

# Recommendations on the Start-up and Scale-up Strategy

March 14, 2025

## General Remarks

- BDI welcomes the initiative of Commissioner Zaharieva to develop an EU start-up and scale-up strategy that improves the framework conditions for start-ups and scale-ups in Europe, as outlined in her mission letter. The strategy must interact closely with the European Innovation Act, whereby there should be no additional bureaucratic burden. Additionally, BDI supports Ms Zaharieva's intends to include a gender dimension, deploying all available instruments to support women innovators. That notwithstanding, only a close coordination and cooperation with the services of Commissioner Sejourné with regard to SME and Mid-Caps will realize a full potential.
- BDI welcomes the initiative to propose a European start-up and scale-up strategy. The BDI welcomes the initiative to harmonize existing regulations and strengthen venture capital for start-ups and scale-ups. It is important that no new bureaucratic processes are created where costs and benefits are not in an acceptable relationship with each other. A European Innovation Act and European Research Area Act must be closely interlinked with the start-up and scale-up strategy.
- Start-ups and scale-ups are important players in the European ecosystem, with the potential to deliver disruptive innovations that are crucial for technological sovereignty. Especially tech start-ups provide new impetus for the innovation ecosystem. However, they are facing many hurdles on the way to introducing these innovations, most of which are correctly underlined in the call for evidence. These hurdles, as outlined in this document, should be addressed by the EU start-up and scale-up strategy. When developing the strategy, it is important to consider start-ups and scale-ups as part of the European innovation ecosystem and to account for the role of other actors (including SME, mid-caps and corporates) in sustaining and developing innovations introduced by start-ups.
- Europe's fragmented Single Market imposes a distinct competitive disadvantage on start-ups, obstructing their ability to scale by rapidly deploying transformative technologies such as AI to the market. Start-ups and scale-ups particularly suffer due to disproportionate regulatory compliance costs, complicated national tax frameworks, and stringent size-dependent regulations.

This scenario compels many European start-ups to seek more favourable market conditions in the US, exacerbating Europe's innovation gap. To reverse this trend and bolster Europe's global competitiveness, policy interventions should prioritize market harmonization, significantly reducing complexity for growing businesses and enabling rapid, cross-border expansion.

- The strategy should take into account the differences between B2B and B2C start-ups. In particular, B2B start-ups depend on cooperation with established companies to provide them with products and solutions. This cooperation can be beneficial for the incumbents, but it can also mean that some of the risk inherent in the activities of start-ups is transferred to the established companies. Start-up and scale-up strategy should focus on facilitating a smooth cooperation process are therefore crucial for the development of the ecosystem, as not only start-ups, but also mid-cap and large companies can benefit from it.

## Financing

- Start-ups in Europe often face major challenges in acquiring financial resources. Especially in the case of tech start-ups, the critical phase is the development of the ideas for the later market introduction, which requires high financing volumes over a long period of time. In particular for deep tech and AI start-ups dedicated investment instruments that take into account the unique capital requirements of scaling compute infrastructure to compete globally. At this stage European venture capital is essential to avoid companies moving abroad. Several European initiatives, including the European Tech Champions Initiative and EIC STEP Scale-up scheme address this problem by focusing specifically on the scaling up phase. As suggested in the Letta Report, assess the support for the creation of a stock market in the EU for tech companies, including for Biotech and Life-Sciences. To prevent start-ups from moving abroad, these initiatives must be further developed and embedded in a holistic concept, which should include more targeted financing. Among other below-stated instruments, co-investments and matching funds can be helpful here.
- Especially in newly emerging fields of technology, such as artificial intelligence, biotech, advanced materials, start-ups provide a lot of impetus for innovation. Here the harmonization of the national and EU-initiatives is important. With the German start-up strategy from 2022, the federal government has taken important steps for start-ups, but these have only partially taken effect due to the difficult overall economic situation and could not equally address the challenges of the start-ups across industries. A consistent and long-term continuation and harmonisation with the future EU start-up and scale-up strategy is necessary here to develop the European start-up landscape. Introduction of the uniform definitions, including start-up definition, can ease the funding acquisition process and thus be crucial to fostering European cooperation and competitiveness.
- The reduction of bureaucracy is also relevant when it comes to funding programs. Many start-ups fail to get funding because of the complex application conditions. Start-ups are facing high obstacles on joining public tenders or they are excluded from public tenders as they fail to fulfil the necessary proof of operational and financial management. However, significant start-up measures for venture capital (VC) finance is ARR (annual recurring revenue) and every Euro contracted through e. g. public tenders and contract can activate a multiple of Euros by VC on funding. Furthermore, the procedures are often too bureaucratic and lengthy, so that many

start-ups cease to exist before they even receive funding. One example can be provided by the Environmental, Social & Governance (ESG) reporting, which may become important when obtaining EU-funding. Moreover, there is a great deal of bureaucracy involved in documenting and proving eligible costs. More agility, efficiency and speed are urgently needed here, both on national level and European level. Resources should be assigned to increase the efficiency and reaction of the system, specifically, entirely digital processes should be prioritized.

- Last but not least, completing the Capital Markets Union (CMU) or Savings and Investment Union (SIU) is crucial for unlocking Europe's full investment potential and reducing reliance on bank lending. A deeper and more integrated capital market would help improve access to finance, particularly for start-ups, scale-ups, and high-growth companies. Mobilizing institutional investors like pension funds is key to securing stable, long-term financing for strategic investments. Targeted regulatory adjustments (e. g., simplifying securitization rules, harmonizing Insolvency rules, certain tax measures / incentives, possible revision of CRR und Solvency II) should incentivize capital allocation to productive investments in innovation and industry, while ensuring financial stability and prudent risk management.

## Technology Transfer

- European countries have a strong tradition of basic research. However, the transfer of scientific knowledge to the market is not perfect. The EU's start-up and scale-up strategy should consider the development and acquisition of entrepreneurial talent. As proposed in the report of the EIC Expert Group (EIC 2022), specialised programmes focusing on the provision of entrepreneurial skills and bridging the gap between academic research and entrepreneurial application need to be created. These programmes can be targeted at scientists involved in EIC-funded projects or at a wider audience of potential entrepreneurs from Member States. Talent programs should also intensify the possibilities of exchange programs for researchers and innovators between member states.
- Despite the progressive vision behind Germany's EXIST Start-up Factories, Europe's start-up environment continues to suffer from fragmentation due to dispersed, unfocused support structures. Many institutions independently strive to cover every entrepreneurial and technological domain, weakening the effectiveness of the overall ecosystem. To address this inefficiency, policymakers should move toward a model resembling Station F in Paris, creating large-scale centralized clusters strategically built around Europe's existing technological and academic strengths. Such clearly defined innovation hubs would drive stronger collaboration, improved technology transfer, and higher success rates for European start-ups.
- In addition, initiatives should be taken to intensify communication between technology transfer offices in European countries to exchange best practices and skills and to enable the expansion of start-up networks. Targeted funding should be made available to the universities with strong technology transfer offices.
- Claiming IPs (e. g. Patents) is facing start-ups and scale-ups with heavy bureaucracy and financial challenges. There is more support needed to navigate start-ups and scale-ups on IP protecting process, access to finance the protection of IP and speed up the process of IP protection.

- Additionally, the process of IP transfer is highly complex, which can prevent start-ups from commercialising their innovations and make it difficult for them to collaborate with established companies. Therefore, the EU start-up and scale-up strategy should address the creation of more efficient IP transfer processes (e. g., resulting from the IP-Transfer 3.0 Initiative from SPRIND Agency in Germany). Another tool to facilitate IP transfer processes and investments is the creation of the European IP Deal Database (Bitkom 2024). IP licensing platforms, which enable cooperation between companies of all sizes through simple and fair access to intellectual property (IP) rights, must be facilitated and exempted from antitrust restrictions by means of the Block Exemption Regulation (VCI 2024).

## Strengthening the EIC

- BDI welcomes the initiative to strengthen the European Innovation Council under the start-up and scale-up strategy. The EIC is an important tool to boost support for start-ups and scale-ups in strategic fields such as quantum, AI, biotech, and advanced materials as well as open calls. However, it is also important to strengthen the ties between pre-competitive, collaborative research (e. g. current Pillar 2) and the EIC, and thus establish different transfer pathways from lab to market. In addition to the EIC, the industry-oriented Pillar 2 under the FP must also be strengthened. If Pillar 2 is to be moved under the Competitiveness Fund, certain conditions must be met. The budget for R&I should be ringfenced. A link to research, start-ups and universities should be ensured and have a clear focus on collaboration. It is essential for the EIC to further streamline application procedures, increase approval rates, and simplify project implementation processes within the EIC framework to enhance its effectiveness and accessibility.
- There is also a need for a European network in form of hubs for specific technologies, which provides an infrastructure for testing and validating prototypes. The EU start-up and scale-up strategy should address the creation of regulatory experimentation spaces and living laboratories that allow tech companies to test innovative approaches in controlled environments. Such regulatory sandboxes can help tech start-ups navigate the complex and evolving regulatory landscape while ensuring compliance with European values and regulations. European tech hubs, with the possibility of using living laboratories, could take different forms – from digital platforms to individual rooms or buildings to entire infrastructure. The EIC should improve its transparency and optimise its governance by including a broader range of stakeholders, including applied research and industry, e. g. by opening the existing EIC forum to a broader range of stakeholders. It is important that no new bureaucratic processes are created here where costs and benefits are not in an acceptable relationship with each other.

## Looking beyond a narrow horizon

- A strategy for start-ups and scale-ups can only fulfil expectations if it also takes into account interfaces with other players in the entrepreneurial ecosystem. SMEs, mid-caps and corporates are often a source of ideas and reliable clients that introduce start-ups and scale-ups to markets. It is important to recognise synergies, lower barriers and strengthen prospects for all sides.

- Those who want to strategically strengthen start-ups and scale-ups for good reasons should also keep an eye on generational change and company handovers of SME and mid-caps. Economically and socially sustainable ownership and management across generations ensures dynamic stability, competitiveness, qualification, innovation and jobs even outside of industrial centres. In Germany alone, an estimated 190,000 companies are due to be handed over by 2026, affecting around 2.4 million employees.
- Internationally competitive value creation networks are often based on differentiated industry and company structures, clusters and network structures that are subject to constant review and dynamic change. In the joint interest of competitiveness and resilience, established companies of all sizes and sectors should therefore be on the political radar just as much as start-ups and scale-ups. An EU strategy for start-ups and scale-ups should be closely coordinated and operationally implementable with the European SME strategy (COM (2020) 103 final) and forthcoming European Innovation Act and European Research Area Act.
- Public procurement should be strategically deployed as a market creation tool for European start-ups, especially in disruptive technologies such as AI. Government agencies can serve as important early customers, providing both revenue stability and practical implementation experience in regulated sectors. An EU strategy for start-ups and scale-ups should push for guidelines to ensure that start-ups, especially those with science-based innovations, have clearer pathways and equal access to procurement opportunities as established companies.

## Sources

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## Imprint

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German Lobbyregister Number R000534

EU Transparency Register: 1771817758-48

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BDI Document number: D 2064