
Lessons learned from policy support for academic-industry collaborative startups in Finland

REDDAL

**Presentation at the NABO-KDI
international forum for creative economy**

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Executive summary

Steadily growing Finnish PE industry, but with large public sector participation

- Finnish PE firms gathered increasing amounts of funds until the 2007 crisis, but after that the flows have stagnated
- Government participation in the Finnish PE markets is among the highest in the world
- R&D grants and loans, and public sector PE investments, make up a significant part of financing for Finnish growth companies

Public sector network of players being streamlined but is still too complex

- Finnish policy for financing innovative enterprises has become more streamlined over time
- Despite streamlining, Finland still has a complex public support structure for the venture ecosystem
- In addition to organizations directly under MEE or otherwise parliamentary governance, many NGOs support startups

Gaps still need to be filled, and legislative/regulative changes are needed for a functioning VC ecosystem

- A weak point continues to be the lack of a functioning ecosystem between early and later-stage VC
- Finnish Ministry of Employment and Economy aims to focus more on strengthening the VC ecosystem going forward
- The process to improve the public sector contribution to growth company financing has been complicated and slow
- Along the way, there has been clear input from both research and independent audits, but these have not been acted on fully
- To increase venture capital attractiveness for foreign and domestic investors MEE is now pushing for legislative/regulatory changes
- Some changes are also proposed to improve the efficiency of the financial eco-system

Finland is starting to learn what public policy is effective, but sharing lessons with other nations is critical

- Although Finnish public policy perhaps started in the wrong end, actions are now starting to hit the right areas
- There has been good progress but some criticism still remains
- Copying the YOZMA model to Finland may not be straightforward – there are several important differences
- The YOZMA experience may provide some insight for how to set future Finnish public policy
- Korea can leverage the lessons learned from the Finnish public sector actions

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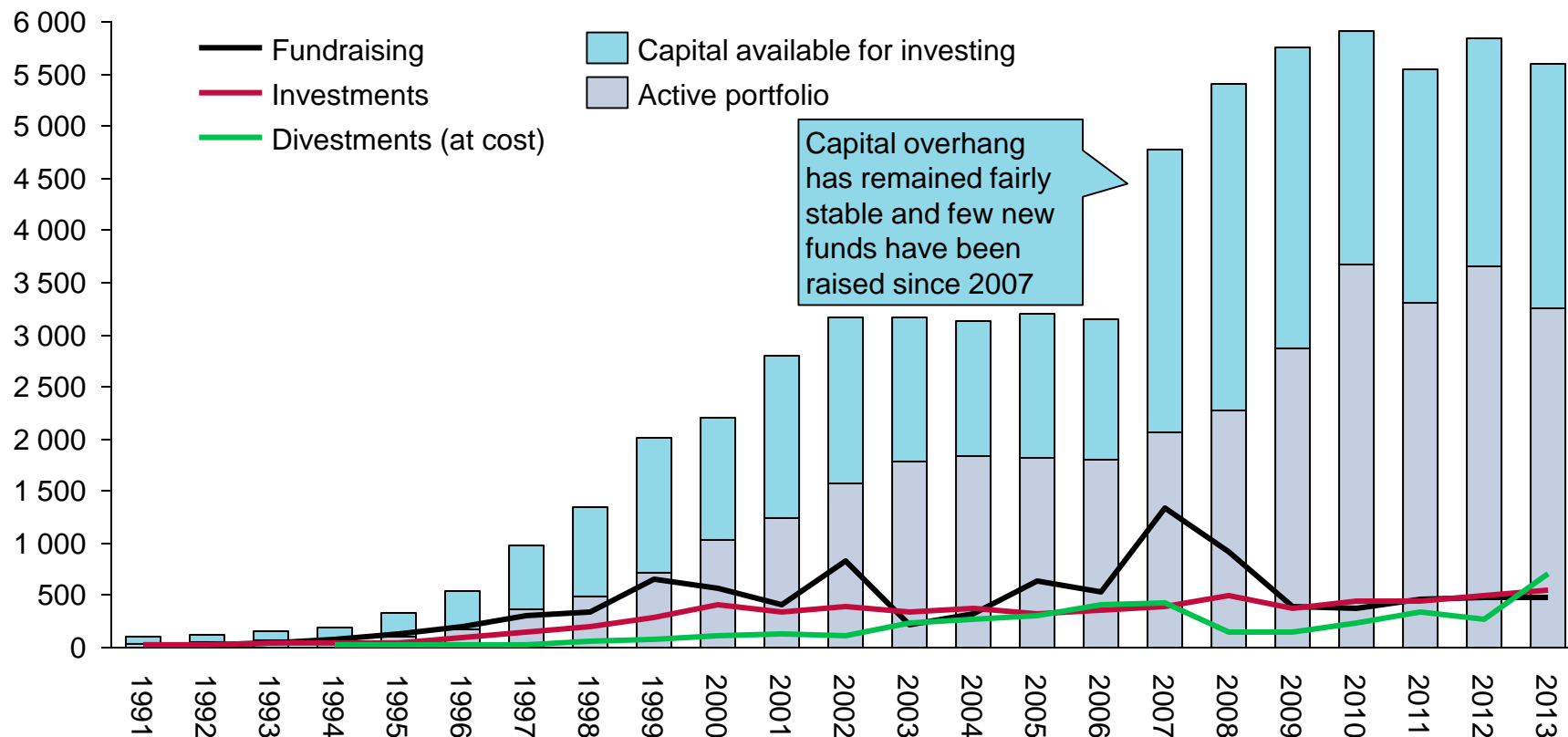
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Finnish PE firms gathered increasing amounts of funds until the 2007 crisis, but after that the flows have stagnated

Cash inflows, outflows and capital under management of Finnish PE firms, 1991-2013
MEUR

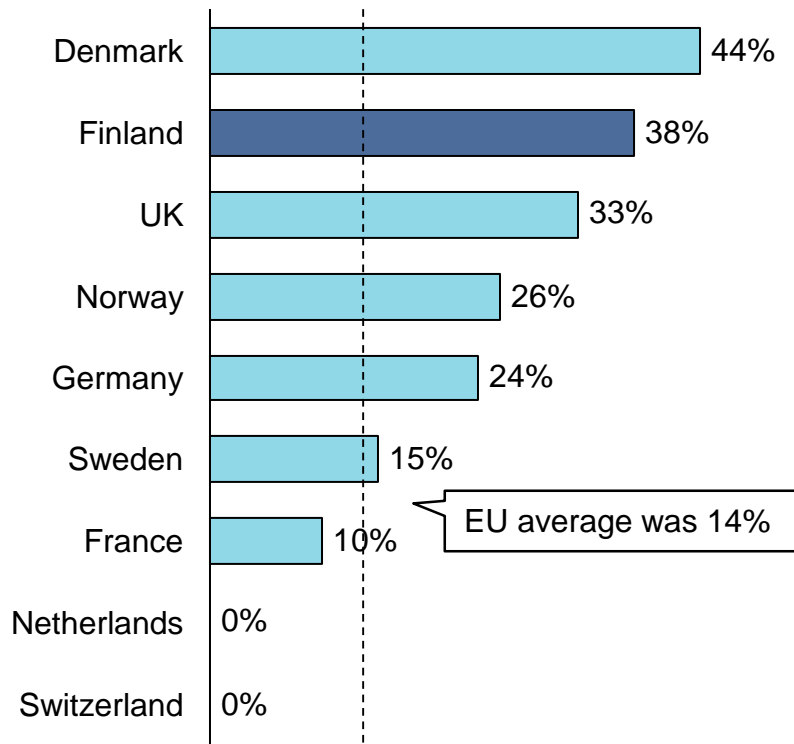


Source: FVCA; figures are best estimates aggregated from Finnish PE investors and other VC associations and complemented with other sources of data

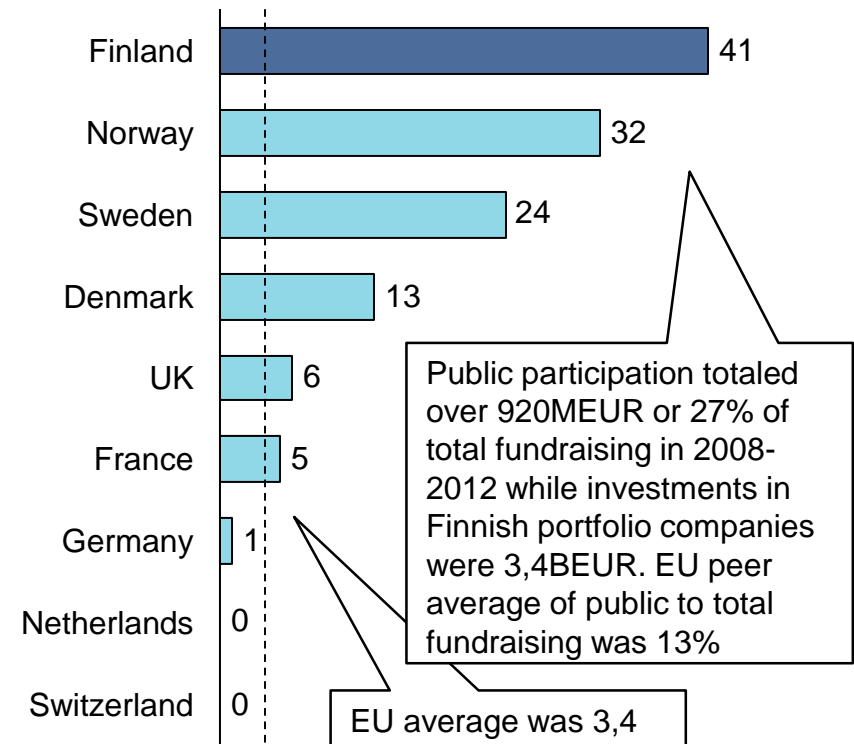
Government participation in the Finnish PE markets is among the highest in the world

Government share of private equity markets – Finland versus peers

Direct government investments of public fund commitments
2008-2012
Percent



Direct government investments, 2008-2012
EUR/capita

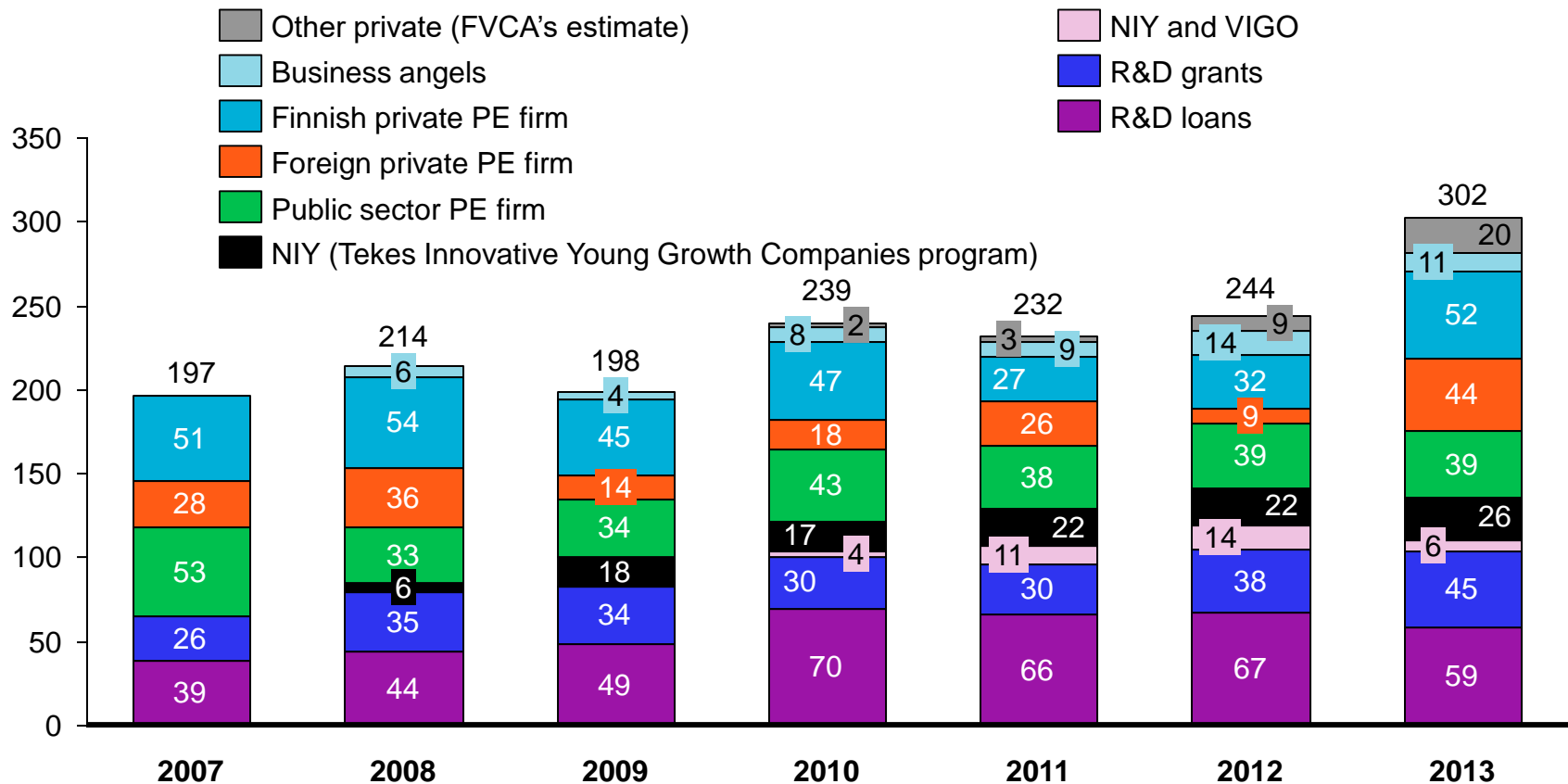


Source: Evaluation by the Ministry of Employment and the Economy, 2014, http://www.tem.fi/files/38395/TEMjul_1_2014_web_09012014.pdf

R&D grants and loans, and public sector PE investments, make up a significant part of financing for Finnish growth companies

Financing of young (under 6 year of age) enterprises, 2007 – 2013

MEUR

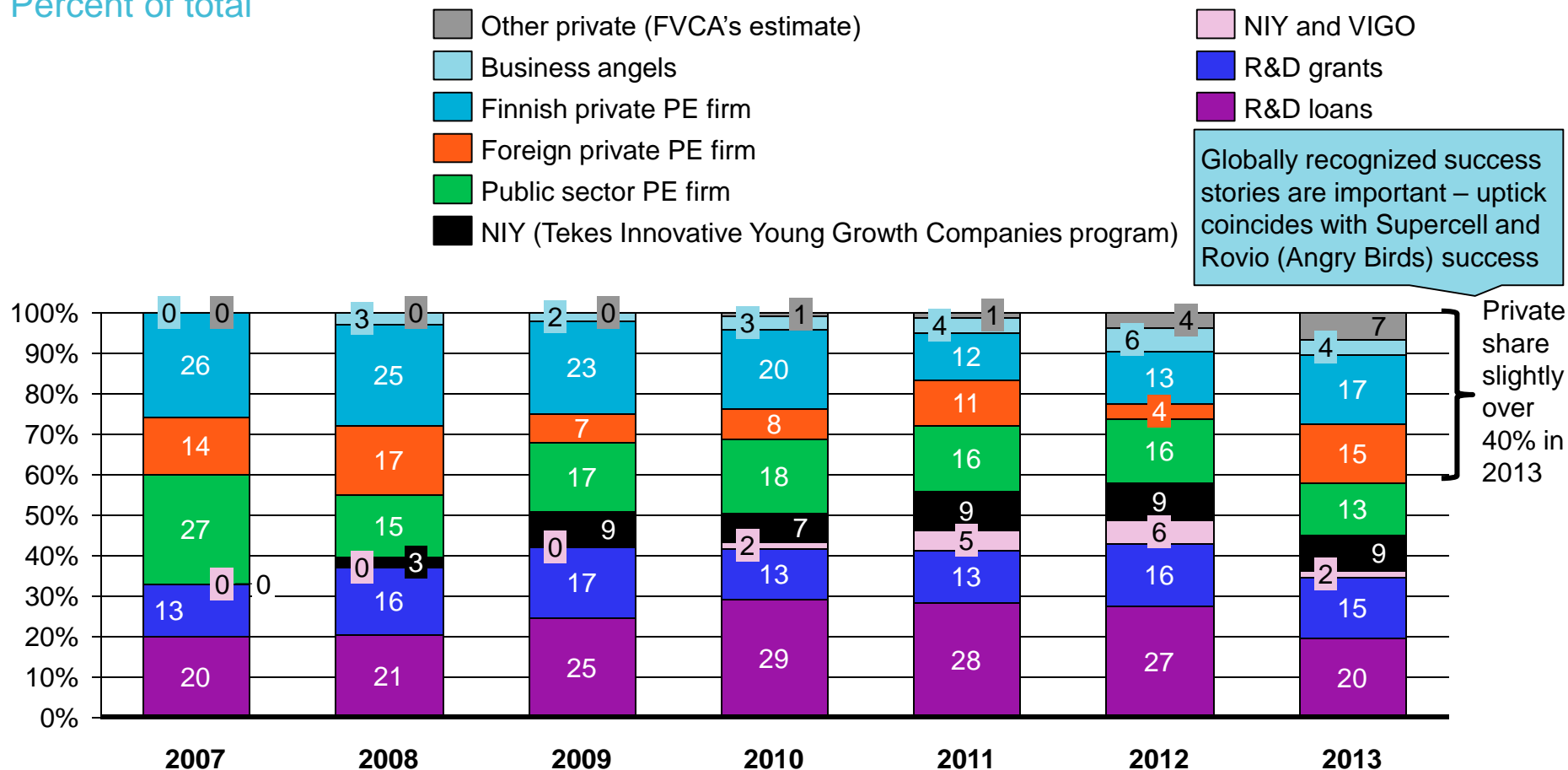


Source: Tekes, Finnvera, FIBAN (gathered by FVCA)

During 2007 – 2012 the private share of funding steadily decreased, but in 2013 there was a clear increase

Financing of young (under 6 year of age) enterprises, 2007 – 2013

Percent of total



Source: Tekes, Finnvera, FIBAN (gathered by FVCA)

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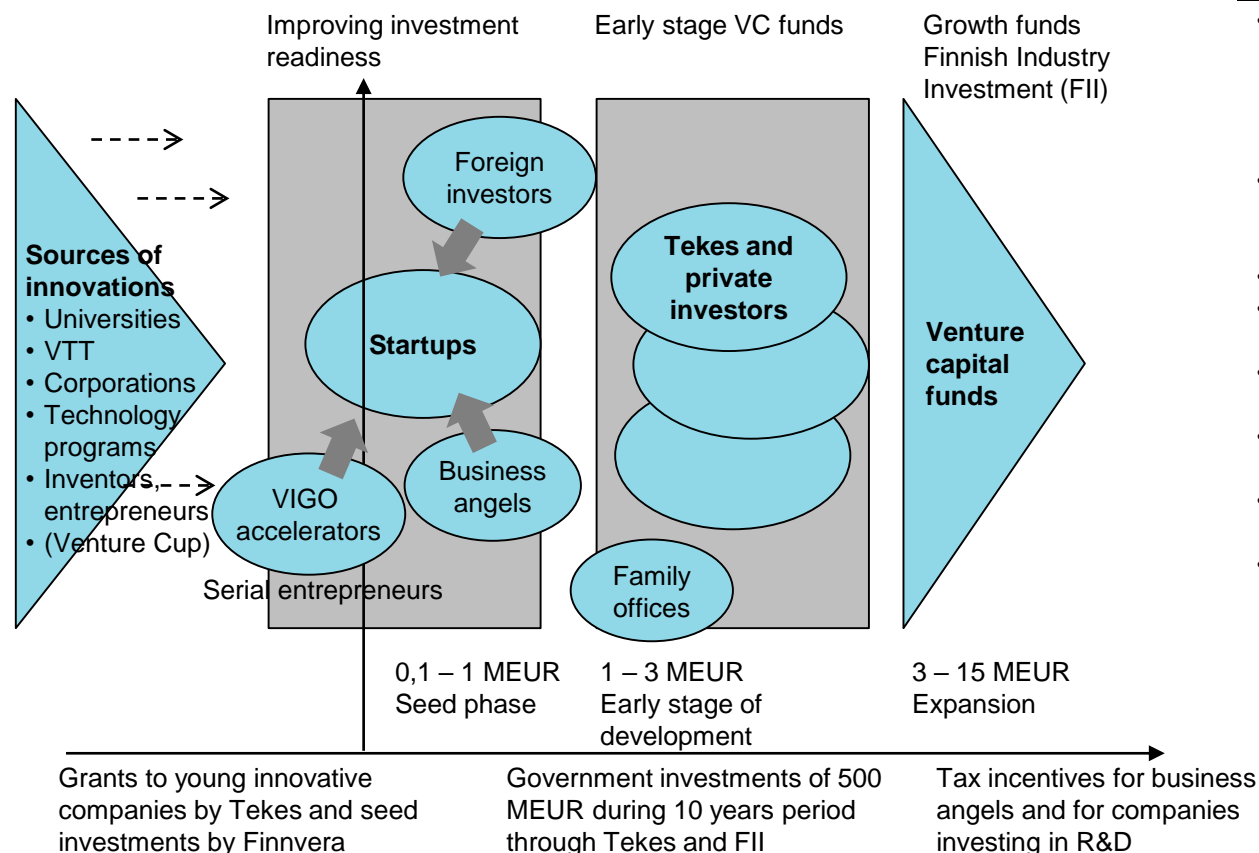
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Finnish policy for financing innovative enterprises has become more streamlined over time

Financing of innovative enterprises – policy mix and changes

Strategy for financing of innovative enterprises (according to MEE, 2013)



Evolution of the policy mix

- Bringing continuity to the market with a fund of 1BEUR (over next 10 years, 60% FII, 40% TEKES) on top of earlier commitment of 100MEUR to FII and 40MEUR to TEKES
- Streamlining the seed and early stage government financing by clarifying roles of TEKES, FII, Finnvera
- Withdrawing from regional venture capital
- Changing priority from grants to equity investments
- Moving from direct investments to fund investments (fund-of-fund)
- Starting asymmetric profit sharing to attract private investors (TEKES)
- VIGO bringing capital and advice (from serial entrepreneurs)
- Privatising business angels' networking operations (task taken over by FIBAN, Finnish Business Angels Network, independent organization)

Source: Counsellor Pertti Valtonen, MEE, Int'l conference on entrepreneurship and innovation, Dubrovnik, May 23-24, 2013; interviews

Despite streamlining, Finland still has a complex public support structure for the venture ecosystem

Overview of main governmental funding organizations

Tied to the Ministry of Employment and the Economy (MEE)

English name	Description
Tekes - The Finnish Funding Agency for Innovation	<ul style="list-style-type: none"> • Most important publicly funded expert organization for financing R&D and innovation in Finland • Mainly invests in smaller startups through NIY (Young Innovative Companies program) and VIGO programs • Employs approximately 400 people in Finland and abroad, of whom 90 in regional Centres for Economic Development, Transport and the Environment (ELY Centres) • In the future, Tekes seed fund investments will extend its role from technology grants towards seed and early-stage venture fund investments, taking leading role through fund-of-fund operations
Finnvera - specialized financing company owned by the State of Finland	<ul style="list-style-type: none"> • Government run organization providing export financing (similar to KIEK) and financing in the SME sector (similar to KDB), operates mostly by granting or backing loans for companies • Direct venture investments through Aloitusrahasto Vera Ltd (Avera) – investments are managed by Veraventure Ltd which also makes investments in regional investment companies • Also makes PE investments through Matkailunkehitys Nordea Ltd investing in regional funds • Has decided to give up direct and fund-of-fund type operations, funds and investments being divested now
Finnish Industry Investment (FII)	<ul style="list-style-type: none"> • A fully government owned special purpose investment company, the biggest PE investor within public sector in Finland; assets under management 0.6B€, recently raised second growth fund (150MEUR) • Has made PE investments directly, during A and B rounds, and through funds focusing on Finnish VC and small buyout funds (no seed investing); however, going forward will focus on fund-of-fund investments only • In the old model, FII took a minimum of 10% stake in a company when investing, but never a majority share, and typically holds board seat (albeit rarely an active owner, more of an observer)
Finpro	<ul style="list-style-type: none"> • Works to attract foreign direct investment into Finnish companies (similar to KOTRA) • Also provides consulting in different phases of internationalization for Finnish companies (being privatized now) • Going forward, public sector support via Finpro will focus on SME sector globalization
Sitra, The Finnish Innovation Fund	<ul style="list-style-type: none"> • An independent public foundation which operates directly under the supervision of the Finnish Parliament • Has been involved in various investment models, but now only fund-of-fund (direct investments have been formally ended); focuses on programs more going forward
Finn Fund, Finnish Fund for Industrial Cooperation	<ul style="list-style-type: none"> • Finnish development finance company providing long-term risk capital for private projects in developing countries • Owned by the State of Finland (92,1%), Finnvera (7,8%) and Confederation of Finnish Industries EK (0,1%) • Focuses on promising projects in challenging markets, where commercial financing is hard to obtain

Source: Various, gathered from materials from above organizations (websites, reports, articles, interviews)

In addition to organizations under MEE or government, many NGOs support startups

Non-governmental players in startup ecosystem



Finnish Venture Capital Association

FVCA develops private equity and venture capital as an industry and promotes the interests of its members in Finland. FVCA is a member of the European Private Equity & Venture Capital Association (EVCA).



FIBAN

Finnish, national, non-profit association of private investors that aims to improve the possibilities for private persons to invest in unlisted potential growth companies.

See separate presentation on Startup Sauna, where serial entrepreneur mentors help companies probono (while looking for investment opportunities).

In addition, Arctic Startup, a private local venturing newsletter covering Finland and surrounding countries plays a key role in information dissemination and community building (see arcticstartup.com)



Aalto University

Aalto University, Helsinki area

Aalto University finances AaltoES (Entrepreneurship Society) and Startup Sauna directly, and it also offers premises to them (other leading universities are following this example also)

STARTUP-SÄÄTIÖ

Startup-säätiö (Startup Foundation)

- The foundation supports entrepreneurship financing Startup Life, Startup Sauna and Slush as well as other ecosystem activities that help foundation achieve its goal (e.g. convertible loans to some Startup Sauna startups)
- Its equity upon starting was about one million euros of which €57 000 come from individual donors
- Sitra, the Finnish Innovation Fund, donated €300 000 and the rest of the money came from the Finnish Ministry of Economy and Employment, Tekes and Confederation of Finnish Industries

Source: Various, gathered from materials from above organizations (websites, reports, articles, interviews)

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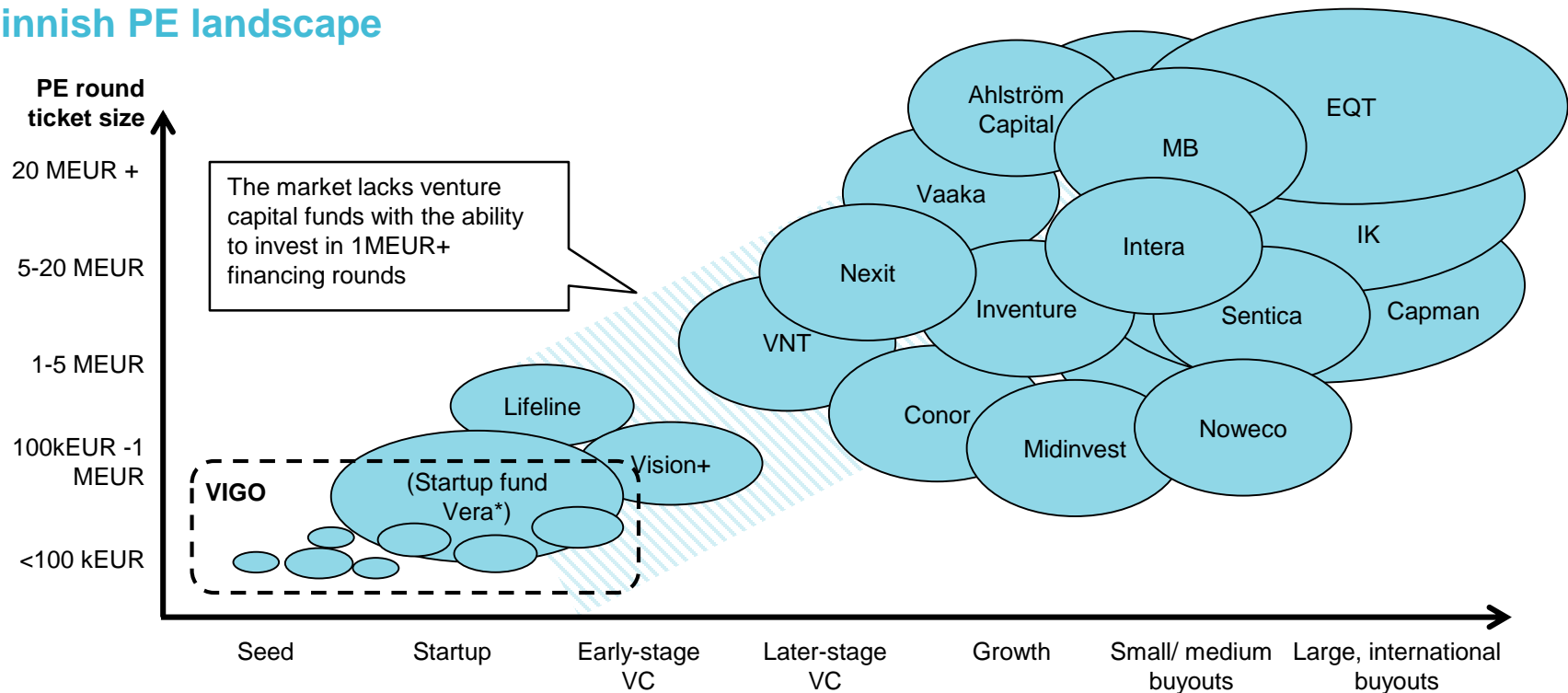
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Finnish PE landscape



"The key bottlenecks are lack of commercialization know-how, small investment sizes, large share of public sector and illiquidity of exit market. The underlying problems cannot be solved with additional liquidity alone as many are also qualitative in nature"

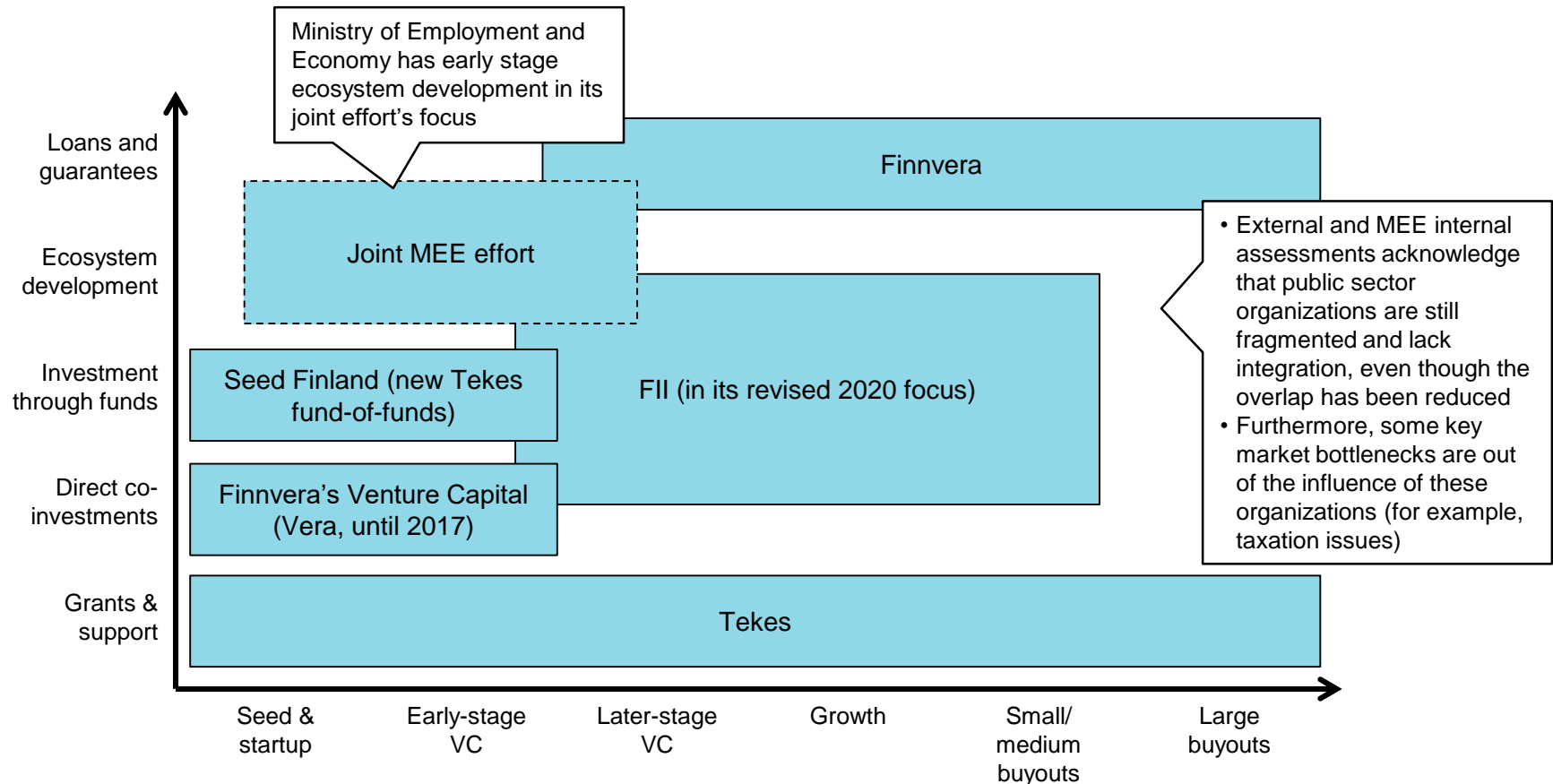
- Excerpt from the Ministry of Employment and Economy report, January 2014

*To be discontinued by 2017

Source: Evaluation by the Ministry of Employment and the Economy, 2014, http://www.tem.fi/files/38395/TEMjul_1_2014_web_09012014.pdf

Finnish Ministry of Employment and Economy aims to focus more on strengthening the VC ecosystem going forward

Illustration of public sector's role in future in PE market development



Source: Interviews; Evaluation by the Ministry of Employment and the Economy, 2014, http://www.tem.fi/files/38395/TEMjul_1_2014_web_09012014.pdf

The process to improve the public sector contribution to growth company financing has been complicated and slow

Key steps in Finnish public sector evolution in the venture capital space

Era

Player	"Clear roles"	"All under one roof"	"Streamline and avoid direct investments"
FII	<ul style="list-style-type: none"> • FII to lead – failed, government did not have strong enough leadership 	<ul style="list-style-type: none"> • Failed – government lacked muscle and funding • No change in investment policies 	<ul style="list-style-type: none"> • Fund-of-fund (VC, PE)
TEKES	<ul style="list-style-type: none"> • TEKES: Mainly grants and loans 		<ul style="list-style-type: none"> • Grants, fund-of-fund (seed, very early stage), leverage VIGO; introducing asymmetric profit sharing
Finnvera	<ul style="list-style-type: none"> • Finnvera: Loans, investments 		<ul style="list-style-type: none"> • Decided to phase out of investments (both direct and fund-of-fund), focus on SME debt instruments
Sitra	<ul style="list-style-type: none"> • Sitra: Investments 		<ul style="list-style-type: none"> • Phase out of direct investments, focus on programs, some fund-of-fund
Result:	<ul style="list-style-type: none"> • All players investing in overlapping manner, many programs that confused entrepreneurs, inefficiencies 	<ul style="list-style-type: none"> • Overlap and lack of coordination continued 	<ul style="list-style-type: none"> • In progress

MEE now focusing on ecosystem development and legislation

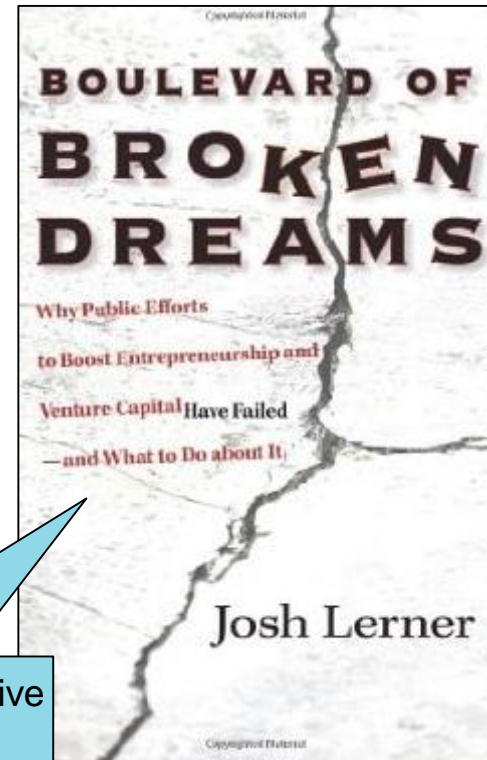
However, current situation still unclear and roles less than optimal – risk that big picture is lost (due to strong dependence on external parties) and loss of skills (due to transfer of task)

Source: Interviews, Reddal analysis

Along the way, there has been clear input from both research and independent audits, but these have not been acted on fully

Results from external research and independent audits of Finnish public sector

- Government should not be involved in direct investments
- Two audits (2009, international group of experts; 2010, Prof. Puttonen) suggested that all operations should be combined to one unit, and that all market term based investments should cease
- Josh Lerner also commented with similar views in his book
- Legislation (in particular tax) drives most market decisions, programs and funding are less effective
- Unfortunately, most of this advice has not been acted on with sufficient decisiveness



Still one of the most exhaustive books written about public policy successes and failures — must read!

Source: Interviews; Lerner, Boulevard of Broken Dreams (2009)

To increase venture capital attractiveness for foreign and domestic investors MEE is now pushing legislative/regulatory changes

Main legislative/regulatory bottlenecks for venture financing identified by MEE

Action	Current situation	Probable estimated impact
Removing obstacles for foreign investments into funds in Finland	<ul style="list-style-type: none"> Currently, investors from countries that do not have a tax treaty with Finland suffer double taxation and hence do not invest in funds in Finland An easy solution would be to extend non-double taxation to include countries with which Finland has an information sharing agreement While foreign direct investments do not suffer from similar double taxation, investing through funds would be less risky and a leaner approach 	<ul style="list-style-type: none"> Inflows on the order of 100MEUR+ in investments into funds in Finland both from foreigners and Finns living abroad Would also reduce existing administration (currently some fund managers establish their fund outside the Finnish borders to avoid double taxation)
Making investments by foundations into PE funds tax exempt (similar to their investments into stock listed companies and mutual funds)	<ul style="list-style-type: none"> Foundations and not-for-profit organizations can invest into stock listed companies and mutual funds tax-free profits, while their investments into PE funds are not; as a result, these investors with over 10B€ in assets do not participate in venture capital The change would imply treating investments into PE funds under the same principles as investments into stock and mutual funds 	<ul style="list-style-type: none"> Given that this investor class has assets in excess of 10B€, even a small percentage reallocation would imply 100M€+ inflow into private equity/venture capital
Making private investments into PE funds taxation by capital gain tax (currently income tax)	<ul style="list-style-type: none"> Investments by private individuals into PE funds are largely taxed by the high income tax rate; as a result, wealthy individuals choose not to invest directly because of the unfavorable taxation Taxing private investments into PE funds by capital gains tax would make these investments more attractive 	<ul style="list-style-type: none"> Inflows on the order of 10M€+, and increased venture capital participation of wealthy individuals Reduced administration and risk, as some direct investments would be replaced by fund investments
Making losses from loans to venture companies deductible in taxation	<ul style="list-style-type: none"> Private individuals can deduct losses from direct investments during the following five years Extending this to equity loans would simplify the investment process (since a formal valuation could be avoided) 	<ul style="list-style-type: none"> Inflows on the order of several M€ Increased participation of private individuals in venture capital

Source: Publication by the Ministry of Employment and the Economy, 2014, www.tem.fi/files/40071/TEMjul_20_2014_09062014.pdf

Some changes are also proposed to improve the efficiency of the financial eco-system

Main legislative/regulatory bottlenecks for venture financing identified by MEE (cont'd)

Action	Current situation	Expected impact
Extending intra-EU equity swap tax provisions (used in mergers) to cover also tax treaty countries	<ul style="list-style-type: none"> Currently, in a merger or acquisition that is done via equity swap, the gains made (on paper) are immediately taxable if one of the companies is from outside EU, although no cash is exchanged in the transaction; this effectively stops this type of transactions For transactions inside the EU, this is not the case; extending the same policy to companies outside EU would make this type of transactions feasible 	<ul style="list-style-type: none"> More effective M&A market, better opportunities for Finnish companies to enter into corporate transactions with foreign firms More dynamic venture ecosystem, with improved connectedness to foreign markets
Removing double taxation from investments into listed investment companies	<ul style="list-style-type: none"> While investments into stocks or mutual funds do not suffer from double taxation, investments into listed investment companies do; as a result, it is more difficult for listed investment companies to attract funds Investments into listed investment companies should be treated similarly to investments into stocks or mutual funds (as in Sweden) 	<ul style="list-style-type: none"> Inflows on the order of 10M€+, and increased venture capital participation of private individuals Improved liquidity of venture capital investment category
Removing classification driven limitations of Finnish pension funds to invest in unlisted Finnish firms	<ul style="list-style-type: none"> Unlisted companies are classified into the most risky class ("other investments") when assessing solvency requirements of Finnish pension funds; this prevents larger allocation to this investment category (currently 3-5%, depending on pension fund) Allowing some reclassification is reasonable since company data is readily available, monitoring occurs by both pension and PE/VC fund managers, and the risk is diversified (fund investments) 	<ul style="list-style-type: none"> An allocation increase of 1% corresponds to 1-2B€ inflow The reallocation would not materially affect the solvency of pension funds
Implementing the government's program to improve bond market and simplifying IPO	<ul style="list-style-type: none"> The government has a structural policy program to improve the bond markets (including Finnvera) and to make IPOs easier (through First North) 	<ul style="list-style-type: none"> Several 100M€ in bonds to SMEs Sweden has 150 First North listings (Finland currently less than 10); could expect tens of listings more, and several 100M€ capital raised

Source: Publication by the Ministry of Employment and the Economy, 2014, www.tem.fi/files/40071/TEMjul_20_2014_09062014.pdf

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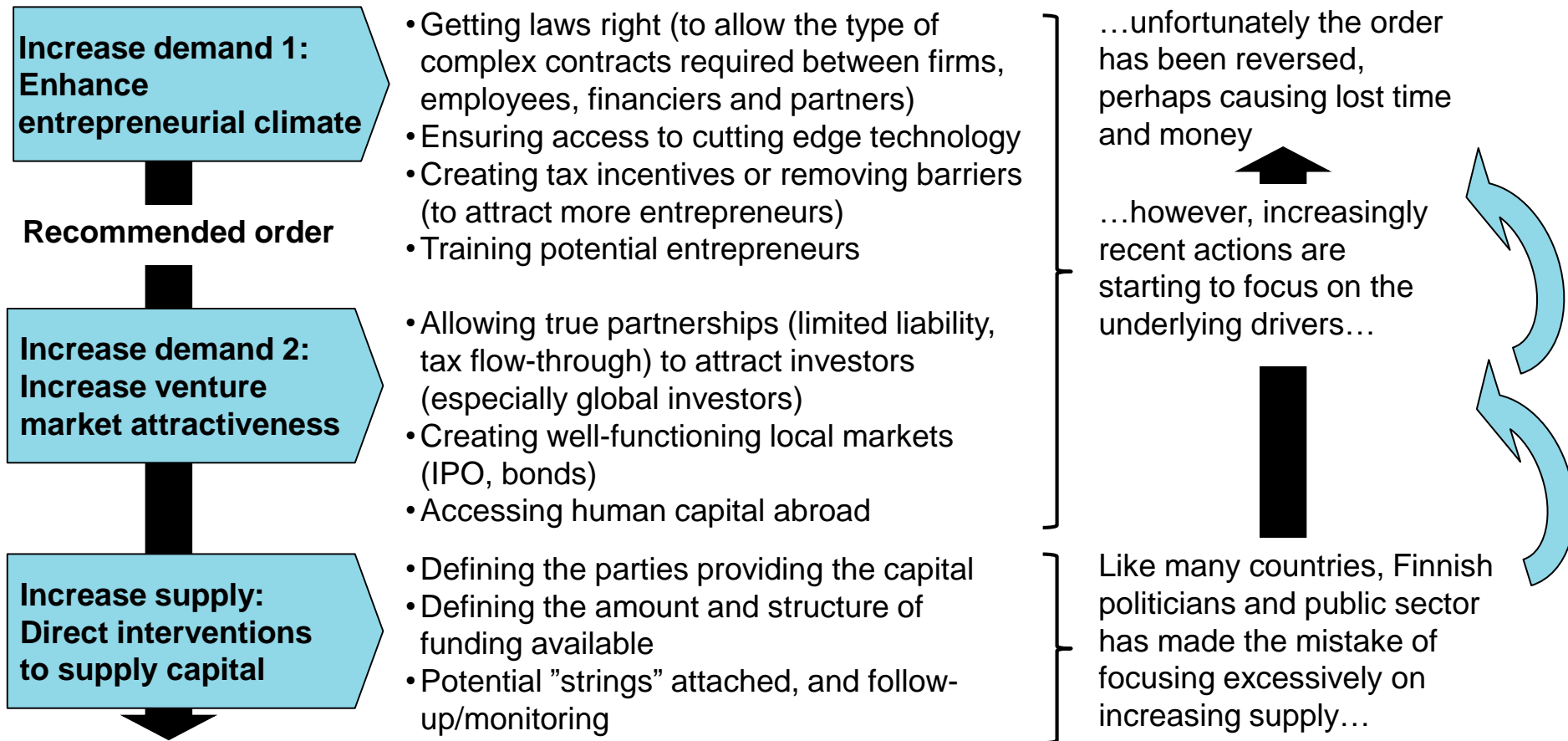
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Finland is starting to learn what public policy is effective, but sharing lessons with other nations is critical

Although Finnish public policy perhaps started in the wrong end, actions are now starting to hit the right areas

Main categories of public initiatives to stimulate new venture activity by Lerner



Source: Lerner, Boulevard of Broken Dreams (2009); interviews, Reddal analysis

There has been good progress but some criticism still remains

The good and the bad, based on comments from ecosystem participants

- The government continues to be active, and has been countercyclical
- Finland has had some world class success stories (Supercell, MySQL, Blom, Linux; in 2014 Facebook has acquired Rovio and Supercell, and Google just announced acquiring Weta Digital; prior Google has acquired for example Jaiku) and has built solid technology competence areas (gaming and graphics, core IT, some hardware technology areas); increasingly an active venturing environment is being built up (especially Helsinki)
- Mid-cap buy-out PE is working well with good returns and experienced teams; in venture capital, several promising venture capital fund management teams
- Have not been able to hit root causes (such as tax/legislative barriers to create demand through increasing attractiveness to become an entrepreneur, attracting foreign and domestic private investors, and to leverage local academic and corporate science, research and technology so that cutting edge technology is made accessible to ventures)
- Failure to recognize the importance of global interconnections and adherence to global standards, as well as limited or no collaboration with key neighboring markets (such as Sweden, Russia, Germany), let alone US, Israel or UK (Note! There has been several "study visits" and knowledge exchange, but not true operative collaboration which is critical for success)
- Still confusing and complex public sector network of players after 2 decades, funds spread too thin
- Weak owner, lack of leadership – the government has let the organizations under it act and decide on their own; at times, quite non-transparent and haphazard decisionmaking
- Feedback in the form of research results and audit results have not been acted on decisively, and evaluation of programs and actions has not been fully transparent; no public scrutiny or benchmarking of domestic fund performance where public sector has been a key investor
- Few venture backed companies have risen to the Helsinki stock exchange (in US 13%, Finland about 8%)

Source: Lerner, Boulevard of Broken Dreams (2009); interviews; Reddal analysis

If we look at the Finnish public efforts using Lerner's criteria, the results are mediocre but with some improvements expected

Evaluation of Finnish public efforts based on Lerner's framework

Category	Key elements	Current status	Expected developments
Things to emphasize	<ul style="list-style-type: none"> • Build the environment for ventures first • Leverage local research effectively • Conform to global standards • Let market provide directions • Avoid "overengineering" of programs • Recognize the long lead times • Avoid programs that are too small or too big • Understand the need to connect with entrepreneurs and investors overseas • Institutionalize careful evaluations • Adapt programs flexibly (refine/kill) • Seek to actively minimize "agency problems" • Make education part of the initiative (overseas investors, local entrepreneurs, public sector) 	Good Mediocre/poor Mediocre/poor Mediocre Mediocre Good Poor Poor Mediocre Mediocre Mediocre Mediocre	Increased focus on legal/regulative Aalto ES/Startup factory Increased focus on legal/regulative Expect better coordination Private sector partially covers this Taking some steps now Increased market participation Private sector partially covers this
Things to avoid	<ul style="list-style-type: none"> • Unqualified mandates to local institutional investors to make larger allocations to VC • Substantial up-front tax incentives • Reliance on intermediaries to manage programs • Matching ill considered incentives offered by other governments 	Poor Potential issue Issue in some cases (VIGO) No issue	No improvement in near term Some tax incentives planned Expect increased scrutiny

Source: Lerner, Boulevard of Broken Dreams (2009); interviews, Reddal analysis

The weakness of Finnish public efforts stem mainly from excessive domestic focus, and inability to renew efforts actively

Evaluation of Finnish public efforts based on Lerner's framework

Key elements (weak areas)	Current status/commentary
<ul style="list-style-type: none"> • Leverage local research effectively • Conform to global standards • Let market provide directions • Avoid "overengineering" of programs • Avoid programs that are too small or too big • Understand the need to connect with entrepreneurs and investors overseas • Institutionalize careful evaluations • Adapt programs flexibly (refine/kill) • Seek to actively minimize "agency problems" • Make education part of the initiative (overseas investors, local entrepreneurs, public sector) • Unqualified mandates to local institutional investors to make larger allocations to VC 	<ul style="list-style-type: none"> • Mediocre/poor; some universities and professors are more active, but the role of technology transfer offices has been weak (in most cases licensing has been cumbersome and focused on short-run returns) • Mediocre/poor; legislative barriers for foreign investment still significant • Mediocre; in practice FII participates in all local VC funds with a significant stake, and is considered a gatekeeper; MEE attempts to introduce asymmetric profit sharing has not succeeded; a broader approach to attract a range of specialized funds has not been taken • Mediocre; especially TEKES programs have been seen as bureaucratic • Poor; especially in the past efforts were split into small local fragments, and although this is starting to improve it is still an issue • Poor; the public efforts in connecting internationally to drive the development of the entrepreneurial ecosystem have been ineffective (more recently "Slush" has started to change this in a massive way) • Poor; while there has been evaluations, they have not been acted on and in other cases the evaluations have been overly positive; performance data not actively publicized, nor is comparative data on program effectiveness • Mediocre; adjustments have been slow despite explicit recommendations • Mediocre; there is little turnover of staff, essentially creating a stale network of key decisionmakers • Mediocre; while there is considerable educational programs towards entrepreneurs, few are effective; at the same time, inadequate efforts have been made to educate overseas investors and the public sector • Poor; due to inwardly focused programs with mainly domestic participants, it seems fair to say that market have been flooded by capital to some degree (with resulting poor returns among all government entities investing directly)

Source: Lerner, Boulevard of Broken Dreams (2009); interviews, Reddal analysis

Copying the YOZMA model to Finland may not be straightforward – there are several important differences

Views on applying YOZMA model in Finland

- While asymmetric profit sharing could be implemented (FII has not used it, but TEKES will apply it going forward) it is believed that another key element – strong networks* – is missing (US-Israel networks in the venture capital ecosystem much stronger than those of US-Finland)
- Israel may benefit both from the high technology activity (partly driven by military activity) as well as higher isolation than the European countries (leading VCs have mainly located their office only in London, and instead staffers travel to most European cities, including hot spots like Berlin and Stockholm)
- Currently obtaining funds is not the key issue – the best Finnish companies can receive funding globally, and from top tier venture funds; the key bottleneck is having enough strong companies lead by strong founder-CEOs; thus focusing on funding mechanisms and funding availability might not have as much impact as it did in Israel
- (FII apparently has tried to impose some limitations in its fund investments, requiring investments into Finnish target companies, but this approach only works with B-tier and lower funds; for top notch funds FII is both too small and without negotiation power)

*In discussions with YOZMA the importance of the “jewish network” was downplayed – asymmetric profit sharing had a bigger role according to YOZMA
Source: Interviews

The YOZMA experience may provide some insight for how to set future Finnish public policy

Questions to YOZMA

- What was the relative role of the (a) asymmetric profit sharing, and (b) strong US-Israel networks in terms of the success of the program?
- How has Israel's domestic venture capital industry developed after the early years? What is the role of domestic vs. international players?
- Have you observed that innovations are "purchased too cheaply" (or have politicians raised this as an issue) due to the asymmetric profit sharing or other related factors?
- How is YOZMA's relationship to Israel's incubator program? Frequency of communication, definition of roles?
- What would be the recommendation to a country like Finland, which has already passed the initial stage of venture capital ecosystem development?

Some recent interviews and articles also highlight the need for professional leadership and building an international community

Perspectives on building a venture ecosystem in a city or region

We are already the number-one start-up city in Germany. But that's not enough. We want to be Europe's leading start-up hub. To achieve this, we all have to pull together: politicians, established companies, organizations that support businesses, chambers of commerce and professional associations, and—of course—entrepreneurs. For a long time, key market players were completely unaware of start-ups. Happily, that is now all in the past. To take the next step, we need to continue improving our welcoming culture—that means offering additional multilingual support and making visits to government offices more customer friendly. We need to better deploy our excellent resources in research and academia to generate spin-off businesses, and for that we need universities to develop a more pronounced entrepreneurial spirit. Additionally, we need to improve coordination among individual players: who offers what, who possesses what expertise, and who is the right person to contact.

- Klaus Wowereit, Mayor of Berlin

...the most successful share several important characteristics: an outstanding leader with a track record of delivering outcomes, direct access to top leadership, talented staff with excellent communication and problem-solving skills, and the ability to use soft power to influence ministries.

Based on the problem definitions and the identified root causes, delivery labs can also be used to assess whether existing solutions are still adequate. Some employ “premortem analysis,” a managerial tool used in the private sector to identify implementation obstacles (exhibit). In step one of such an analysis, all initiatives to be implemented are outlined. Then, delivery-lab participants are asked to imagine a worst-case scenario for each initiative and predict why it might fail. Next, responses to each potential failure are designed. To track the progress of initiatives, some start-up delivery units publish an annual report after a delivery lab.

Source: http://www.mckinsey.com/insights/public_sector/Scaling_a_start_up_community_an_interview_with_Berlins_mayor,
http://www.mckinsey.com/insights/public_sector/Creating_growth_clusters_What_role_for_local_government

Korea can leverage the lessons learned from the Finnish public sector actions

Recommendations for Korean public policy supporting venturing

1. Approach the process in the right order – before flooding market with funds (supply side), make sure to address issues on demand side (good entrepreneurial climate that attracts top notch founder-CEOs, and an attractive venture capital market that pulls in both foreign and domestic capital); while politicians like to “throw money at the problem”, real impact requires fundamental adjustments (including both demanding legislative/regulatory changes, as well as cultural/mind-set change!)
2. Leverage the local academic scientific and industrial research base – make sure Korean technology finds a way into an effective commercialization process (connect all sources of technology into a well working entrepreneurial and venture finance ecosystem, ensure there are working mechanisms in place for fast practical and effective technology transfer, where rewards are shared based on success; avoid high upfront licensing fees)
3. Understand and respect the need for conformity to global standards, and the importance of global interconnections, nurture and build a true global community
4. Watch out for agency problems, fragmentation of efforts, overcomplicated public sector network of players, and institutionalize transparent and careful evaluations of initiatives (including broad based benchmarking)



Working together for
successful growth!