Policy paper

Sharing of best practices in entrepreneurship support between V4 countries and Ukraine

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Project partners

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Purpose and Scope of the paper

This paper was created with the support of International Visegrad Fund Grant no. 21810563 with the purpose of sharing best practices in entrepreneurship support mechanisms from V4 countries in support of Ukraine. The aim of this collaboration was to build on the accumulated knowledge and experience in entrepreneurship and innovation support within the individual countries over the past 25 years and to encourage knowledge sharing.

The project was realized by Neulogy (SK) in partnership with Impact Foundation (PL), Civitta Ukraine (UA), Óbuda University (HU) and Jan Evangelista Purkyně University (CZ). Countries within this region share history, cultural aspects and the experience of transition from socialist states to market economies. Therefore, such regional collaboration enables for the comparison of data and findings, as well as the formulation of best practices in a context that is relevant for policy-makers. Driving innovation and entrepreneurship indeed requires a successful mix of policies and initiatives.

Several comprehensive studies and analyses on improvements in entrepreneurship and innovation environment have been made within each V4 country to this day. However, very little sharing and discussion among the V4 members have followed. Moreover, the accumulated knowledge and experience could be of great relevance for relevant stakeholders in Ukraine as a form of support in the tackling of challenges related to the development of entrepreneurship ecosystem. In order to speed up the progress in systematic support of innovation, cooperation and discussion among V4 organizations in conjunction with Ukrainian organizations are needed.

This paper, therefore, aims to (1) support productive discussions and sharing by pointing out a few best practices, pitfalls and lessons learned from each country and hence inspire the relevant stakeholders and decision-makers in Ukraine, (2) focus on case studies of local policies, university-business collaboration or the role of government in entrepreneurship and innovation support within V4 and (3) encourage formation of new partnerships between V4 organisations and Ukrainian innovation ecosystem stakeholders.

The authors of this paper acknowledge that the exact concepts and solutions described in this paper may not work in different contexts. Moreover, this is not an exhaustive and thorough economic analysis of entrepreneurship ecosystems, but rather a qualitative analysis based on expert insights and previously collected data. Therefore, the learnings were compiled into a set of key takeaways that should help the improvement of business and innovation at the regional level.
Executive Summary

The aim of this paper is to support further development of the regional entrepreneurship ecosystems in V4 countries and Ukraine. The paper is based on desk research conducted by V4 and Ukrainian partners, providing necessary expertise and understanding of their respective ecosystems. Each partner provided the most relevant case study reflecting the weaknesses, opportunities, and challenges identified by the initial qualitative analysis of the Ukrainian ecosystem.

Combining the regional expertise and findings provides a comparison of data findings and clear formulation of best practices in support mechanisms of entrepreneurship. The paper should, therefore:

1) Support knowledge transfer and motivate collaboration between V4 organizations and Ukrainian entrepreneurship ecosystem stakeholders
2) Inspire discussion and support further development of the Ukrainian entrepreneurship ecosystem

Based on the initial ecosystem analysis by the Ukrainian partner, the key weaknesses and challenges identified by the Ukrainian analysis were the lack of strategic approach towards innovation and R&D policies, limited access to later-stage capital and minimal entrepreneurship support infrastructures. The key identified strengths and opportunities were initial government commitment to support of entrepreneurship, the global mindset of starting entrepreneurs and the presence of a strong software development sector with high innovation potential.

Based on previous analyses and expert opinions, the entrepreneurship ecosystems in V4 countries shared many of strengths and weaknesses, as well as opportunities with the Ukrainian ecosystem, such as the presence of developed sectors with high innovation potential as a strength or limited access to later-stage capital and weak entrepreneurship support infrastructures as weaknesses. The case studies provided by V4 experts covered a range of topics and challenges. However, the basic concepts and key recommendations based on empiric observations could be summarised, as follows:

1) Support effective public-private collaboration

Observations from case studies suggest that the government should set transparent rules of such collaboration, enabling mutual complementation of resources and expertise, as well as ensuring mutual interest in successful implementation. Moreover, the government should provide strategic view on innovation ecosystem building with broad ecosystem engagement activities and platforms, bringing different stakeholder groups together, including businesses with limited R&D capacities or with low motivation for engagement.

Such approach could eliminate the issues arising as a result of lack of strategic view on innovation and R&D development, help to improve the strict tax & legislation and contribute to the change of societal perception of entrepreneurship. This could also provide basis for a necessary ecosystem-wide catalyst for development.

2) Public commitment should be followed by a large initial financial investment with ‘smart spending’

The government, as well as regional authorities, should provide strategic commitment along with necessary initial funding for development of entrepreneurship. The funding schemes should have independent evaluation,
clear focus and strategic approach with professional expertise. Based on evidence from provided case studies, the most successful projects:

→ Focus on skills development and continuous learning by doing in entrepreneurship
→ Start with small scale pilots with smaller funding, followed by larger scale projects with necessary adjustments
→ Create platforms for stakeholder engagement and cooperation
→ Build on strengths and opportunities of the local ecosystem, such as strong software development sector in Ukraine

This should minimise the risk of resources being allocated to projects which are prone to fail or have a low impact on ecosystem development. The public funding can also supplement private funding in the critical stage of the innovation cycle. Moreover, it builds on existing and emerging opportunities and thus public funding could provide the necessary stimulus for ecosystem development, especially as Ukrainian entrepreneurs seem to respond well to entrepreneurship education (e.g. through RadarTech or GrowthUp).

3) Foreign expertise, influence, and resources should build on existing capacities

The relevant authorities should consider involvement of foreign experts in entrepreneurship ecosystem development. As suggested in the case studies, the foreign expertise can:

→ Bring a different perspective, as well as more diverse skill set
→ Help with the ecosystem development by using the experience from other ecosystems with similar conditions
→ Be combined with local insight and expertise to deliver tailor-made, unbiased solutions

Foreign expertise could help to mitigate the risk of corruption, provide necessary expertise when it is needed and a necessary stimulus for entrepreneurship ecosystem development. The V4 countries and Ukraine benefit from sharing many aspects of their culture and economies, which is a good foundation for productive international collaborations.
Methodology

This paper was compiled based on desk research and expertise of the project partners and provides a broad qualitative analysis. The process commenced with the Ukrainian partner providing an initial analysis of the Ukrainian entrepreneurship ecosystem, identifying the main strengths and weaknesses, as well as opportunities and challenges. This initial analysis then enabled all V4 partners to identify the most relevant case study from their respective ecosystem.

Such process helped the authors ensure that the paper only contains relevant findings which match the needs of the Ukrainian ecosystem and, therefore, could be of value to the stakeholders and decision-makers in Ukraine. Furthermore, the paper is framed around the concept of 'entrepreneurship ecosystem', which reflects the fact that entrepreneurship does not arise ‘in a vacuum’ but rather as a result of mutual interactions between firms, suppliers, customers, and financiers, i.e. it arises in a wider context.

For the purposes of this paper, the entrepreneurship ecosystem framework developed by Babson College Entrepreneurship Ecosystem Program was used as a basis for assessment of the Ukrainian ecosystem. Such framing helped to identify suitable case studies for support of entrepreneurship, as it focuses on addressing the complex challenges related to entrepreneurship development and provides an exhaustive overview of entrepreneurship ecosystem components (Isenberg, 2011).

<table>
<thead>
<tr>
<th>Policy</th>
<th>Leadership, and Government (e.g. policy strategies, institutions or legislation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>Financial capital accessible to entrepreneurs (e.g. VC funds, angel investors, public capital markets)</td>
</tr>
<tr>
<td>Culture</td>
<td>Social norms and Success stories (e.g. tolerance of risks and failure, drive, a visible celebration of success stories)</td>
</tr>
<tr>
<td>Supports</td>
<td>Infrastructure, Support professions and Non-Government Institutions (e.g. incubators, tech-transfer experts, community events)</td>
</tr>
<tr>
<td>Human Capital</td>
<td>Labour and Education (e.g. serial entrepreneurs, quality of higher education, specific entrepreneurship training)</td>
</tr>
<tr>
<td>Markets</td>
<td>Early Customers and Networks (e.g. availability of first customers and reviews, engagement of multinational corporations)</td>
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The analysis of the Ukrainian ecosystem was then summarised using SWOT analysis where components of the ecosystem were considered as internal factors relevant for the ‘opportunities’ and ‘challenges’ categories. External factors were beyond the scope of this paper. Additionally, European Innovation Scoreboard (EIS) indicators were used to highlight the relative strengths and weaknesses of V4 ecosystems in the context of the EU. The EIS indicators were considered complementary to this analysis as they approximately overlap with categories of the Isenberg model.
PART 1

Entrepreneurship Ecosystem in Ukraine

This chapter provides an overview of the entrepreneurship ecosystem in Ukraine by looking at the six components of the Isenberg Model. It brings together data and outputs from previously established studies and analyses, as well as inputs from conversations with Ukrainian ecosystem leaders. The findings are then summarized into a SWOT table which includes strengths and weaknesses, as well as opportunities and challenges of the ecosystem. Each component of the ecosystem is briefly compared to the situation in V4 based on previous analysis and expert insights of the authors.
**Policy**

Over the past years, Ukraine has made efforts to improve the ease of doing business. It resulted in jumping from 112th to 76th place in Ease of Doing Business rating in 5 years\(^1\). Nevertheless, **many obstacles to starting new businesses remain**, and fundamental problems with corruption and rule of law remain major issues.

A group of reform activists and government officials at the Ministry of Economic Development and Trade and Reforms Delivery Office as well as ecosystem volunteers have created a policy paper for the digital economy and are developing documents related to the national innovation and entrepreneurship strategy (World Bank Group, 2017).

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### MAIN ISSUES IN THIS AREA

- Failing rule of law, institutional implementation of IP and business protection legislation
- SME activities, innovative or not, are not stimulated
- High levels of bureaucracy and corruption

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**Comparison with V4 countries**

The V4 countries have also traditionally experienced issues with **high levels of corruption and bureaucracy, which are quoted amongst the top 5 most problematic factors for doing business** in each country (World Economic Forum, 2017). The lack of a strategic approach towards innovation and R&D policies is also a well-known issue in V4 but has partly improved due to the adaptation of smart specialization strategies, also known as RIS 3 strategies\(^2\). They mainly focus on stimulation of SME generation and growth within areas specific to the country. However, the implementation of these strategies has been lagging in some countries or parts of the countries within V4.

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\(^1\) [http://www.doingbusiness.org/data/exploreeconomies/ukraine](http://www.doingbusiness.org/data/exploreeconomies/ukraine)

Finance

According to UVCA, 2017 has been a strong year for startup investment in Ukraine. Investment volume was at a record €235 million, and although the number of deals declined below the 5-year average, there was a significant number of growth and later-stage investments. However, ecosystem stakeholders are rather dissatisfied with the current situation. Investors cite a lack of good deal flow, whereas entrepreneurs complain about an insufficient availability of capital.

The financing ecosystem is centered around Ukrainian Venture Capital and Private Equity Association (UVCA) and Ukrainian business angel network, UAngel. Around 17 VC funds are active in Ukraine, with more than a half being domestic and focusing on early-stage deals. Additional opportunities to access capital exist through Horizon 2020 programme. However, it is a very competitive funding mechanism and there is still low awareness among startups and SMEs about it, resulting in a low participation rate.

MAIN ISSUES IN THIS AREA:

→ Angel funding figures are unknown, and the equity is usually very expensive
→ Local crowdfunding availability, platforms and awareness are lackluster
→ Ukraine, as a jurisdiction, is not attractive for foreign capital and startups depart the country
→ Growth and later-stage capital are absent in the national market
→ The small functioning financial market for public offerings and secondary deals
→ Limited expertise in running public-driven funding for entrepreneurship

More recently, local startups have completed a number of successful ICOs, and the expert pool behind them is collaborating with other interested parties on favorable terms. In September 2018, the Ukrainian National Startup Fund has been created by the government to provide grants to local startups and innovation teams. However, there are not many alternatives to the above sources of capital (East-West Digital News, 2018).

Comparison with V4

Just like Ukraine, V4 experienced a record year of startup investments in 2017 and the numbers have been exponentially increasing for a few years now. The total investments in V4 have reached more than €2.7 billion, with a year-on-year increase of 160% (Invest Europe, 2018). Poland, as a traditional V4 leader in investments, was a destination of 71% of investments in the region. The trends in VC investments have also been increasing, mainly in Hungary where around 25% of startups are funded by local VC funds (Startup Poland, 2017). There is, however, still room for improvements in later-stage capital access and general funding schemes within V4.
Culture

The topic of entrepreneurial culture in Ukraine is complex. On the one hand, non-innovative micro-entrepreneurship and self-employment are widespread, often due to taxation issues, where contracting work has a smaller burden than full employment. In recent years, startups have become popular and respected among socially active locals, predominantly millennials. On the other hand, Ukraine had suffered a negative impact of Soviet ideology which condemned capitalism and entrepreneurship.

However, one specific strength of local startups that investors cite is their global mindset. Due to a very small domestic market, innovative entrepreneurs are forced to think about the global scale from the start.

**MAIN ISSUES IN THIS AREA:**

- Low awareness of innovative entrepreneurship as a career choice and of its benefits and challenges among the general population
- Ukraine has a few startup success stories directly (Grammarly, Petcube) or indirectly (PayPayl, Whatsapp, GitLab). However, their number is insufficient to inspire local talent
- The number of successful serial entrepreneurs who remain active in Ukraine is very small
- Very low-risk acceptance and low cultural support for entrepreneurship. These are profoundly influenced by the mentality of the most economically active generations which was formed under the communist influence, thus being hostile to innovation and entrepreneurship
- Deep-tech is not an attractive field for most of the startups as they lean towards rather simplistic software and consumer models
- Local ecosystem lacks popular and professional media outlets

**Comparison with V4**

What all V4 countries share with Ukraine is the legacy of the command economy and the consequent lack of entrepreneurship culture among the general population. However, the younger generations are more open to setting up their own ventures, mainly due to the increasing number of regional 'unicorns' like Prezi, ESET or Avast attaining global success. Furthermore, the V4 countries now host a wide spectrum of popularization and awareness building events and conferences, such as Startup Weekend, CEE Startup Awards or FutureNow Conference, that celebrate and promote entrepreneurship, creating a positive perception of younger generation towards entrepreneurship.
Support Infrastructure

Recently, numerous support infrastructures have emerged for entrepreneurs, but they have yet to play a catalytic role in the innovation ecosystem. Apart from formerly active HappyFarm and WannaBiz accelerators, Ukraine boasts several corporate acceleration programmes organized by Radar Tech, open data-focused batches by 1991, and pre-acceleration programmes by Lviv Business School.

Several product development companies (Genesis, MacPaw, Conceptr), although not acknowledging publically, exhibit traits of so-called ‘venture builders’, helping internal and external teams to bring their products to market. The latter became catalysts for innovation scene development in some hotspots, through talent and methodology spill-overs, most notably Rocket Internet in Berlin.

In agriculture, for example, Agrohub aims to become a collective impact organization for AgroTech and innovation in the sector. At the moment, it focuses on startup-corporate partnerships and education. There is, however, a limited spill-over effect on the broader economy.

MAIN ISSUES IN THIS AREA:

→ Mentorship is not institutionalized in the culture and the nature of growing business, both on the mentor and the mentee sides.
→ Ecosystem stakeholders do not have productive or effective ways to cooperate and frequently compete on issues which bring collective benefits, especially those with a large-scale effect.
→ There are no ecosystem-wide catalysts either on startup building (Y Combinator, Rocket Internet) or collective action (AustrianStartups, Agrohub) sides.
→ Local accelerators have a very narrow focus and do not satisfy the needs of even the most popular areas for startups (e.g. SaaS, AI)

Comparison with V4

This component of the V4 ecosystem used to be very similar to the Ukrainian one but has seen very significant improvements. Starting ventures can now access state-, privately- or collaboratively-run incubators and accelerators. Collaborations between stakeholders have not been systematically encouraged until recently with increasing clustering of innovation support infrastructures into innovation hubs offering more complex entrepreneurship support. However, the expertise and support mainly focus on early-stage ventures but are frequently insufficient for the support of later-stage ventures, mainly in the scale-up stage.
Human capital

Ukrainian educational system produces many STEM graduates - computer sciences and AI have become very attractive for students in recent years. One of the landmarks of the economy is the software development outsourcing sector. It is a considerable GDP contributor and develops local talent. Several educational institutes (mostly private) and private initiatives offer a degree (Lviv Business School) and non-degree courses (GrowthUp, GrapeHub) on innovation, entrepreneurship, and digital transformation. Very few universities (Kyiv Polytechnic Institute, Ukrainian Catholic University, Kyiv School of Economics) offer support to entrepreneurial students; most initiatives are grass-roots or corporate-driven.

MAIN ISSUES IN THIS AREA:

→ Top talent, business, and tech, actively leaves Ukraine
→ Software development outsourcing teams do not focus on the top priorities of the global innovation agenda, nor fully develop and commercialize innovative products
→ Education is fundamentally detached from and is lagging behind the needs of the labor market on both national and global levels. The situation is especially challenging with soft skills and practical business management for tech talent as well as business education
→ Cross-domain (i.e. tech and business) exchange and collaboration are weak, especially at universities. The situation has been slightly improving, as graduates join and found startups
→ Science and technology sector is in a decline despite several grass-roots initiatives to modernize it. Problems exist in both governance (i.e. funding and leadership) and relevance (i.e. for the local and global markets). R&D and science workers mostly ignore entrepreneurship as commercialization approach. Clear tools and methods for R&D commercialization are absent or do not work properly.
→ Local startups lack up-to-date and practical venture development expertise like identifying real opportunities and commercializing them, as well as internationalization competence
→ Universities do not react to the phenomenon of entrepreneurship among their students adequately with curriculum and program changes

Comparison with V4

The V4 countries are experiencing similar issues to the Ukrainian ecosystem, with 'brain-drain' and lack of R&D collaboration and commercialization being the most pressing ones. Additionally, V4 countries have relatively large proportions of STEM graduates, but they lack the skills and interest to pursue entrepreneurial careers. The setting up of tech-transfer centers at universities and research institutes was supposed to provide support for venture development, such as opportunity identification or patent advisory. However, these aspects are still underdeveloped, as indicated by the lower EIS scores in “Innovation activities”, since V4 countries are too in the learning process and often seek help from innovation leaders, such as the UK, Finland or Israel.
Markets

Despite its relatively small size, the Ukrainian economy presents a great opportunity for innovation, implying the focus on both local and global issues. The share of the industrial and agricultural economy is high in Ukraine. Most assets, as well as the processes that Ukrainian industrial companies possess, are outdated or do not allow them to remain competitive. Businesses become increasingly aware of the opportunities local innovation and entrepreneurship pose to solving the issues of competitiveness and business continuity. However, those are still in the early phases of digital transformation or startup engagement.

Several key industries - banking, telecommunication, retail, and trade - that served as catalysts for innovation and entrepreneurship in developed markets are almost zero-legacy and therefore do not have the same innovation needs. This, in turn, leaves much more complex challenges for innovative entrepreneurs who are too complex to tackle without prior expertise, which is usually attained innovating in the aforementioned verticals.

MAIN ISSUES IN THIS AREA:

→ At first glance, the economy is not innovative due to its traditional structure and a high degree of monopolization or governmental control
→ Local demand for innovative products is weak in both B2B and B2C segments due to a low purchasing power
→ Ukrainian corporations do not yet have a strong case for innovation and entrepreneurship. Political instability and local business culture do not allow for a strategic and long-term focus necessary to create this case.
→ Innovation needs of the local economy are too hard to conquer for the local innovation and entrepreneurship talent

Comparison with V4

The issue of big innovation potential but low market demand for it has also been a struggle in the V4 countries. The innovation market was suffering from the presence of low R&D spending industries and companies. Additionally, companies with big R&D capacities were not interested in bringing innovation to V4 countries. However, the trend has changed ever so slightly, considering the most popular business model amongst startups is B2B or B2B/B2C hybrid. This suggests that the necessary innovation demand from companies and multinational corporations has increased. Nevertheless, most startups (75-80%) export their products or services abroad at a relatively early stage of their lifetime (Startup Poland, 2017).
SWOT Analysis

STRENGTHS
→ The global mindset of starting entrepreneurs
→ Popular ICT and DeepTech in higher education
→ Generating a high number of STEM graduates
→ Emerging popularity of entrepreneurship and innovation amongst youth
→ Strong software development outsourcing sector, which helps to develop local talent
→ Record startup investments in recent years (€235 mil. in 2017)
→ Growing number of serial entrepreneurs
→ Smart money VCs with expertise and international connections

WEAKNESSES
→ Key industries barely invest in R&D and rely upon low-value-added models
→ Limited access to later-stage capital
→ Lack of ecosystem-wide catalyst for development
→ Mentoring and support structures not institutionalized
→ No platform for stakeholder cooperation to bring large-scale effect on ecosystem development
→ Weak knowledge-transfer between businesses and R&D institutions
→ Low purchasing power and sophistication of the Ukrainian market

OPPORTUNITIES
→ Growing government commitment
→ Present VC and angel networks (UVCA, UAngel)
→ Increasing expertise in investment and capital generation
→ Emerging support mechanisms for early-stage ventures which connect corporates to startups
→ A few startup success stories and role models
→ Demand for universal business model development support structures with a wider focus, which can potentially have a high impact on ecosystem development

THREATS/CHALLENGES
→ Lack of strategic focus on innovation from the government as a result of political instability
→ Complex needs of the innovation ecosystem for development
→ Brain-drain of top talent
→ Strict Tax & Legislation rules
→ High levels of bureaucracy and corruption
→ The legacy of Soviet ideology and aversion against risk-taking and entrepreneurship
→ Declining science and tech
PART 2

V4 Learnings for Ukraine

This chapter summarizes the reasoning behind the sharing of V4 best practices with Ukraine and explains each case study’s added value by highlighting a brief context of each case, outlining the aims and challenges, and relating the case to the Ukrainian context. The key results are also highlighted at the end of each case study.
Overview of V4 ecosystems

In recent years, many significant developments and improvements took place within individual components of the national ecosystems in V4 countries, mainly in policy, culture and support infrastructure. However, there are still multiple challenges and issues of the entrepreneurship ecosystem left, mainly with regard to access to finance, local market sophistication or collaboration between R&D and the business sector.

According to European Innovation Scoreboard average scores from 2017, the strongest moderate innovator, is the Czech Republic with a score of 82, relative to the EU in 2017. The lowest EIS score, 54, in V4 in 2017 was achieved by Poland. Slovakia and Hungary were at a similar level, achieving scores of 64 and 66, respectively.

The shared weaknesses indicated by declining scores of all V4 countries according to EIS were in the areas of Culture, Human capital, Market, and Finance and Support. This is despite the fact that V4 has experienced the implementation of many initiatives on a policy level, grass-roots initiatives, with public and/or private involvement in line with high-level European policies to support entrepreneurship. The identified shared strengths of the V4 countries was mainly the “Impacts of firms’ innovations on employment and sales” indicator.

In comparison, Ukraine achieved an EIS score of 28 in 2017. EIS demonstrated declines in the majority of performance indicators in Ukraine relative to EU between 2010 and 2017. However, most significant declines were observed in ‘Finance and Support’ and ‘Innovation activities’ (mainly in R&D public-private collaborations). ‘Employment impacts’ of introducing innovations to the market were identified as one of the main strengths in Ukraine, highlighting the potential of innovations in Ukraine in ecosystem development.

All V4 countries have learned a lot about the needs and challenges of their respective entrepreneurship ecosystems as a result of many initiatives launched in the past two decades. What is more, based on the performance under EIS, the entrepreneurship ecosystem situation in Ukraine today is similar to the situation in V4 countries in their recent years when the transition towards a more strategic and systematic focus on innovation and R&D was taking place.

Therefore, V4 countries can provide valuable insights into ecosystem building from their own contexts that might be of great value and relevance to relevant decision-makers Ukraine. Moreover, the insights, concepts, and recommendations may be of great value for V4 countries themselves as an evaluation of their current efforts and strategies in supporting the entrepreneurship ecosystem.
Czech Republic – Regional Innovation Centre

The **Regional Innovation Centre**, established by the Regional Authority, J.E. Purkyne University and the regional Chamber of Commerce in Usti region in 2015, was premised on multiple strategic documents, academic studies, and empirical evidence, especially from the South Moravian Region. The Centre’s main objective is to **systematically accelerate the economic transformation** in the region by supporting the entrepreneurship and innovation.

**Key objectives**

→ **Co-creation and orchestration of the regional innovation ecosystem** by building a community of relevant stakeholders (e.g. early-stage startups, local SMEs, universities, etc.)

→ **Being an integral part of the ecosystem** and providing necessary support and services for venture-building (e.g. Startup Go incubation program, Innovation vouchers, consultancy, etc.)

**What does the case build on?**

→ The strategic and financial commitment of regional authorities

→ Emerging popularity of entrepreneurship amongst the talented youth

→ Companies and institutions in the region involved in venture-building

**What does the case address?**

→ The challenges of complex ecosystem-building needs

→ Limited access to entrepreneurship support

→ Limited opportunities for cross-domain (business-tech) collaboration

**Results**

→ So far, the Innovation Centre of the Usti region has organized more than 120 activation events, it has had almost 300 clients using support and consultancy services, 32 projects in the incubation program, 17 newly established innovative companies (3 with investment), 45 projects of cooperation between research organizations and companies, helped create more than 150 new jobs and it has 3 new strategic projects in ecosystem development planned for 2019.
Hungary – The Technological Incubator Program

The Hungarian Technological Incubator Program (also known as Startup Ecosystem Building Program or Gazelle Program) is a governmental initiative run by the National Innovation Office (currently National Research, Development and Innovation Office). The program’s strategic aim is to support innovative startup companies from the idea phase through validation and prototype development to market access and fast growth. An important aspect of the program was the focus on startups with strong R&D and innovation achievements.

Key Objectives

→ Providing startups, founded on innovative technological or market ideas, with a complex system of services, on a temporary basis, in a specially designed environment, such as mentoring & consulting, education & training, business management, market access, etc.

→ Giving financial support to promising start-ups in the “Valley of Death” phase, through expert organizations, i.e. the incubators. The incubators co-invest with the government funding. The government organization only sets the rules but has no direct say in the investment policy or the daily operations of the incubators.

What does the case build on?

→ Opportunities for a strategic and financial commitment from the government

→ Necessary expertise and skill in venture building and financing

→ Strong background in ICT and DeepTech research

What does the case address?

→ The lack of supports, first customers and reviews

→ Limited access to funding

→ The weaker commercialization of R&D activities

Results

→ The first call started with the operation of 3 incubators, which received funding. Two of them have survived until now and approximately 30 startups were incubated. The most successful incubator has made 3 exists already and has a portfolio of 5 profitable and 3 revenue generating companies. The number of exits has started to grow recently. The second call started with 8 incubators which have built a small portfolio, but it is too early for them to have any exits and measure their success.
Poland – Witleo Fund

Witleo Fund is a fund supporting innovative Polish companies and the commercialization of indigenous research initiatives. It was established by PZU, the largest insurance group in Poland, under the patronage of the Ministry of Science and Higher Education and the Ministry of Development. Since the launch, the fund has signed agreements with some of the world’s best VC funds: Atomico, Evolution Equity Partners and DN Capital to actively cooperate with these funds to facilitate their future investments in the most innovative and promising Polish start-ups.

Key Objectives

→ **To build long-lasting and close relationships with fund managers** that are willing to invest in enterprises with high potential of becoming ‘unicorns’ and focus on European and Israeli markets.

→ **Target both well-developed markets** with a relatively higher supply of projects is higher and multiple exit routes, as well as **less developed regions** to leverage on higher ineffectiveness and large talent pool.

What does the case build on?

→ Global mindset and innovation potential of starting ventures

→ The present expertise of local VC funds and business angel networks

→ Strong domestic investment player

→ Increasing the commitment of government and public funding

What does the case address?

→ The lack of supports, first Lack of funding and risk-capital

→ The narrow focus of support and funding structures

→ Declining science and technology

Results

→ In 2017, Witleo fund announced the execution of agreements with three global VC funds: Atomico, Evolution Equity Partners and DN capital. So far, DN capital has committed to at least one investment in Poland. Moreover, PZU has allocated nearly €23 million for investments in Witleo.
Slovakia – FutureNow & Startup Awards

**FutureNow & Startup Awards** is an annual innovation conference centered around competition for early-stage startups. It is one of the largest national startups competitions in Europe and the largest one in Slovakia. It brings together key stakeholders across the entire innovation ecosystem. Since its founding in 2011, it has transformed into a full day innovation conference with workshops, panel discussion and talks centered around entrepreneurship and innovation, finished by the gala awards.

**Key objectives**

→ Recognize the best innovative companies  
→ Inspire others to pursue entrepreneurship  
→ Build up a community around innovation and entrepreneurship  
→ Showcase Slovakia as an innovative country

**What does the case build on?**

→ Increasing popularity of entrepreneurship amongst the talented youth  
→ Strategic government initiatives  
→ Presence of success stories as potential role models  
→ Ecosystem building expertise

**What does the case address?**

→ Low awareness and popularity of innovation and entrepreneurship  
→ Low motivation for commercialization of R&D activities  
→ The absence of a platform for stakeholder cooperation  
→ The increasing trends in ‘brain-drain’

**Results**

→ Over the 8 years of annual awards, the event has gradually expanded and gained attention from 100+ to 2000+ participants, from 40 to 120+ applying startups and attracted €30+ million in investments for the finalists. It also contributed to promoting the entrepreneurship culture in Slovakia and spreading of the awareness of opportunities for starting ventures.
PART 3

Full case studies

This chapter encloses the case studies as developed by each project partner.
Czech Republic - Building of regional innovation ecosystem

Authors: Tomáš Siviček, Petr Hlaváček

The Usti region is an old industrial region with a strong mining history. So far, it is among the least developed regions in the Czech Republic and the EU. Based upon many analyses related to strategic documents, academic studies, and empirical evidence, especially from the South Moravian Region, the Regional Authority realized, it is necessary to have a systemic element directly in the region to accelerate the economic transformation by supporting the entrepreneurship and innovation. The following case study is the most relevant for other regions than the capital city, which usually has more sources and higher attractiveness for private initiatives.

Regional Innovation Strategy as a key strategic and policy document

We consider the Regional Innovation Ecosystem as a system in which knowledge-generating actors, such as universities, work together with the companies to which they transfer their knowledge. Relations among the actors are formed predominantly at the regional level, in order to develop the endogenous potential of the region as a key driver of the transformation. The previous period (since the early ‘90s) has been driven mostly by FDI, besides the first generation of entrepreneurs (some of them starting their careers in the privatization process) and the primary goal was to tackle high unemployment.

The prerequisite for the successful development of the innovation environment in the Usti region is the high level of cooperation of regional actors with a certain degree of involvement of external sources and subjects from the Prague metropolis and Saxony. Therefore, the Regional Innovation Strategy (and RIS3 strategy) in the Usti region was based on the mapping of local key actors and their involvement in the preparation of this strategy.

The Regional Innovation Strategy contains the following three main objectives for the region's innovation development:

- Priority Area A: Human Resources to Increase Innovative and Technological Performance of the Region’s Economy.
- Priority Area B: Transfer of Technology and Cooperation between Research Organizations and the Business Sector.
- Priority area C: Innovation in the Public Sector - the environment, health and welfare, and the provision of public services by municipalities.

The implementation process is defined in its action plan with objectives and specific actions for each priority area. The action plans create tools for connecting public, academic and business entities, while favoriting: i) the bottom-up approach, ii) efficient usage of sources supporting, especially R&D cooperation, iii) creation and development of innovative companies as one of the endogenous growth factors. So far, the latest was supported mainly by the Regional Authority and its tool “Innovation Vouchers”, which support the newly based cooperation between research institutions (mainly universities) and companies (mainly SMEs), or by the state.

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3 Financial sources, human capital, entrepreneurial spirit, natural resources etc.
organization CzechInvest/API, providing a broad spectrum of national schemes. Since, the theoretical and empirical evidence suggested that a systemic element of a key regional facilitation actor for development of regional innovation ecosystem connecting private companies, public sector, and academia was still missing, the action plan contained a task of “establishing a regional innovation center”.

In the future, it is expected the Regional Innovation Strategy will merge with the RIS3 regional annex. It is also necessary to:

→ Redefine its vision to be more ambitious and attractive since this aligns with the motivation of ambitious individuals and companies,
→ Take into consideration the future needs of companies not operating in the region so far, but which we aspire to lure in order to develop the ecosystem (e.g. companies setting up their research and development centers and activities with high value-added, and attracting talents from other regions, or from abroad).

The main reason is that the previous version was rather backward-looking and circumspect than visionary and ambitious. Once the Innovation Centre of the Usti region started running and articulating its vision about the region, it has opened the doors to innovative companies (like e.g. IBM, Microsoft, Škoda, Valeo and others), which have not thought about developing their activities in the region so far, and it has also activated number of people:

1) Moved/relocated to other regions, who used to live, or study in this region,
2) Other people attracted by the activities – all willing to join and help us in our efforts.

The role of the regional innovation systems is seen as a part of the national innovation system and should allow and support a creation of regional, or future national champions as a way to finding future European or global champions.

**The Innovation Centre of Usti Region**

The center was established by the Regional Authority, the regional Chamber of Commerce and the J.E. Purkyne University in Usti and Labem at the end of the year 2015. The key strategic task is to contribute to the implementation of the Regional Innovation Strategy (and RIS3 strategy). Therefore, it has two basic roles:

1) It co-creates and orchestrates the regional innovation ecosystem,
2) It is an integral part of the ecosystem providing services especially for companies and ambitious individuals aspiring to start own business.

Secondary target groups are research and education institutions and cities. The financing of the center is based on membership fees from founding members, whereas the Regional Authority provides the largest proportion, partly the center uses the funds from public schemes (EU co-funded) or payments for its commercial consultancy services.

There was no systemic support for early-stage entrepreneurs, no start-up community prior to the creation of the innovation center. Thus, the primary goal was to build a new community of early stage/startup entrepreneurs and people prone to think about starting their own business, people and institutions willing to support them, including those who would like to work for these companies. This is an activity, where the results can be seen after some time, and many projects/companies fail on the way.
To start endogenous growth, it is necessary to build the whole ecosystem and tools to support this community. The regional economy is still dependent on big industrial companies. Its industrial focus is mainly on chemistry, energy, automotive, glass. The entrepreneurs from 90s, they have a different approach and priorities in comparison to the start-up community. Basically, what they miss is the mentality of sharing and helping. They do not create a community, they run businesses, they tend not to share for free and many of them face succession challenges.

**Entrepreneurship and Business Support**

The innovation center provides two types of services: key tools and support services. The **key tools** are the core activities with a direct effect on the performance of target groups. Those are:

- Startup Go - Incubation Program
- Innovation Vouchers
- Platinn - Acceleration and Coaching Program
- Business Networking and Development
- Consultancy

The **Startup Go** is an incubation program focused on people: a) already decided to start their business and having their business plan/model developed, b) with companies running not longer than 3 years. So far, it had 3 cycles with 32 participants. The outcome of the program is an established company with first clients, or faster growth, or international expansion. The clients can benefit from intensive one-week series of workshops, dedicated mentor for the project, access to a coworking space, access to education and networking events, access to a mentor day (assessment of the project by 5 different experts), the budget for additional expert services, final presentation for public and investors. The clients pay a small membership fee (3000 CZK) and the center gains an option of 3% of the equity. The yearly capacity is 12 companies.

The **Innovation Vouchers** is a subsidy program financed by the Regional Authority and administrated by the innovation center. The innovation vouchers support new relationships within the region between companies and R&D institutions. They are used for decreasing costs and risks, and they help create trust between organizations with no previous cooperation and relations. They cover the knowledge bought from the research organizations up to 70% (the ceiling is 199 000 CZK per project). The tool has a multiplication effect since the cooperation is followed up by other projects of higher volumes. In the year 2018, 13 companies used the vouchers.

The **Platinn** is a newly started acceleration and coaching program for SMEs from the Usti region. It connects SMEs with top accredited experts. It has 2 phases: 40 expert hours (100% free) and 80 hours (50% covered). It focuses on 4 areas: Business Development, Organisation, Financing, Cooperation, where the innovation opportunities are identified, and necessary changes planned and implemented. The yearly capacity is 10 companies.

The **Business Networking and Development** is an activity creating an environment for the regular meeting of successful entrepreneurs and companies based on their demand. It helps to share their good practice among like-minded companies, define, develop and evaluate tools of support. It provides also important inputs for strategic and conceptual documents.
The Consultancy is a consulting and advisory service of experts from the innovation center or its partners. The service helps companies at starting their business, implementation of innovation activities, it helps the universities (research institutions) to commercialize the research outcomes (e.g. patenting, licensing etc.), or cities to apply smart city solutions. The expected number of clients per year is 75.

The supporting activities help maximize the impact of key activities, increase the awareness about the services of the innovation center, its partners, or other actors, about the latest trends, or about opportunities to cooperate for research organization and companies. They create the breeding ground for innovative thinking. Those are:

- Support of entrepreneurship
- Database of research capacities
- Events

The Support of Entrepreneurship is represented mainly by the practically oriented course “Business Basics” at the J.E.Purkyne university. The lectures are held by experienced entrepreneurs or managers from companies operating in the region, the exercises are focused on developing a business model. The center supports also other activities and competition at secondary or primary schools (e.g. iKid). It is part of scouting activities and increases the awareness about services of the center. So far, the course usually has almost 100 students.

The Database of research capacities is a new tool supporting accessibility and usage of laboratories, equipment, know-how and other services of research teams and research organization for regional companies. The database will be published in the year 2019.

The events serve for a mutual interaction among companies (B2B), students, research organizations and public sector. Their goal is to popularise entrepreneurship and services if the center. The focus is on sharing experience, information on the latest technologies and innovation. A part of the events is organized with Saxony partners (Germany), which increases the attractiveness and networking potential of the region. The flagship event is “Festup” a largest international start-up and entrepreneurship festival in the Usti region. In the year 2018, it was attended by 700 participants. Besides that, the center organizes regular meetups, hackathons, and events about innovation practices, for matchmaking etc.

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4 It is not part of the Platinn or Startup Go programs.
KEY TAKEAWAYS:

→ Basing ecosystem building on a bottom-up approach: regional strategies developed and executed by regional actors with expertise and interests in the region

→ Coordinated with national strategies, thereby using the support from national institutions (not only financial), but executing the strategy independently

→ Successful regional development needs a strategic approach:
  - Mapping of regional capacities
  - Involving stakeholders
  - Long-term and ambitious planning
  - Setting up processes that leave sufficient space for individual initiatives & flexibility but create clear and predictable rules.

→ Basing innovation strategies on existing capacities, including an industrial base in “old sectors”

→ Involving a wide variety of stakeholders, from startups to more traditional SMEs, universities, or companies in traditional industries in ecosystem building

→ Cross-regional cooperation, including cross-border, is important for developing relevant and well-suited strategies

→ Public money should enable private initiatives, not supplant them, by creating cooperation & networking platforms, offering systemic support services, infrastructure, instead of ‘giving money’.
Hungary - Technological Incubator Program

Author: László Korányi

The Hungarian Technological Incubator Program (also known as Startup Ecosystem Building Program or Gazelle Program) is a governmental initiative run by the National Innovation Office (currently National Research, Development and Innovation Office). The first call was published in 2013, the operation of the 4 awarded incubators started in late 2014. The total government funding was approximately 7 million Euros. The second call was published in 2016. The operation of the 8 winners started in 2017. The total government funding was approximately 14 million Euros.

In the design of the program, we adopted the ideas and experiences of the Israeli Technological Incubator program and the Finnish Vigo Accelerator program. Obviously, you can never “copy-paste” such programs and calls, so we have invested a lot of energy into the adaptation of the foreign examples to the Hungarian circumstances.

Objectives of the call

Technological incubators and accelerators have become an integral and essential component among economic policy instruments in a number of developed and emerging countries (Israel, Finland, Singapore, etc.). This fact is based on the recognition of a general market-failure because there is a period in the life-cycle of early-stage technology companies where private investors usually find it too risky to invest. The bootstrapping type of financing (also known as 3F=Family, Friends, Fools) usually doesn’t work in emerging markets, with a less well-off population.

Besides money, start-up companies are often also in need of special business and technological knowledge and support in the very early phase of their existence. This means that what the start-ups really need is smart money.

The strategic goal of the call was to render support to innovative startup companies from the idea phase through validation and prototype development to market access and fast growth. The process has to include the establishment of a sustainable business model and the preparations for additional investment rounds. It was considered an important aspect that the startups should be based primarily on R&D and innovation achievements (mostly in the second call).

The program has dual goals:

→ Providing start-up companies - founded on innovative technological or market ideas - with a complex system of services, on a temporary basis, in a specially designed environment. This includes mentoring & consulting, education & training, business management, market access, etc.

→ Giving financial support to promising start-ups in the “Valley of Death” phase, through expert organizations, i.e. the incubators themselves. The incubators have to co-invest with the government

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5 https://nkfih.gov.hu/about-the-office
funding. The government organization only sets the rules but has no direct say in the investment policy or the daily operations of the incubators.

The incubators will acquire equity in their incubated companies based on an agreed valuation of the startup. The interests of the incubators as owners will overlap to a large extent with the interests of the government as a co-founding organization because they both want successful, fast-growing companies. For an incubator the success is measured in good exits (or a profitable portfolio company); just spending correctly the government money (together with their own money) is far from enough. And this is exactly what the government policymakers want to see.

The final goal is that the program will increase the chances of these selected, promising start-ups surviving the most critical phase and entering into the fast growth phase (hence the Gazelle Program name). The incubators will have a joint interest with their startups to acquire additional (risk) capital investment.

The objective of these calls was to select and give accreditation status to technological incubators, accelerators that have proven international experience and track record and are able to submit a convincing business model.

**General characteristics of the two calls**

The goal of the call was to select the appropriate teams (companies) to run the incubator. This phase was called the “accreditation process”. The selection criteria were based exclusively on the skills, experience and financial background of the team members and their incubation concept.

The winner incubator companies could receive a maximum 600 million HUF (app. 2m EUR) funding. The grant period is for 36 months. The amount is allocated in the following way:

- Max. 20% for the incubator operational costs
- Min. 80% for investing in startup companies, minimum of 6 startups. Each individual investment amount has to be matched by the Incubator with 20% from its own (or otherwise committed) resources.

The acceptance of the start-ups in their respective incubator programs is based on the sole decision of the Incubator. The Incubator has to become an owner in the incubated companies, but their equity is limited to 24%, independently from the total amount invested in the startup. (The calculation: the maximum government funding for a startup in the portfolio of the incubator is 80 million HUF, this has to be matched with 20%, i.e. the total maximum amount of investment is 96 million HUF.) The valuation of the startup is defined by the agreement (term-sheet) between the parties (incubator and startup). This means that the incubators are practically taking over the funding role of the government office.

The incubator company had to be a limited company with a formal Board of Directors and Supervisory Board structure. The management of the incubator has to own the majority of its shares. Preferably, the Incubator company had no previous activity, to start with a clear page.

In the application, the Incubators had to describe their business model, exit strategy, management compensation, etc. They had to show their intended deal-flow building and selection methods, their service offering and delivery, business development programs, training, international network, etc. The call included a definition of the startups that were eligible for the funding.
The evaluation was based primarily on two factors (60% of the total):

→ Professional experiences of the leading board members, executives and of the owners of the incubator
→ Business plan

Two more significant factors (15-15 points) were taken into consideration:

→ Verbal presentation
→ Investment policy, number of startups

Some specific characteristics and results of the first call

Over 20 companies applied to the call and 4 were chosen for national accreditation. They have received 200,000 € for their operation (at 60% intensity), while the startup funding was maximum 260,000 €, out of which 20% had to come from the incubator.

Additional conditions:

→ The incubation period for an individual company cannot be longer than 24 months.
→ The maximum equity that an incubator can have in a startup is 24% during the incubation/acceleration period and during the incubation period, no additional investment was allowed from the incubator.
→ The call had an international evaluator body, consisting of four Hungarian and three foreign experts (the past director of the Israeli Technological Incubator Program, a program director from the Finnish Tekes and the CEO (a Swedish citizen) of one of the most successful Hungarian startups, Prezi.)
   The foreign experts had a veto power in the final decision.

Eventually, only three incubators started their operation (and received funding). Two have survived until now. Altogether approximately 30 startups were incubated. The most successful incubator made already three exits and has a portfolio of five profitable and three revenue generating companies. The number of exits has started to grow recently.

Some specific characteristics and results of the second call

Over 40 incubators have submitted their proposals and eight were accredited with the technological incubator title and rights for government funding. The total funding was twice as high as in the first call (14 million Euros).

There were a number of special conditions:

→ At least six incubators had to operate outside the capital and its vicinity (Central Region).
→ The incubators had to specify a business sector in advance (health, hardware, fintech, etc.)
→ Their business plan had to include a strong cooperation with a university, preferably in their region of operation.
→ The incubators had an “ecosystem” building responsibility beyond the deal-flow development.
All the eight incubators have started their operations and they have built a small portfolio. It is too early to have exits.

1) Planned indicators

The indicators were defined at a minimal level (at the end of the period):

→ At least 6 startups have to start the incubation process
→ At least 3 startups have to have a prototype or a tested MVP by the end of their respective incubation program.

2) Follow-up

Although in Hungary there are a number of VCs and there is another early stage private and governmental investment company, a JEREMIE (Joint European Resources for Micro to Medium Enterprises) type investment program would be really important in a well-functioning, emerging ecosystem. Unfortunately, in Hungary, most of the JEREMIE funds were spent unprofessionally and not much was left after their departure. Continued startup funding for the best incubators would be also important.

KEY TAKEAWAYS:

→ Political commitment was backed by public investment
→ Predictability and follow-up:
  o Clear rules for access to finance for applicants – transparency
  o Independent overview in the form of involvement of foreign experts in the selection process to avoid bias and potential corruption
  o Successful pilots (first call) should be followed by additional funding (second call). Adopting changes and fine tuning should take place, if necessary.
  o Funds should focus in a specific area, e.g. by matching investment with specific know-how, cooperation with universities, etc.
→ Providing money, but leaving investment decisions to experts, private stakeholders to avoid just ‘wasting money’
→ Stakeholders should share success (and failures) for a productive collaboration, e.g. by public investment with private co-financing, incubators enquire stake in incubated companies
→ Ex-ante analysis necessary, as public funding should focus on those parts of the innovation cycle, where private money is missing
Poland - Witleo Fund

Author: Emilia Borkovska

Witleo Fund is supporting innovative Polish companies and the commercialization of indigenous research initiatives. The Witleo Fund – established by PZU under the patronage of the Ministry of Science and Higher Education and the Ministry of Development – signed agreements with some of the world’s best VC funds: Atomico, Evolution Equity Partners and DN Capital to actively cooperate with these funds to facilitate their future investments in the most innovative and promising Polish start-ups.

Focus

Witleo Fund is going to work with the VCs to make their future investments easier and the development of the innovative startup scene in Poland quicker and it’s going to use NCBR (The National Centre for Research and Development) guidance in creating special financial incentives.

Witleo Fund is focused predominantly on European and Israeli markets. The vast majority of venture capital funds in Witleo’s pipeline target both well-developed markets with a relatively higher supply of projects is higher and multiple exit routes. The strategy is supplemented with less developed regions to leverage on higher ineffectiveness and large talent pool.

The FIZ AN Witleo Fund has been established in order to create the very first Fund of Funds in Central and Eastern Europe. As one of the leading financial institutions, PZU Group has a significant influence on what is happening in this geographical area (CEE).

→ The strong commitment of at least EUR 45 million from the PZU Group - one of the largest financial institution in CEE.
→ Having a strong position and network in the region, PZU may provide a local footprint for VC funds.
→ Witleo wants to maintain a close cooperation with selected managers encouraging them to invest in Poland and less developed EU countries.
→ Backed by a stable financial institution with established critical processes.
→ Matching top-tier Western European VC Funds with Easter-European players to obtain superior returns.

Implementation

Nowadays the constant change is fuelled by technological development especially in the area of access to information. Witleo Fund primarily focuses on managers that are able to challenge existing business models and see those rapid changes as opportunities that can enable them to thrive.

→ Witleo Fund will hold non-controlling minority positions as Limited Partners with less than 10% of total fund commitments.
→ Sweet spot fund size should be between EUR 30 million and EUR 1 000 million.
→ On a very opportunistic basis, Witleo may co-invest but will not leverage its positions.
→ Witleo seeks managers achieving solid two-digit gross returns (IRR).
Strategy

Witelo aims at building long-lasting and close relationships with fund managers that are willing to invest in enterprises with high potential of becoming unicorns. Areas:

- Insurance tech
- fintech
- cybersecurity
- information security
- enterprise software
- internet-based services (i.e. Cloud Computing and Software as a Service)
- software and mobile applications
- digital media
- marketplaces
- e-commerce

Funds

On 1 March 2017, the Witelo Fund officially announced the execution of agreements with three of the world’s leading VC funds: Atomico, Evolution Equity Partners and DN Capital. PZU allocated nearly 100 million PLN (approx. 23,3 mil EUR) for investments in Witelo.

It has attracted the best global investors, which will make it possible to develop in Poland a venture capital ecosystem to the benefit of technologically advanced companies all over the world. For Poland, this is a great opportunity not only to promote Polish business but also to attract innovative know-how.

Over the next few years, it intends to invest at least half a billion PLN in VC funds, but PZU’s role does not end with these investments.

It’s noteworthy that not everyone can invest in top VC funds. The selection process is very thorough. Hence the involvement of global VC funds in Witelo shows that PZU is a reliable partner. The funds with which Witelo has just signed agreements are venture capital giants on a global scale. Among them, there is one of the best European funds – Atomico. Established over 10 years ago by Niklas Zennström, creator of Skype and Kazaa, the fund has a very strong investment team providing support to start-ups.

The next fund is DN Capital. This is one of the most successful European venture capital firms. Its two founders, Nenad Marovac and Steven Schlenker, have over 50 years of direct investment experience between them and established DN Capital in 2000. Today DN Capital manages over €370 million across 4 funds and has built globally recognizable firms such as Shazam. DN Capital has already undertaken to make at least one investment in Poland.

Evolution Equity Partners, in turn, is a fund established by the top management of the antivirus company AVG. One of the members of the Evolution team, Sylwia Hadaj, is Polish. EEP is focused on the prospective cybersecurity sector, thanks to which PZU will make a strong presence in this industry.
Future

PZU and the Witelo Fund intend to build bridges between the Polish and the global VC ecosystem. Together with the partners – Ministry of Science and Higher Education and the Ministry of Development and NCBR – the insurer will actively promote Poland in the international arena and support the use of the domestic potential through the best VC funds.

Establishing cooperation with Atomico, Evolution Equity Partners and DN Capital is the first step in this direction, and definitely not the last one.

KEY TAKEAWAYS:

→ Focus on international markets
→ Strong cooperation with developed international markets helps to overcome some internal market weaknesses (lack of capital, expertise, etc.)
→ Focus on strategic areas or sectors, combining local capacities and global know-how and resources
→ Private investment funds (domestic and international) could help public goals through well-managed cooperation with public institutions and targeted support
→ Use national strengths and capacities to build regional platforms and, in turn, use regional platforms to succeed in international markets
Slovakia - FutureNow & Startup Awards

Authors: Jaroslav Leitmann, Martin Vesely

FutureNow Conference & Startup Awards is an annual innovation conference centered around a competition for early-stage startups. It is one of the largest national startups competitions in Central Europe and the largest one in Slovakia. Startup Awards is a unique event as it brings together the key stakeholders across the entire innovation ecosystem.

The event's overarching mission is to recognize the most innovative companies, showcase Slovakia as an innovative country and inspire others to pursue entrepreneurship. During the final ceremony held in Bratislava, the best Slovak startups pitch their business ideas and compete for the grand prize. The event is open to the general public and the attendees can witness inspiring talks by innovation experts, successful foreign entrepreneurs and participate in useful workshops on top of the competition.

Over the 8 years of annual awards, the event has gradually expanded and gained attention from 100+ to 2000+ participants, from 40 to 120+ applying startups and attracted €30+ million in investments for the finalists. It has also helped promote entrepreneurship culture in Slovakia and spread the awareness of opportunities for new and innovative ventures.

8 years of promoting and inspiring entrepreneurship

In 2010, at the time of the event's inception, there were only a few signs of a functioning innovation ecosystem. Slovakia was able to show off with the likes of ESET and Sygic (global software companies) as the prime success stories from the 1990s. However, not many other successful innovation stories followed their examples. New ventures had to face the lack of formal support infrastructure (e.g. co-working spaces or innovation hubs), venture capital, mentoring or even market demand for their products & services.

Startup Awards started off with a simple concept. Initially, it started as a selection competition for startups to enter the development program run by the Slovak Agency for Investment and Trade Development (SARIO). This program was a government initiative to support the birth and growth of innovative SMEs in Slovakia. The event was supposed to provide necessary role models, celebrate their success and thus inspire young and experienced professionals to pursue an entrepreneurial path.

Nowadays, the competition begins with an open call for startups. In the competition’s early years, the call was promoted via a ‘roadshow’ in the form of half-day events in Slovakia’s major cities, targeting local innovation communities. Afterward, a shortlisted cohort of semi-finalist startups is invited to a 3-day “boot camp” where they receive structured mentoring and feedback from a diverse set of business angels, VCs or even C-level managers of corporations. The boot camp finishes with a pitching session where the selection of finalists takes place.

Back in 2011, the finalist startups pitched their businesses ideas to an audience of about 100 guests. As the community and general interest in innovation gradually grew, the number of applying startups has increased to 120+ and the number of visitors to 1,200+ with more and more innovators, entrepreneurs, investors, policymakers and corporation managers from all over Slovakia and the wider CEE region attending the event.
In order to use this growth and to support the awareness of innovation and entrepreneurship amongst the relevant stakeholders, the conference aspect was added in 2016 under the brand FutureNow. In 2018, the format of the event expanded even further. A two-day festival preceded the conference, with multiple events taking place across the capital city and attracting additional several hundred visitors.

Overall, FutureNow & Startup Awards has contributed to the gradual build-up of an innovation community and helped to inspire prospective entrepreneurs to try and create joint ventures. The event’s design & concept were premised on three key aspects:

1) Building an inclusive innovation community by connecting otherwise disconnected stakeholders
2) Creating opportunities and added value for a variety of stakeholders to ensure their long-term interest and commitment
3) Glamorization and popularization of the best innovative companies to further entrepreneurship culture

1) Building an inclusive innovation community by connecting otherwise disconnected stakeholders

One of the underlying issues in the Slovak innovation ecosystem that Startup Awards challenged was the lack of interaction among startup founders, freelancers, corporates, researchers, policymakers, and the consequent absence of a more cohesive ‘innovation community’.

With the competition gradually developing into a ‘go-to’ innovation event, it was able to capture a relatively high proportion of the country’s innovation potential and talent. The composition of the event’s audience, in turn, provided fertile conditions for new and meaningful relations and networks to develop.

This effect was particularly important as Slovakia, similarly to Ukraine, showcases very low levels of business interactions between stakeholders that could potentially combine different kinds expertise and skills, that could lead to collaboration on impactful and innovative projects. Below are summarized some of the factors that contributed to this positive effect:

→ The event was initiated and organized by a team of innovation experts who understood the challenges that disconnection within the innovation ecosystem brings. They were able to engage with all stakeholders equally, had the necessary expertise in business management, innovation policy and thus could create an event that would be relevant for a spectrum of stakeholders.

→ By facilitating networking and informal interactions, the event focused on the lessening of unfamiliarity and lack of interaction between the key innovation stakeholder segments. As a result, over the years, startupers, researchers, corporate managers and CEOs, students, policymakers, have grown slightly more familiar to the idea of collaboration on joint projects and ventures.

→ The event’s growing regional exposure, higher quality of competing startups, and demand for high-quality content forced the local innovation support infrastructure (VCs, consultancies, incubators, accelerators, etc.) to further professionalize to reflect those changes. Furthermore, the event provided a streamlined opportunity for international investors to become interested in the local startup scene.

→ The increasing interest of corporate companies to gain stage presence and build up a brand within the growing innovation community helped expand the event over the years, as well as motivate business experts to focus on start-corporate collaboration. The companies were mostly from ICT
and banking sectors, which are traditionally associated with the high capital capacity for R&D and innovation.

2) Creating opportunities and added value for a variety of stakeholders to ensure their long-term interest and commitment

Similar to the Ukrainian ecosystem, one of the biggest issues for Slovakia was the lack of opportunities for starting entrepreneurs. Moreover, big corporations had limited motivation to get involved with the innovation community in Slovakia, as long as they had access to the talented workforce. Startup Awards provided opportunities for young entrepreneurs as well as corporations and investors.

- Opportunities for entrepreneurs
  - The competition enabled entrepreneurs to access valuable feedback and mentoring through structured sessions with investors and C-level managers, who may be their potential customers. The entrepreneurs were able to present their business ideas in front of a relevant audience on a prestigious platform, which granted them big exposure. Moreover, the networking possibilities at the events had great added value for starting entrepreneurs.

- Opportunities for corporates
  - The added value for corporations initially lied in their HR and PR objectives. On one hand, they could access great talent. On the other hand, the event’s reputation helped in terms of building an innovative outlook for the companies. Over the years, having exclusive access to emerging innovations or ventures became one of the key value propositions for corporates.

- Opportunities for investors
  - Through the different stages of the competition, investors were granted exclusive access to a pipeline of the best early-stage ventures from Slovakia, as the selection process ensured that the highest-quality ventures advance to the next rounds.

3) Glamorization and popularization of the best innovative companies to further entrepreneurship culture

Before the event was established, the cultural and legislative support for entrepreneurship and innovation had been relatively low, similar to the Ukrainian case. With a platform connecting various stakeholders and celebrating entrepreneurship, FutureNow & Startup Awards took the opportunity to tackle the lack of entrepreneurship support and popularity in Slovakia.

The event helped to promote and establish the word ‘startup’ in the public discourse, created content about entrepreneurship and innovation for media outlets and contributed to the pressure on improving the legislation. The event spread a clear message and vision to a wider audience and created a positive ‘buzz’ around innovation. Factors like a public endorsement from influential stakeholders or institutions attracted mainstream media attention.

The following factors had a very positive effect on the event’s outreach and popularity:

- The event received a public endorsement from the President of the Slovak Republic, Mr. Andrej Kiska in 2014. In his keynote speeches, Mr. Kiska helps to reiterate and promote the message and vision of Startup Awards as he acknowledges the importance of risk-taking and fast-learning for successful entrepreneurship in his keynote speeches.
High-quality production with relevant content in a prestigious venue helps to build up a good image of the event. The event has traditionally been held in downtown Bratislava in a glamorous old theatre building, where the most prominent events take place.

National TV and mainstream media coverage helped to promote the event and entrepreneurship to a wider audience. The necessary attention came partly as a result of the growing prestige and public endorsement by an influential figure.

**Results**

- The number of startup applications rose from 40+ to 120+, and attendees from 100+ to 1,200+.
- Around 80% of startups that applied in the first seven years were founded by Slovak professionals that had returned from abroad and incorporated their businesses in Slovakia.
- Increased number of official event partners – especially from ICT and banking sectors, but also from sectors not traditionally associated with innovation – e.g. transport and insurance.
- Mainstream media have become familiarized with the content and issues related to startups.
- The finalists have raised over €30 million. One of the finalists, BlueVision Labs was recently acquired by the US company, Lyft, for over €63 million.
- Increased demand for innovation amongst corporates
  - Most startups adopt B2B or B2B/B2C hybrid (around 80% in Slovakia)
  - Increased number of corporate innovation initiatives – procurements, hackathons, co-creation, lean methodology adaptation (MVP testing)

**Future perspectives**

- Expand the community building activities by creating alumni relations
  - Through networking opportunities, as well as special alumni events like CEO Getaway for alumni founder, help to connect more experienced entrepreneurs and facilitate knowledge transfer between former and current participants.
- More active outreach towards policy-makers
  - The vision is to involve policy-makers in panels and talks more actively to provide a more comprehensive perspective and encourage public-private cooperation.
- Expand the format
  - Attract startups and innovators from surrounding countries and later from most innovative countries (e.g. Germany, UK etc.). This would help boost the prestige of the event, attract more talent, and showcase Slovakia as an innovative country
KEY TAKEAWAYS:

→ Holistic and inclusive approach to community building enables connecting otherwise disconnected stakeholders and allows them to engage in long-term collaborations.

→ Creating a relevant and useful opportunity to participate in a diversity of stakeholders leads to the attraction of innovation talent and attention.

→ Content and organization of community building events for innovation and entrepreneurship requires people with relevant skills, expertise, and understanding of the local ecosystem.

→ Structured mentoring and networking help to increase the quality of startups.

→ A prestigious show with high production quality is important in building a positive image of innovation and entrepreneurship, which in turns helps with the propagation of the mindset.

→ Involving foreign actors as organizers, speakers and panelists makes the event more credible and interesting for all stakeholders.

→ Gaining public endorsement of an influential figure or institution contributes to the prestige and image of entrepreneurship.

→ Continuous partnership and involvement of multinational corporations can have a positive long-term impact on their involvement with the local innovation ecosystem.
PART 4

Conclusion
Conclusion and Future Perspectives

The central objective of the presented paper is to facilitate the exchange of knowledge and expertise on mechanisms that promote and support entrepreneurship in V4 countries with the aim of advancing the entrepreneurial and innovation ecosystem in Ukraine. The concept and focus of the paper reflect on the similarities in terms of conditions and challenges, many of which all five countries faced in the past or continue to face.

To achieve meaningful exchange of knowledge, the policy paper brings together expertise of relevant organizations and their experts from individual V4 countries and Ukraine, what may in turn provide better mutual understanding, as well as encourage further communication and collaboration on issues related to entrepreneurship support between the individual partners and consequently the individual entrepreneurial and innovation ecosystems.

In terms of study approach and methodology, the paper relied on a qualitative analysis conducted within four case studies that were identified and developed by individual partners. The selection of these case studies was preceded by an ecosystem analysis by the Ukrainian partner so that the case studies reflect on the underlying needs and challenges of the Ukrainian ecosystem. The case studies and findings presented in the paper underline that the contribution of the policy paper is threefold:

1. The paper provides a critical view of the Ukrainian entrepreneurship ecosystem highlighting its issues such as lack of strategic approach towards innovation and R&D policies, limited access to later-stage capital and minimal entrepreneurship support infrastructures.
2. The paper as a joint effort of leading organizations from five countries is a “stepping stone” towards a more cohesive view of the V4 and Ukrainian entrepreneurship ecosystems by highlighting their similarities such as issues with access to funding or weak R&D and business collaboration or limited domestic market.
3. The paper identified some relevant findings that could be used by all partners in order to tackle the challenges in their local entrepreneurship ecosystems such as effective public-private collaboration or the importance of foreign expertise.

These findings will be presented at a conference held in Kiev with V4 partners in front of relevant stakeholders. The production and presentation of this paper, therefore, hopes to:

1) Provide the decision-makers in Ukraine with relevant learnings in order to stimulate the systematic development of the Ukrainian entrepreneurship ecosystem.
2) Increase the visibility of V4 stakeholders in Ukraine and thus create new partnerships between V4 organizations and Ukrainian innovation ecosystem stakeholders.
3) Motivate possible future collaborations on projects in policy and other areas to foster entrepreneurship ecosystem development in the whole V4 region in conjunction with Ukraine.
About the authors

Neulogy, Slovakia - Neulogy is one of the Central European leaders in providing complex consulting services covering the entire innovation lifecycle. Our mission is to advise start-ups, established companies and research institutions to deliver world-class innovations. On top of that, we care about building the local innovation ecosystem too. Our strategic advisory services cover areas such as start-up support, R&D commercialization, corporate innovations, creative industries, as well as public policy and institutional strategies.

Civitta, Ukraine - Civitta is the leading independent management consultancy in the Baltics and the Western CIS. The company is headquartered in Tartu, Estonia, employs more than 250 consultants and experts across 18 offices in 12 countries. Civitta is a partnership established by a team of professionals with diverse experience in different industries, government organizations and other top-tier consulting companies and entrepreneurial initiatives. Over the years, Civitta had successful cooperation with clients in 30+ countries.

Obuda University, Hungary - Obuda University is the number one practice-oriented technical university in Hungary, with over 12,000 students. Recently, the university became strongly involved in developing the Hungarian innovation ecosystem in the fields of education, early-stage start-up, and spinoff development, university-business cooperation and technology transfer. Its Director of Innovation has an advisory role at the recently created Ministry of Innovation and Technology and I a board member at the start-up section of the Hungarian Innovation Association.

Impact Foundation, Poland - Impact supports the innovation ecosystem and technology development in Poland and CEE. Its mission is to inspire and stimulate the development of the modern economy and accelerate innovative processes. The driving force behind Impact is to address opportunities and threats that all industry sectors are facing in the current 4.0 Economy. Impact creates a common ground for true collaboration between corporations, startups, academics, public sector, and investors. Impact brings leaders at the forefront of innovation from many sectors together to explore the opportunities for creating global digital future.

J.E. Purkyne University (UJEP), Czech Republic - The UJEP is the only public university with its headquarters in the Usti region. It has 8 faculties, mostly focused on social and humanities fields of studies. The university has almost 9000 students. The University together with the Regional Authority and Regional Chamber of Commerce are the founding members of the Innovation Centre of Usti region. Its headquarters is directly in the university campus.
Resources


