Danish Entrepreneurs' recommendations to the EU Startup & Scaleup Strategy

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Introduction

Startups and scaleups are the lifeblood of innovation in Europe, driving new technologies, economic growth, and job creation. They often introduce groundbreaking solutions that stimulate productivity and competitiveness.

Yet European startups still struggle to reach their full potential on the global stage. The EU currently accounts for only a fraction of the world's high-growth companies – roughly 8% of global scaleups and about 5% of global venture capital investment, far behind the United States and China. Many promising European startups feel compelled to seek funding and expansion opportunities overseas, highlighting that the status quo of fragmented markets and incremental policies is insufficient. To secure Europe's economic future, we need bold, comprehensive reforms that enable our startups to scale up at home and compete globally.

This submission outlines key barriers hindering European startups and recommends ambitious policy actions to address them in the EU's forthcoming Startup & Scale-up Strategy, aligning with the consultation's goal of creating a more innovation-friendly environment across the Single Market.

Key Barriers

The following sections outline the main barriers and corresponding policy solutions across critical areas:

1. Access to Finance
2. Weak Exit Markets
3. Regulatory Burdens & Market Fragmentation
4. Barriers to Public Procurement & Internationalization
5. Talent shortages & Work Permit restrictions
6. Limited Access to Research & Innovation Infrastructure
7. Restrictions on Data Flows & Cloud Services

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Barrier 1: Access to finance

1.1 Issues: European startups face major hurdles in raising growth capital. Europe's capital markets remain fragmented and underdeveloped for high-risk investment, which means startups often struggle to find later-stage funding domestically.

As a result, many founders end up looking across the Atlantic or to other markets for scale-up capital – European innovation too often becomes someone else's gain. In fact, it's well documented that European startups frequently develop their ideas in the EU but seek large growth or exit funding in the US, with the value created ultimately benefiting US investors (even American pensioners) rather than Europe's economy.

A core reason is the lack of participation by Europe's institutional investors in venture funding – EU pension funds and insurers invest far less in local startups compared to their US counterparts, due to regulatory and cultural barriers. Dealroom data show that European startups receive far less capital than their US counterparts, with the funding gap widening as investment rounds grow larger. In fact, in the largest scaling rounds, US startups receive 567% more capital than European ones.

This disparity means that even when successful companies are created in Europe, they risk being lost to other markets due to the lack of sufficient financing to scale them further. As highlighted in recent analyses of European venture markets, the European venture capital sector remains underdeveloped and fragmented.

The EU accounts for only 5% of global venture capital funds, while the US commands 52%, China holds 40%, and the UK contributes 3%. Moreover, European pension funds invest a mere 0.01% of their $9 trillion in assets into European VC funds, further limiting available capital. This financing gap leaves Europe a net importer of venture capital and limits the continent's ability to build "unicorn" companies at scale.

1.2 Policy Recommendations

The EU should strengthen and harmonize exit avenues so that successful startups can scale further or exit within Europe with confidence

- **Implement the Savings & Investment Union:** Accelerate SIU reforms that make it easier for capital to flow across member states into startups. Removing regulatory frictions and standardizing rules will broaden the investor pool and liquidity available to high-growth scaleups.
- **Promote Startup IPOs and Secondary Markets:** Create dedicated stock exchange segments or trading platforms tailored for startups and scaleups, with simplified listing requirements. Streamlining the IPO process and supporting a pan-European platform for tech listings will give startups viable exit options at home, strengthening Europe's IPO pipeline.
- **Mobilize Institutional Capital (Pension Funds & Insurance):** Incentivize European pension funds, insurance companies, and other institutional investors to allocate a greater portion of their portfolios to venture and growth equity. This could include adjusting prudential regulations (e.g. Solvency II) and launching European fund-of-funds initiatives to channel substantial private savings into innovation. Europe's large savings base should be leveraged to fuel its own entrepreneurs, reversing the trend of under-investment in EU tech.

Barrier 2: Weak Exit Markets

2.1 Issues: Even when European startups succeed in growing, they encounter weak exit opportunities in Europe. In particular, Europe's public markets for high-tech companies lag behind those in the US and Asia – IPO activity is lower and often yields smaller valuations. For example, European companies raise far less capital via IPOs than their US peers – total IPO fundraising in Europe has been roughly 50% lower than in the United States in recent years.

This IPO shortfall means fewer European scaleups can reach the public markets, pushing them to consider overseas listings or acquisitions instead. At the same time, regulatory complexities around cross-border mergers and acquisitions in the EU create uncertainty.

The screening of foreign direct investments (FDI) is not applied consistently across Member States, which can deter much-needed growth capital from abroad due to unpredictable review processes. Additionally, complex or lengthy competition and M&A regulations can delay or derail the sale or merger of startups, making exit timelines uncertain. All these factors reduce the attractiveness of Europe as a place to realize startup investments.

2.2 Policy Recommendations

The EU should strengthen and harmonize exit avenues so that successful startups can scale further or exit within Europe with confidence:

- **Streamline IPO Processes:** Work with regulators and exchanges to simplify listing requirements and reduce the cost/bureaucracy of going public for growth companies. Unified EU-wide principles for tech IPOs (e.g., a common “prospectus light” regime for SMEs) would help startups access public markets.
- **Harmonize FDI Screening Rules:** Ensure the EU’s framework for foreign investment screening is applied coherently across all Member States, with clear and consistent criteria. A predictable, uniform FDI review process will give international investors’ confidence to invest in or acquire EU startups while safeguarding security interests.
- **Provide Legal Certainty for Mergers & Acquisitions:** Clarify and align regulations governing mergers and acquisitions of startups, including competition review thresholds and procedures. The goal should be to avoid unnecessary hurdles or divergent national rules in cross-border M&A. Startups and their investors need a reliable path to exit – whether through IPO or acquisition – so the legal environment should facilitate, not frustrate, responsible exits.

Barrier 3: Regulatory Burdens & Market Fragmentation

3.1 Issues: Startups in Europe must navigate a complex web of regulations that often disproportionately burden smaller companies. The EU has introduced numerous new rules in areas like digital markets, data, AI, and platform governance – while well-intentioned, these can overwhelm young companies with compliance costs. It’s telling that 67% of EU startups report fearing the impact of new regulations on their business. Too often, policies are designed with large incumbents in mind, and startups struggle to comply with one-size-fits-all requirements.

Furthermore, inconsistent implementation of key regulations across Member States fragments the Single Market. A prime example is data protection: the GDPR set a global standard, but enforcement varies widely by country – some national data authorities take a much stricter approach than others, creating uncertainty. Europe is not well served by a continued one-sided focus on privacy at the expense of innovation and competitiveness.

Similarly, in areas like standard-essential patents (SEPs) and intellectual property, divergent national frameworks and lengthy processes make it hard for startups to protect and leverage their innovations across Europe. Fragmentation – whether in digital regulations, consumer rules, or IP systems – means startups face 27 slightly different regimes rather than one truly unified market, undermining scale-up efficiency.

3.2 Policy Recommendations

The EU should adopt a "think small first" approach to regulation – crafting and applying rules in ways that empower startups rather than hamstring them. Key steps include:

- **Better Regulatory Design and Impact Assessment:** Systematically evaluate new legislation through a startup lens and include startup representatives in the policy-making process. This will ensure laws (from AI and data governance to platform rules) balance important protections with flexibility for innovation, so that young companies can comply and grow.

- **Harmonize and Streamline Key Regulations:** Prioritize consistent implementation of major EU regulations like the GDPR across all Member States. Reduce gold-plating and interpretative divergences that increase compliance complexity – startups should face one predictable set of rules EU-wide. Where existing rules are overly complex, simplify or adjust them for startups (e.g. reporting requirements or standards for small firms). As an example, inconsistent implementation of the GDPR across EU member states has created significant challenges where startups are increasingly hesitant to innovate or invest in new technologies for fear of regulatory missteps. The EU must focus on enforcing existing regulations more effectively rather than layering on additional rules, and recalibrate the balance between privacy and innovation.

- **Consideration of startups in DPAs enforcement of GDPR:** DPAs - as enforcers of GDPR - should also be required to consider consequences of startups and European competitiveness as a permanent standard when making decisions. Because an overly protective approach has not only stifled technological development but also contributed to one of Europe's most critical economic periods.

- **Unify Intellectual Property (IP) Frameworks:** The current framework is fragmented. There is a need for more unified European IP systems that make it easier and cheaper for startups to protect IP across the EU. This includes fully deploying tools like the new unitary patent and harmonizing patent enforcement, as well as developing clear guidelines on emerging issues such as SEPs. A coherent IP regime will give innovators confidence that their inventions can be defended Europe-wide without excessive cost or legal uncertainty. In this case, a 28th regime should be accompanied by an IP system.

- **Maintain an Open Digital Single Market:** Guard against new forms of digital market fragmentation. The EU should uphold principles of an open internet and open data access, avoiding country-by-country divergence (for instance, resisting pressures for undue data localization or exclusive national standards). An entrepreneur in one EU country should be able to easily offer digital services in all others under the same rules – this is the promise of the Single Market and it must be made a reality in the digital era.

Barrier 4: Barriers to Public Procurement & Internationalization

4.1 - Issues: Access to public procurement and global markets remains limited for European startups. Government procurement is a huge potential market for innovation, but startups and scaleups rarely win public contracts under current practices. Strict tender requirements (e.g., lengthy track records, large financial guarantees) and complex bidding procedures tend to favor established incumbents over young companies.

Moreover, there are inconsistencies in public procurement rules and standards across EU countries, despite a common EU legal framework. Different interpretations of qualification criteria, local content requirements, or language/legal idiosyncrasies make it daunting for a startup from one Member State to bid on a public tender in another.

4.2 - Policy Recommendations

The EU and Member States should open up public procurement and reduce cross-border frictions, enabling startups to compete on equal footing and expand into new markets:

- **Startup-Friendly Public Procurement:** Reform procurement processes to lower the entry barriers for startups and SMEs. This can include simplifying documentation, setting aside smaller contract lots that innovative young firms can handle, and evaluating bids on value and innovation rather than just vendor size or past references. Public authorities should be encouraged (and trained) to engage with startups, for instance through innovation pitches or pilot projects, so that new solutions get a chance.

- **Harmonize Criteria and Remove Local Bias:** Ensure that procurement criteria and technical standards are interpreted uniformly across the EU. Eliminate unjustified localization requirements or excessive bureaucratic conditions that deter foreign bidders. An EU-wide interoperable system for vendor qualification could allow a startup certified in one country to be recognized in others. Likewise, promote the mutual recognition of security clearances, compliance certificates, and other qualifications, so startups don't have to start from scratch in each market.

- **Challenge-Based and Innovative Funding Programs:** Expand the use of challenge-based procurement and innovation competitions (such as SBIR or PCP programs) where public agencies solicit solutions to specific problems and fund trials by startups. This approach lets startups prove their technology in partnership with the government, leading to references and scaling opportunities. The EU should also strengthen support for internationalization through programs that help startups enter third-country markets, navigate export rules, and find global partners, ensuring that our scaleups can successfully expand worldwide.

Barrier 5: Talent Shortages & Work Permit Restrictions

5.1 - Issues: European startups consistently cite the lack of skilled talent as a critical bottleneck. With the rapid growth of knowledge-intensive sectors (AI, deep tech, software, etc.), demand for STEM professionals and experienced startup operators far outstrips local supply in many ecosystems. Europe produces excellent graduates, but not always in the quantities or specializations needed, leading to fierce competition for talent.

At the same time, restrictive immigration and work permit policies make it challenging to recruit skilled workers from outside the EU. Visa processes are often slow and cumbersome – in one recent survey, only 17% of scaleups rated the EU's skilled immigration framework positively, and a majority complained about the lengthy (57% citing duration) and complex (49%) visa procedures. These hurdles put European startups at a disadvantage, especially compared to countries like the US or Canada where attracting global tech talent is relatively faster.

5.2 - Policy Recommendations

Europe must aggressively address its talent gap by training more people in key skills and making it far easier to bring in expertise from abroad:

- **Fast-Track Visas and Work Permits:** Implement a fast-track visa process EU-wide for highly skilled workers and startup employees. Building on concepts like the EU Blue Card, the Commission should create a dedicated "Startup Visa" or Tech Talent visa program, with expedited processing and minimal bureaucracy, allowing startups to quickly hire third-country nationals in high-demand roles. Time-to-hire for global talent needs to be measured in weeks, not months.

- **Easier Intra-EU Mobility and Recognition:** Ensure that skilled individuals can move freely to where startups need them. This includes recognizing professional qualifications across Member States and removing barriers for non-EU residents already in Europe (for example, allow a non-EU tech worker hired in France to easily work on a project in Denmark without a fresh permit). Streamlined intra-Europe mobility for startup teams will create a true single market for talent.

- **Boost Homegrown Skills & Entrepreneurship:** In parallel, ramp up investment in STEM education, coding bootcamps, and entrepreneurship training to grow the local talent pool. EU programs and Member State initiatives should encourage academia-industry collaboration to align curricula with startup needs. Additionally, make it more attractive for experienced talent to join startups (for instance, through favorable tax treatment of employee stock options, which reward employees who take the risk of joining a young company). By combining global talent attraction with local skills development, Europe can alleviate the talent crunch

. that stifles many scaleups.

Barrier 6: Limited Access to Research & Innovation Infrastructure

6.1 - Issues: Europe's research institutions and infrastructure are world-class, but startups often struggle to tap into these resources. There is a persistent gap between academia-driven innovation and startup commercialization.

Many R&D funding programs and cutting-edge facilities (labs, testing centers, high-performance computing, etc.) are not easily accessible to small, young companies, especially across borders. Collaboration between universities and startups can be hindered by bureaucracy, misaligned incentives, or a lack of networks connecting the two. Notably, while European universities produce top-notch research and IP, the translation into high-growth ventures is limited.

University spin-offs – new companies born from academic research – face significant hurdles in scaling up. They often encounter **fragmented support and complex IP negotiations across Member States, which slow down commercialization of research results. These spin-offs tend to have lower failure rates (indicating strong foundations) yet still struggle to grow due to difficulties in securing follow-on funding and navigating different national rules.

For example, in the critical field of deep tech, Europe is not fully capitalizing on its strengths – deep tech accounted for 44% of VC funding in Europe in 2023, yet only 23% of European university spin-offs are in deep tech, compared to over 60% of VC-backed deep tech companies in the US.

This suggests that many breakthroughs from European labs are not being developed into startups at the same rate as in some other regions. Overall, the lack of an integrated EU innovation ecosystem means startups miss opportunities to leverage public research, and promising discoveries too often remain in the lab or leave Europe for better scale-up conditions.

6.2 - Policy Recommendations

To bridge the gap between European research excellence and startup growth, policies should focus on opening up research infrastructure and incentivizing commercialization:

- **Strengthen EU-wide Research-Startup Networks:** Expand programs that connect startups with universities, research institutes, and corporate R&D across Europe. This could include scaling initiatives like the European Innovation Council, Knowledge and Innovation Communities (KICs), and Horizon Europe partnerships to more explicitly support startup participation. Cross-border innovation clusters and sandboxes should be fostered, allowing startups to easily collaborate with labs or testbeds in any Member State. Sharing of facilities (e.g. letting startups use national research labs or equipment at favorable terms) would help democratize access to high-end infrastructure.

- **Incentivize University Spin-offs and Tech Transfer:** Encourage universities to translate research into enterprises by aligning incentives and simplifying procedures. Best practices – such as reasonable IP licensing terms and equity shares that don't deter founders or investors– should be promoted EU-wide. The Commission can develop guidelines or even a European framework for tech transfer offices to adopt startup-friendly policies (e.g. fast-track licensing agreements, mentoring for researchers-turned-entrepreneurs, seed funding for spin-offs). Moreover, dedicate funding at EU and national levels specifically for late-stage (scale-up) financing of spin-offs and deep tech startups, ensuring that once a spin-off is created, it can access growth capital and expertise to reach commercial viability.

- **Boost Collaborative R&D and Knowledge Flow:** Break down silos in R&D funding by making programs more accessible to young innovative companies. For instance, allow more startup-led projects in Horizon Europe grants or require large research consortia to include SME/startup partners. Promote schemes for researcher exchange into startups and vice versa, so that knowledge flows more freely. By integrating startups into the heart of Europe's research and innovation system, we can turn more of Europe's scientific leadership into market leadership through successful scaleups.

Barrier 7: Restrictions on Data Flows & Cloud Services

7.1 - Issues: In the digital economy, the ability to move data freely and deploy services at scale is fundamental – yet European startups face various constraints on data flows and cloud usage.

Some Member States have introduced or considered data localization measures that require certain data to be stored or processed domestically, which undermines the EU's single market for digital services. Such localization not only forces startups to duplicate infrastructure in each country (an expensive burden) but also contradicts the EU's own free-flow-of-data principles.

Additionally, fragmentation in cybersecurity and cloud compliance standards creates uncertainty. Different national cybersecurity certifications or divergent rules (for example, around government use of cloud, or sector-specific data rules) mean a cloud service that is approved in one country might need a separate approval in another. Startups offering cloud-based solutions, especially those handling sensitive data, must navigate a patchwork of regulations, which is costly and time-consuming.

Moreover, if rules like these become overly stringent, they can inadvertently shut out startups from public sector deals or certain industries (where only big players can comply with all the disparate requirements). Finally, the broader digital infrastructure needs improvement – issues like uneven broadband quality or delays in deploying 5G and edge computing in parts of Europe can also hamper startups that rely on fast connectivity.

In summary, while the EU has championed digital rights and security, we must ensure this doesn't translate into an overly restrictive environment for data-driven innovation. **Connectivity and data access are the lifeblood of modern startups, and they thrive in an open, integrated data economy.

7.2 - Policy Recommendations

Europe should uphold the free flow of data and a seamless cloud market as core tenets of the Single Market, while maintaining trust and security in pragmatic ways:

- **Enforce the Free Flow of Data Regulation:** The EU already has rules prohibiting unjustified data localization – these must be strictly enforced. Member States should remove any legacy data-localization requirements that aren't necessary for public security. Data should be allowed to move and be stored wherever it is most efficient and secure within the EU, so startups can design their architecture for performance and cost, not political boundaries.

- **One Europe, One Cloud Standard:** Adopt a harmonized European cloud security certification (building on the EU Cybersecurity Act) that is accepted by all Member States and sectors. The EU's Cybersecurity Agency has already put forward a draft cloud certification scheme that has been discussed with technical experts, industry stakeholders and EU Member States (EUCS) but that is currently put on hold for political reasons. Instead of a dozen different national standards, a startup's cloud service should undergo one EU-wide audit/certification to be cleared for use across the Union. This unified "stamp" for cloud security and compliance will reduce duplicate costs and give customers confidence, while still upholding high cybersecurity standards. In the same vein, coordinate data governance rules so that, for example, healthtech or fintech startups aren't faced with completely different data handling rules in each country.

- **Maintain Open Internet and Network Access:** Safeguard net neutrality and open access to communications networks. Regulators should ensure that startups can access telecom and data infrastructure on fair terms – no throttling or unjust discrimination – so that an innovative service from a small company can reach users as reliably as one from a big incumbent. Additionally, support the roll-out of advanced connectivity (fiber, 5G, satellite, cross-border data corridors) because high-speed, ubiquitous connectivity underpins the scalability of digital startups. By keeping Europe's digital infrastructure open and integrated, we enable our startups to leverage the full scale of the Single Market.

Conclusion - Key Priorities for the EU Startup & Scale-up Strategy

Europe’s startup ecosystem stands at a crossroads. We have immense creative and scientific talent across our continent, but without bold policy changes, too many of our innovators will continue to scale their companies elsewhere or not at all. To change course, the EU Startup & Scale-up Strategy must tackle the fundamental barriers outlined above – from unlocking financing and simplifying regulations to attracting talent and unifying the market.

The top priorities emerging from this consultation are clear: mobilize Europe’s vast financial resources for home-grown innovation, tear down the walls fragmenting our Single Market, and adopt a startup-first approach in policy-making. Concretely, this means delivering initiatives like a true Capital Markets Union and “Savings and Investment Union” that pour capital into new ventures, a 28th Company Regime that offers one set of rules for startups across Europe, smarter regulation that is proportionate and innovation-friendly, and programs to draw in skills and research excellence to the startup arena.

If we get these policies right, European startups will be empowered to grow to global scale without leaving Europe’s shores – strengthening our technological sovereignty and economic resilience.

In conclusion, we urge the European Commission to be ambitious and unapologetic in prioritizing startups and scaleups. Incremental tweaks will not suffice to close the gap with our global competitors; what’s needed is a paradigm shift in how we nurture and reward innovation. By implementing the recommendations above, the EU can create an environment in which founders know that Europe is the best place to launch and grow a world-class company.

The upcoming Strategy is a pivotal opportunity to set this vision into motion. It is time for Europe to take bold, concerted action to ensure that our startups and innovators can thrive, driving sustainable growth and securing our economic future. We trust that the Commission will seize this moment to future-proof Europe’s startup ecosystem, and we stand ready to support and contribute to making these proposals a reality.