laws. The fear of failure has plagued the Greek business landscape for the past decade. The negative repercussions that result from declaring bankruptcy often deter entrepreneurs from starting a new business. Revamping bankruptcy regulations can ease the process of launching and dissolving a startup, thereby encouraging greater entrepreneurship. To this end, Greece could take three steps:

- Fully implement the new bankruptcy legislation. Law 4446/2016 provides a “second chance” to debtors by fully discharging debtor from debts, including debts to the state, if the debtor has not acted in bad faith and has been declared

excusable. It delineates a clear benchmark for declaring a company bankrupt and clearly places the time to agree on a reorganization plan. The law ensures bankrupt entities with insufficient funds for the bankruptcy procedure are stricken from the registry and immediately placed into liquidation proceedings. And it addresses related tax issues, as well as empowers the trustee to move faster with the sale of the bankrupt estate once the support of the creditors is secured.

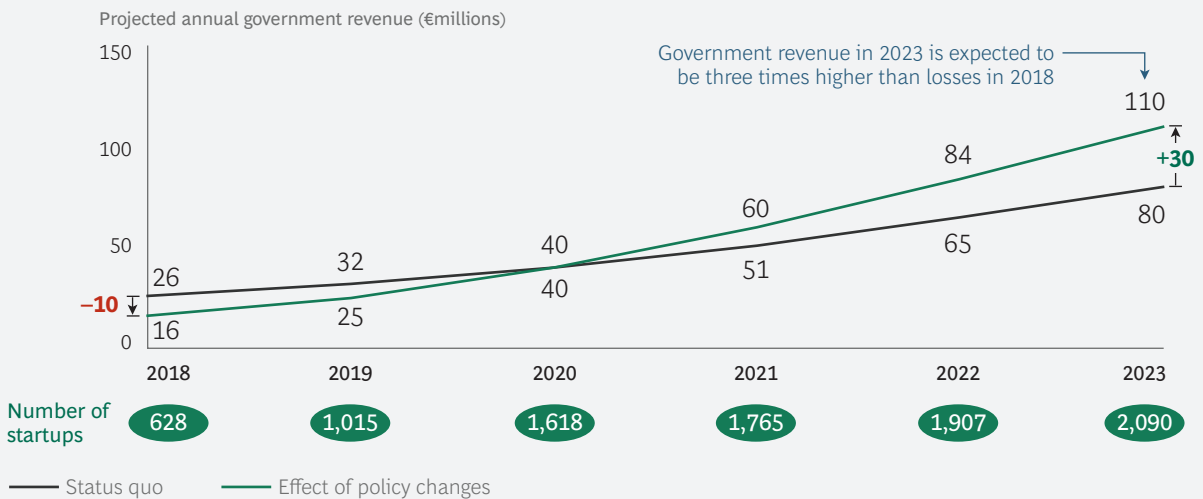
- Introduce regulations for the insolvency profession to cover areas such as qualifications, examinations, supervision, training, a code of conduct, liability and insurance, and a sanctioning regime.
- Optimize and promote out-of-court debt restructuring by creating a simple process tailored for small and midsize enterprises and startups if their main debts are to banks or the state.

- Online legal templates that can be downloaded in English and Greek
- Guidelines and forms for all standard transactions (including incorporations, the sale of shares and the increase of capital, articles of association, and convertible notes)
- A service (a single government office, for example) to advise potential founders on which documents to fill out and how to select a legal entity for their business
- The ability to electronically file all legal documents necessary to form a legal entity and conduct business in Greece
- Troubleshooting services for all startup transactions with the government
- A dedicated hotline and email service to answer entrepreneurs' questions and solve bottlenecks in the filing process

Establish an online one-stop shop for government interactions. A government-run, one-stop shop can make it easier to start and run a new business, as it would provide a single portal for business and government to interact, accelerate the business formation process, and provide quick and clear guidance for entrepreneurs. The one-stop shop should offer the following:

Reforms and incentives can create a positive net fiscal impact. Although many of these policy-related initiatives can at first come at a small cost to the Greek government, our analysis shows that the net fiscal impact of these changes will be overwhelmingly positive within four years and will help create more than 1,600 startups and more than 15,500 new jobs. (See Exhibit 6.)

EXHIBIT 6 | The Fiscal Impact of Policy Changes Is Positive Within Four Years



Source: BCG analysis.

Recruit the Right Talent

Despite its highly educated talent pool, Greece's students and its workforce could significantly benefit from professional development opportunities that provide candidates with hands-on startup experience or specialized training (in coding and software development, for example). We envision four strategies to enrich Greece's startup workforce. (See Exhibit 7.)

Enhance internship and fellowship opportunities. With less than one-quarter of students completing internship programs, Greek universities must work with corporations and public agencies to promote greater participation. Making internship programs eligible for academic credit is one way universities and organizations can raise enrollment rates. Another is to create an online portal that lets students easily apply for internship positions. Many universities, such as Italy's Bocconi University, guide students on how to apply for an internship and provide them with accreditation for completing a program.

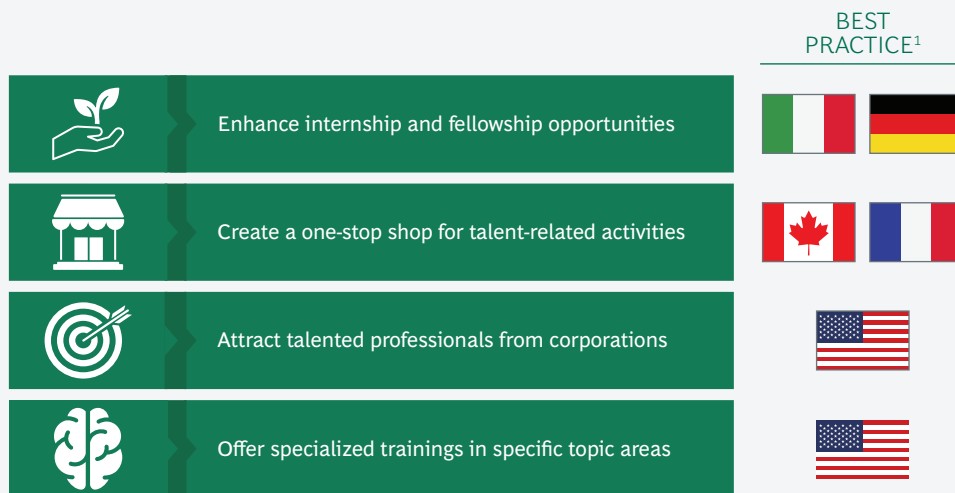
Germany is a good example of a country where internship programs work. Internships are available as early as the seventh grade, and their goal is to help students develop professional skills before entering the workforce. Most German companies offer internships to students on a paid or volunteer basis. Stu-

dents can identify internship opportunities through universities' online platforms, company websites, and government employment sites. Internships that last longer than three months and are not part of a student's curriculum must pay at least minimum wage, as dictated by the law of minimum wages.

Create a one-stop shop for talent-related activities. Navigating the startup world can be a time-consuming and confusing process. An online compendium of resources can ease the process by providing job seekers with links to educational seminars; contact information for startups, founders, VCs, and angel investors; and dates for upcoming recruiting events. The Canadian initiative Built in MTL, for instance, offers visitors one-click access to the websites of top startups, as well as listings for coworking spaces, events, and job postings.

Attract talented professionals from corporations. To recruit talent from large enterprises, Greek startups must take a page from their US counterparts and offer perks, such as profit sharing, continuing education, family benefits, and flexible work arrangements. Transparency is also important: posting detailed job descriptions and salary information on a startup's website can reduce applicants' uncertainty and highlight the benefits of working for a young company (such as

EXHIBIT 7 | Implementing Four Strategies Can Enrich the Startup Workforce



Source: BCG analysis.

¹Countries that have the best practice for these strategies.

greater upward mobility and the opportunity to work with cutting-edge technologies).

US job site AngelList, for example, lets candidates browse positions by location, role, market, technology, and salary without their employer's knowledge. Visitors can obtain details on compensation, job description, and company size with the click of a mouse. By offering greater transparency into growing companies, AngelList makes it easier and less stressful for job seekers to join a startup.

Access to ongoing funding is critical to a sustainable startup ecosystem.

Offer specialized trainings in specific topic areas. Today's startups require workers with specialized skill sets in areas such as software development and mobile technology. To address this high demand, organizations (such as Found.ation and Tech Talent School) and universities (including the Athens University of Economics and Business) are teaching people the skills needed to compete in a digital era. But corporations must also step up to advance these efforts. Offering seminars about fields such as mobile app development, where demand for workers is high; working with universities to create certification programs; and sending representatives to participate in training centers are all ways corporations can improve the value and accessibility of specialized skills training.

Ensure Sustainable Funding

Access to adequate and ongoing funding is critical to a sustainable startup ecosystem. One of Greece's largest sources of funding is expected to be EquiFund. The fund is expected to provide a total of €1 billion. The European Investment Fund and the National Strategic Reference Framework (NSRF) have already committed €260 million.

EquiFund will cover three key areas of investment: research and innovation, early stage,

and growth stage. By directly linking startups with investors, EquiFund aims to:

- Fill specific gaps (such as those for angel investors and secondary funds) in the investor value chain
- Incentivize general partners to invest in early-stage and growth-stage startups by providing access to cheap capital
- Create a track record that attracts the trust and funds of private investors
- Raise global awareness of Greece's private equity and venture capital segments
- Provide funding to private equity and venture capital firms to invest in early-stage and growth-stage startups

Although EquiFund can unlock equity potential in the Greek market, and local banks will gradually play a greater role as the financial industry restructures, alternative sources of capital are also critical to addressing a wide variety of capital requirements.

- **Hellenic Development Bank.** Scheduled to open mid-2018, the Hellenic Development Bank will offer Greek startups access to debt financing through special loan products, such as innovation grants, growth capital, standard loans, and direct investment.
- **Corporate Venture Capital.** Startups with high growth potential can receive financial support and mentoring from a partner organization in exchange for equity.
- **Equity Crowdfunding.** Individuals invest in an early-stage, unlisted company in exchange for shares. In addition to funding, startups can gain free media exposure: Pebble Technology's customizable watch made headlines after the company raised US\$10 million in 37 days through Kickstarter. Other popular online crowdfunding platforms include Razoo, Indiegogo, and Patreon.
- **National Strategic Reference Framework.** In addition to supporting Equi-

Fund, Greece's NSRF has approved programs totaling €19 billion from 2014 through 2020. Funds will be distributed across 13 administrative regions in a wide variety of industries, such as manufacturing, tourism, energy, and agriculture.

- **Innovative Corporate Arrangements.** Although the public sector plays an important role in supporting Greece's startup ecosystem, large corporations must also create a vision for the country's startup scene. Corporate incubators can provide office space, business skills

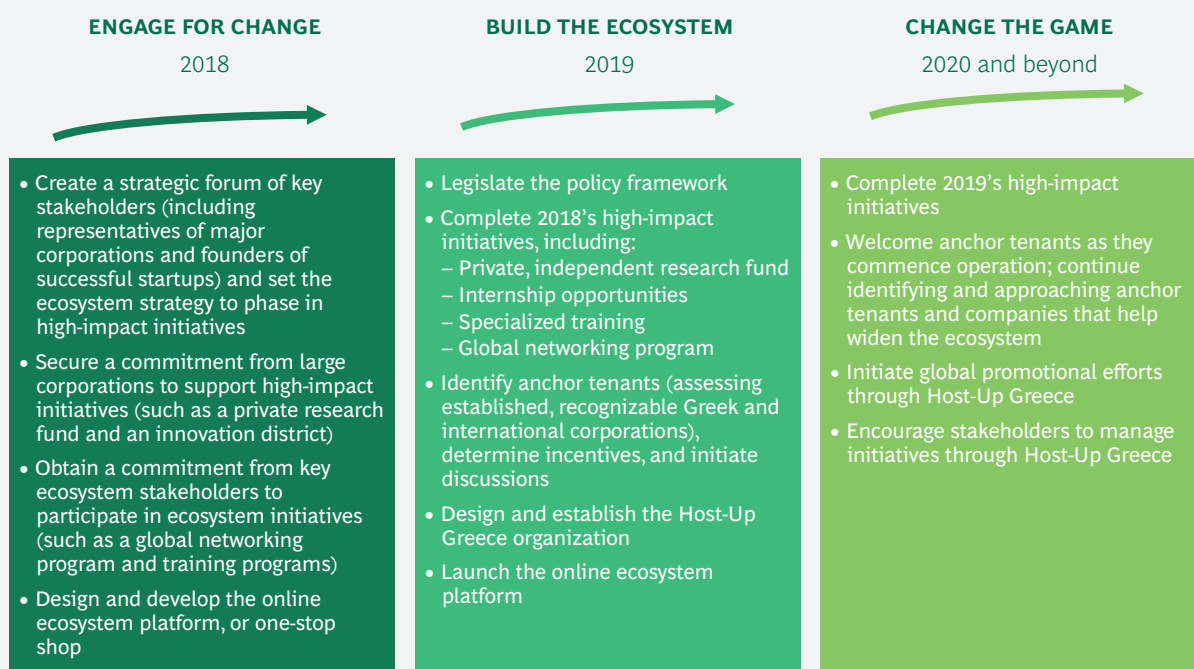
training, and management support in exchange for a small percentage of equity. Corporate accelerators can offer mentoring and facilitate innovation, transitioning startups from the concept phase into fully formed businesses. More strategic partnerships, such as agreements to provide venture capital, enable startups with high growth potential to reach new markets and fill intellectual property gaps. High-impact initiatives, such as establishing a research fund or innovation district, could be steered by a consortium of large corporations.

HOW TO MAKE IT HAPPEN

KNOWING THE STRATEGIES AND actions that it takes to create a sustainable startup ecosystem is one thing. Making it happen is another. Drafting a roadmap with realistic milestones is the first important step. With careful planning over a period of three years, Greece can progress from engaging for change to building the ecosystem to changing the game. (See Exhibit 8.)

The second crucial step in making it happen is establishing a dedicated Host-Up Greece organization. (See Exhibit 9.) Inspired by the Greek tradition of hospitality and dedicated to nurturing and supporting Greece’s startup ecosystem, this organization would be responsible for driving innovative initiatives, coordinating networking activities and developing synergies between large corporations

EXHIBIT 8 | A Roadmap for Implementing a Startup Ecosystem



Source: BCG analysis.

EXHIBIT 9 | A Host-Up Greece Organization Can Nurture and Support the Ecosystem



Source: BCG analysis.

and startups, and promoting awareness of Greece's startup ecosystem internationally. The organization can also work domestically to emphasize the importance of regulatory and legislative changes in areas such as tax reform and investment incentives.

Consider the example of Portugal, where StartUP Portugal has helped establish nearly 600 startups in 12 months and grow a national network of incubators to 121 members. Similarly, Startup Estonia's team of incubators, accelerators, and entrepreneurs has reduced regulatory hurdles for startups and attracted foreign investors. A not-for-profit public-private partnership, StartupDelta, is turning the Netherlands into a hotbed of entrepreneurship by improving access to talent, venture capital, networks, knowledge, and markets. Its strategies include opening up public procurement to startups, linking startups to important European Union resources, supporting academic startups, and addressing shortages in tech talent.

The third step is investing in three core yet high-potential industries. Our research shows that travel and tourism, shipping and logistics, and cleantech and energy are primed for new technology developments. By building on the existing competitive advantages of these industries with innovations in areas such as artificial intelligence and fintech, Greek startups

have an opportunity to expand and gain first-mover advantage in up-and-coming areas. Although diversified, Greece's startup ecosystem has primarily focused on local business opportunities. Collaboration with these industries could help Greece's startup ecosystem to compete internationally.

Three core yet high-potential industries are primed for new technology developments.

- Travel and Tourism.** The travel and tourism industry is a significant contributor to Greece's GDP and is responsible for almost one-quarter of the country's total employment. Since the financial crisis, tourist arrivals to the country have nearly doubled to 28 million, while tourist receipts have increased by 27%.¹ However, an overdependence on intermediaries for promotion and distribution could jeopardize the quality of Greece's tourism industry and generate revenue leakage. Fortunately, startups such as blueground, which offers high-quality accommodations for executives, and hopwave, an online cruise-booking provider, are reinvigorating Greece's

tourism industry with up-scale offerings and innovative customer experiences.

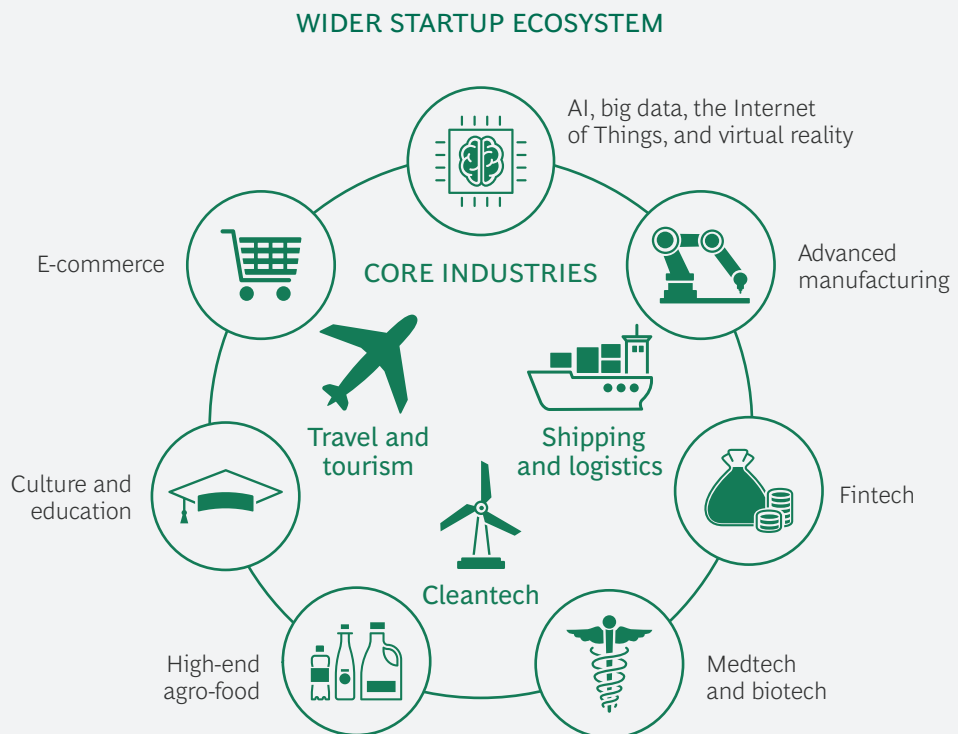
- Shipping and Logistics.** Historically a maritime nation, Greece accounts for almost half of the total EU merchant fleet, with more than 4,500 vessels. The Port of Piraeus ranks eighth in terms of volume, with the second-highest increase in container movements in Europe since 2007. Future plans for the port include developing an integrated warehousing and distribution network, as well as connecting the port with the rest of Europe. Greek startups are uniquely positioned to tap into this lucrative market by embracing digital technology. A prime example is VesselBot, a Greek-Cypriot startup that has developed an artificial intelligence-powered digital-chartering marketplace for bulk shipping.
- Cleantech and Energy.** In 2016, 31% of Greece’s electricity was produced through renewable energy. At the same time,

developments in intercontinental natural gas transportation are increasing Greece’s profile as a powerful energy hub. The result is an opportunity for Greek startups to foster relevant technological innovation in areas such as cleantech. Startup Brite Solar, for example, developed a third-generation dye-sensitized solar cell for greenhouse applications.

These industries are complemented by a wider ecosystem made up of advanced manufacturing technologies, artificial intelligence, big data, the Internet of Things, virtual reality, and fintech, among others that also provide an opportunity for competitive and sustainable startup growth. (See Exhibit 10.)

GREECE’S startup ecosystem is growing. At this pivotal point, the EquiFund investment platform will help advance the ecosystem further by addressing funding needs for startups over the next five years. Also encouraging greater entrepreneurship is Greece’s

EXHIBIT 10 | Core Industries Are Complemented by a Wider Ecosystem



Source: BCG analysis.
Note: AI = artificial intelligence. Advanced manufacturing refers to Industry 4.0.

healthy venture capital community, new co-working spaces, and thriving incubators.

But sustaining this momentum and accelerating the ecosystem's growth requires a new framework that is built on greater collaboration among government officials, corporations, universities, investors, and entrepreneurs. The vision for Host-Up Greece provides a structural foundation for stimulating and sustaining the startup ecosystem's growth. Change is never easy, and new policies can

come at a small cost to the Greek government. But the impact of Host-Up Greece will ultimately deliver positive economic results and showcase the country's unique talent, history of hospitality, and drive for innovation.

NOTE

1. Bank of Greece.

FOR FURTHER READING

The Boston Consulting Group publishes many articles and reports that may be of interest to senior leaders. Examples include the following.

Learning to Love (or Live with) the Sharing Economy

An article by The Boston Consulting Group, September 2017

Hopping Aboard the Sharing Economy

An article by The Boston Consulting Group, August 2017

Why Startups Don't Bid on Government Contracts

A Focus by The Boston Consulting Group, August 2017

What Deep-Tech Startups Want from Corporate Partners

An article by The Boston Consulting Group, April 2017

NOTE TO THE READER

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