

From Global Expansion to Global Integration: How Can the Netherlands Become a Top Five Ecosystem?

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Introduction/Overview

Global success stories. Inspiring startups. Headline-grabbing news. In recent years, the Netherlands has experienced a string of positive developments in its startup ecosystem, positioning the country—and its entrepreneurial core, the StartupDelta-Amsterdam region—for even more growth. If you're a founder, an investor, or someone who wants to be on the startup frontier, this is certainly **one of the places to be now**.

Take a look at recent successes. Globally, on-demand food delivery has attracted scores of startups looking to break through, but this has created intense competition and led to some high-profile failures. The Dutch company Takeaway, however, is one of the few to find success and went public in 2016 at a \$1.1 billion valuation. More strikingly, Qualcomm is in the process of acquiring Dutch semiconductor company NXP for an eye-popping \$44 billion.

The successes are not confined to recent exits. Over two decades ago, Booking.com was founded in the Netherlands and, in 2005, was acquired by Priceline. This in itself was, and remains, a big milestone for the Netherlands startup ecosystem. But, after Booking.com became the major "[growth driver](#)" behind Priceline's turnaround, the parent company changed its name to Booking Holdings in early 2018. The Dutch innovation inside the larger company has become the biggest name in global travel.

Such stories testify to the rich entrepreneurial legacy of the Netherlands, one that extends back four centuries, when the region was one of the original cradles of entrepreneurial capitalism in Europe. The Dutch pioneered global trade and agricultural innovation and Amsterdam was home to the first recognizably modern stock market. In the 20th century, Dutch inventors had a hand in the creation of the compact disc, Wi-Fi, and Bluetooth technology. Now, the Netherlands is home to several technology companies such as Philips, ASML, NXP, and TomTom, and ranks third in the [most recent](#) Global Innovation Index.

This entrepreneurial history set the stage for today's successes, and the country boasts a dense concentration of more than 10 technology clusters, all within 90 minutes of each other. In the [2017](#) Global Startup Ecosystem Report, the StartupDelta-Amsterdam region (which encompasses most of the country), was ranked 19th overall in the world. Its strong performance was driven especially by several multimillion dollar startup exits.

The vibrant startup ecosystem in the Netherlands is rooted in a well-educated and multilingual workforce, superior physical and digital infrastructure, an excellent business climate, and an enviable quality of life. The tech clusters that help foster startups are home to strong universities, research institutes, and multinational corporations. Within these cluster entrepreneurs and researchers cooperate in different technology fields, including high tech, life sciences and health, cleantech and agtech.

The Dutch government has implemented many policy actions to improve the business climate in the Netherlands. The talent technology pact aims to match the labour market supply for technical talent with the demand on the labour market, and thereby increase the supply of technical talent. The valorisation program aims to improve the knowledge transfer from academic institutions to the private sector and to increase the number of academic startups. The top sector policy aims to improve cooperation between startups and scaleups, corporates, knowledge institutes and the government within 9 strategic economic sectors, including high tech and life sciences and health. These policy actions strengthen the startup-ecosystem.

Since 2014 these general measures are complemented by a dedicated startup Program called “Ambitious Entrepreneurship”. Strategic policy actions have been taken to improve the access to talent, capital, networks, markets and knowledge for startups. Several specific actions were taken, including favourable tax measures for startups, the introduction of [two co-investment schemes](#) to improve the access to early stage funding and the introduction of a [startup visa](#) to attract foreign founders from outside the European Union. Also Neelie Kroes was appointed as special envoy for startups. She and her team started the initiative StartupDelta in 2015 with the explicit mission to connect the Dutch startup ecosystem into one single hub and to improve the Dutch startup ecosystem. Her work has been carried on by Prince Constantijn van Oranje. His decision to renew his status as special envoy for startups for another 18 months has underscored the national importance of this work. The goal is for the Netherlands to **be one of the top five startup ecosystems in the world by 2020**.

Momentum towards this goal is strong, as this brief report, done in collaboration with Startup Genome, will show. More and more resources have gone into creating a supportive environment for startup growth—renowned accelerators such as Rockstart and StartupBootcamp started in the Netherlands, and incubators Yes!Delft and UtrechtInc have been [ranked](#) among the top university business incubators in the world.

Becoming a top startup ecosystem is well within the Netherlands’ reach—yet for the startup ecosystem to increase in size and performance, improvement is needed in several areas. Here, we review the comparative performance of the StartupDelta-Amsterdam ecosystem, and discuss what is needed for it to take the next step.

The Startup Ecosystem Lifecycle

Startup ecosystems are not static—they evolve and change, following the developmental lifecycle illustrated in Figure 1.

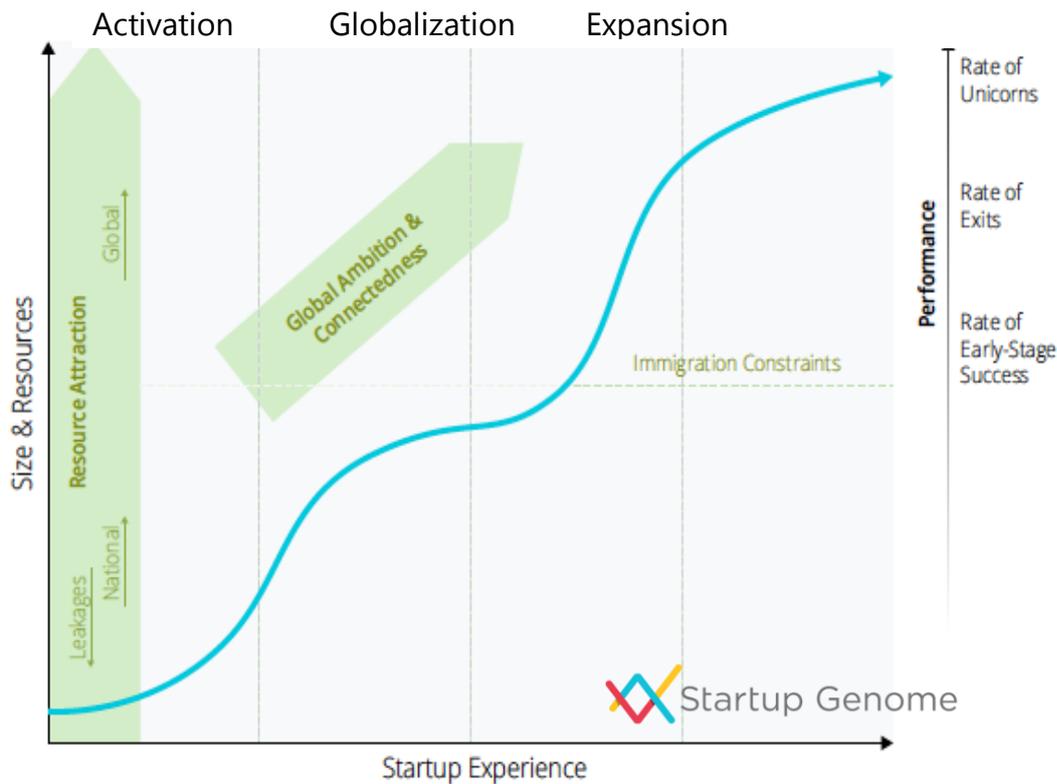


Figure 1. Ecosystem Lifecycle Model. Source: Startup Genome.

In each phase of the Lifecycle, the needs of startups and the entire ecosystem change, requiring different sets of actions on the part of public and private organizations. In the earliest phase, Activation, the focus must be on “activating” local resources—talent, capital, attention—and creating a coherent community organized around the notion that startups are good for the regional economy. In the Globalization phase, startups and support organizations must look beyond the immediate region to keep growing. “Organic” growth, based on the resources that can be accessed within the immediate region, must transition to “inorganic” growth, with resources attracted from outside the region. Larger exits—public offerings or acquisitions of startups—must become more frequent.

According to our Model, the StartupDelta-Amsterdam ecosystem has reached the Expansion phase: it is relatively mature with high Startup Output, strong Global Connectedness, and good Resource Attraction. The biggest challenges for Expansion phase ecosystems are to continue filling resource gaps, expand the attraction of resources, increase global connections, and sustain a steadily rising level of startup growth.

The StartupDelta-Amsterdam region first entered the overall top 20 ranking in 2015, at number 19, and maintained that spot in 2017. Yet among specific factors in the 2017 Global Startup Ecosystem Report, the region broke the top 10 in only one, Performance. In the following sections, we’ll review the StartupDelta-Amsterdam ecosystem according to these factors in the Startup Genome assessment and identify the remaining gaps and needs.

Ecosystem Performance

Overall, the StartupDelta-Amsterdam startup ecosystem fares well in terms of performance. This is due a high level of Startup Output and a strong track record of recent exits.

Compared to other ecosystems in the Expansion phase, Startup Output (the number of startups) in StartupDelta-Amsterdam is relatively high. According to the Startup Genome assessment—using data from partner organizations Dealroom, Crunchbase, and Orb Intelligence—there are roughly 3,000 startups in the region (see Figure 2).

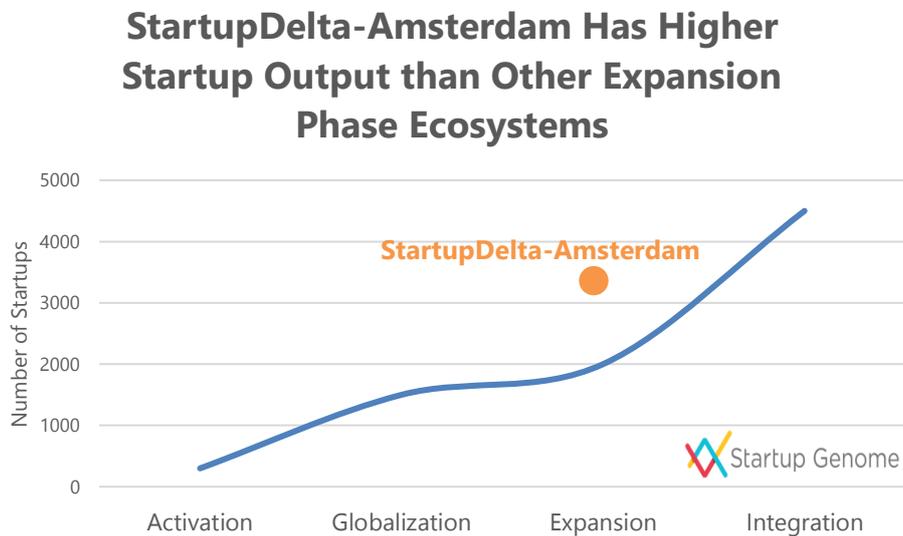


Figure 2. Source: Startup Genome, Global Startup Ecosystem Report, with data from Dealroom, Crunchbase, and Orb Intelligence.

This is about 50 percent higher than the Expansion phase average; for context, in London (an Integration phase ecosystem), there are roughly 5,000 startups. As measured by Exit Value—capturing the sum of all exit valuations from 2014 to 2016—StartupDelta-Amsterdam ranked 7th overall in the world (see Figure 3).

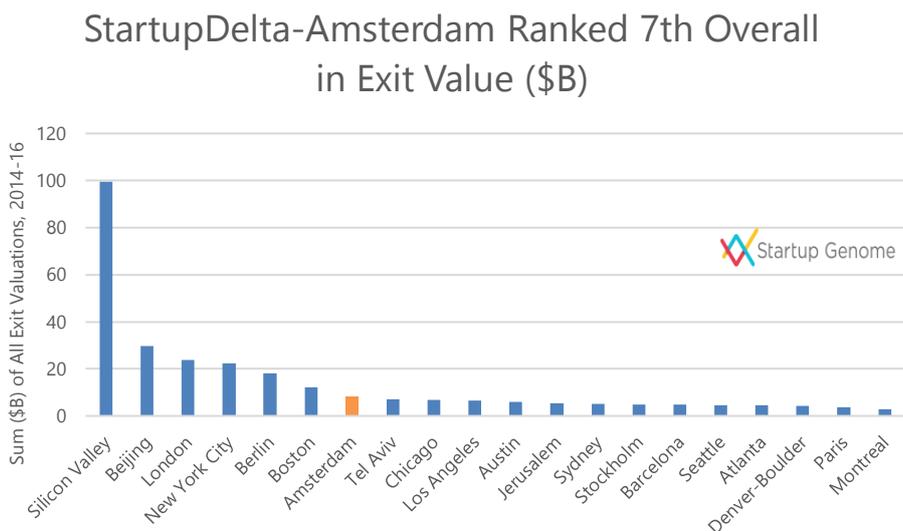


Figure 3. Source: Startup Genome, Global Startup Ecosystem Report, with data from Dealroom, Crunchbase, and Orb Intelligence.

The fairly strong Exit Value in the StartupDelta-Amsterdam region has been driven by milestones such as the billion-dollar initial public offering of Takeaway.com, as well as at least 15 exits over

\$50 million each, totalling over \$8 billion in Exit Value. The ecosystem also boasts a unicorn company (with a valuation over \$1 billion) in multichannel payment provider Adyen. In total Ecosystem Value (combining Exit Value and Startup Valuations), StartupDelta-Amsterdam ranked 12th in the world last year. Because the 2017 Global Startup Ecosystem Report looked only at software, these figures do not include exits in biotech, such as the €4 billion acquisition of AcertaPharma by AstraZeneca and the €1.4 acquisition of DezimaPharma by Amgen.¹

When we compare the number of Series A round investments in StartupDelta-Amsterdam to the number of companies that have achieved an exit, we can see that the region outperforms many others in its Rate of Scaleups.

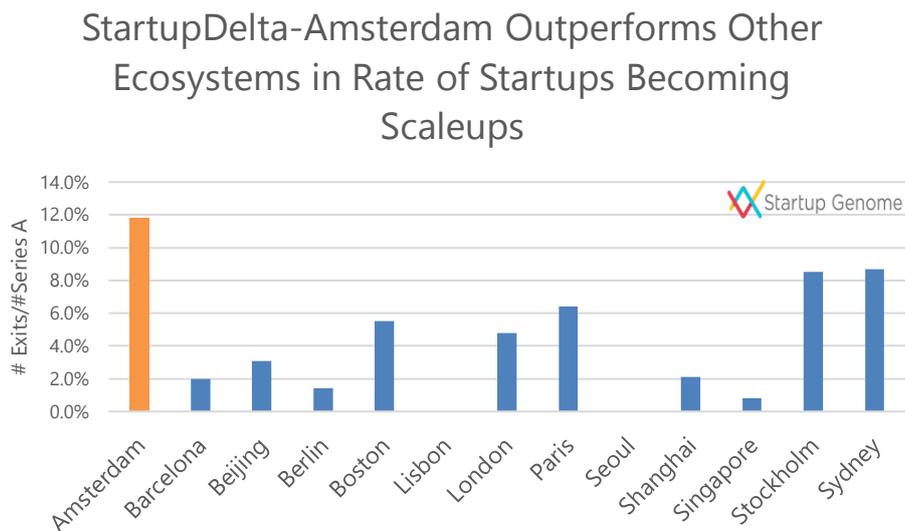


Figure 4. Source: Startup Genome, Global Startup Ecosystem Report, with data from Dealroom, Crunchbase, and Orb Intelligence.

Funding: Availability v. Accessibility

Over the last few years, the amount of venture capital available for startups has risen in the Netherlands, yet the StartupDelta-Amsterdam region lags behind peers and the global median on some key measures of how accessible early-stage funding is to startups.

Overall, nearly \$500 million was invested at the seed and Series A stages in Dutch startups over the past few years, more than double the global median. At the same time, venture capital funds in the Netherlands have raised several new funds in recent years, creating a good amount of “dry powder” for the ecosystem. Yet available funding is not the same thing as accessible funding. Because of where the StartupDelta-Amsterdam region is in the Ecosystem Lifecycle (the Expansion phase), there appears to be a need for even more funding to help sustain ecosystem growth. On a per startup basis, the Dutch ecosystem seems to have less funding accessible to startups than elsewhere.

¹ Beginning with the 2018 Global Startup Ecosystem Report, Startup Genome is expanding its coverage of sectors to include both tech and tech-enabled areas of the economy.

Dutch Startups Face Lower Accessibility of Seed and Series A Funding

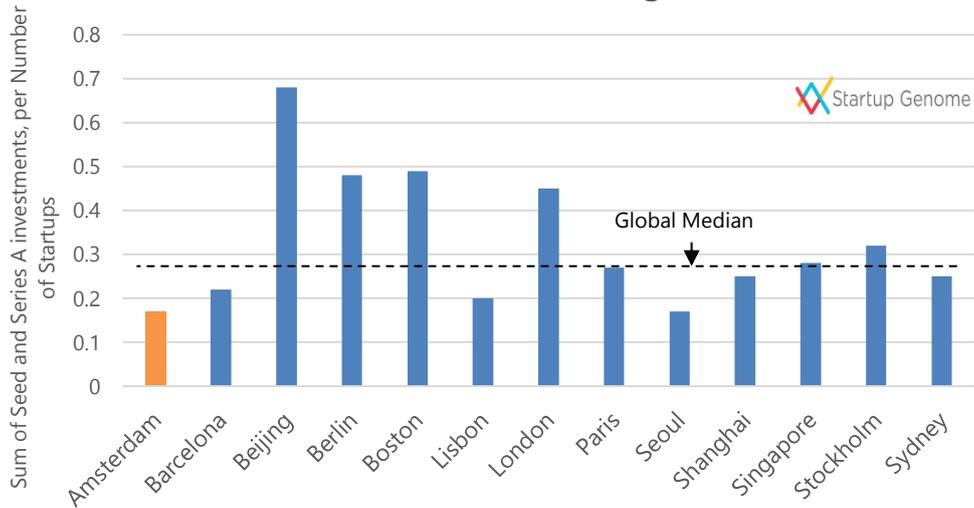


Figure 5. Source: Startup Genome, Global Startup Ecosystem Report, with data from Dealroom, Crunchbase, and Orb Intelligence.

As shown in Figure 5, the total of seed and Series A investments (per startup) is about one-third lower in StartupDelta-Amsterdam than the global median. The median round sizes of those investments are more in line with the global median (Figure 6), but still lag behind other startup ecosystems.

StartupDelta-Amsterdam is Even with Global Median in Seed and Series A Round Sizes

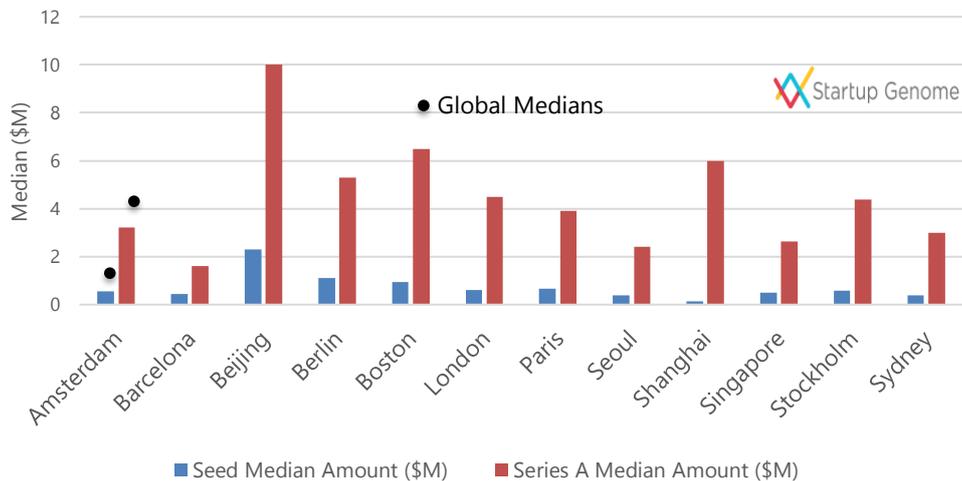


Figure 6. Source: Startup Genome, Global Startup Ecosystem Report, with data from Dealroom, Crunchbase, and Orb Intelligence.

There have been some notable funding events, such as the \$60 million Series A round by Messagebird in 2017, but this is an area where action may be warranted: without sufficient accessibility to early-stage capital, startups will look elsewhere. The focus should be on increasing the total pool of capital available and bringing in more foreign investors. In some cases, such as Messagebird, rounds have been led by foreign venture capitalists, but overall the share of seed

funding that comes from local investors in StartupDelta-Amsterdam, at 68 percent, remains fairly high for an Expansion phase ecosystem.

The [Seed capital scheme](#) and the recent creation of a co-investment scheme to stimulate angel investment are expected to boost the amount of funding in the ecosystem. Under these programs, the government and private investors each contribute 50 percent to joint funds which invest in startups in the early stage. The investment decisions are made by the business angels and venture investors, who manage the funds. They provide the smart money, the network and knowledge to steer the young companies. The schemes are also constructed to reduce risks for investors while allowing them to share in the success of the startups. In total the Seed capital scheme mobilised €540 million. For later stage investing, the government initiated two fund of fund initiatives, the [Dutch Venture Initiatives](#) (DVI-I and DVI-II). By the end of 2016, DVI-I had committed €148 million to 13 different venture and growth capital investment funds, leveraging over €1.5 billion of capital available for investments.

Increasing Access to Talent and Recycling Startup Experience Will Grow Ecosystem

In addition to funding, talent is the other key source of oxygen for startup success and growth: technology startups need access to software engineers and people with business or managerial expertise. Just as with funding, the accessibility of talent may be more important than its availability: even in leading startup ecosystems, where there may be a large pool of engineers and potential employees, startups may have difficulty accessing them. Competition from larger companies, for example, may drive up the price of talent and put it out of the reach of startups.

And, while startups need skilled employees in general, they also benefit from hiring individuals who have prior experience with startups. A software engineer or customer acquisition employee who has spent time in startups may bring more know-how to an early-stage startup than a comparable person who has the same skill level but no Startup Experience. Having a plentiful supply of engineers available is one thing; having a steady supply of them with prior startup experience is another. It raises the *accessibility* of talent.

In the StartupDelta-Amsterdam ecosystem, this appears to be a challenge, despite the ready availability of talent from universities and corporations.

Startups in StartupDelta-Amsterdam Have Comparatively Lower Access to Experienced Talent

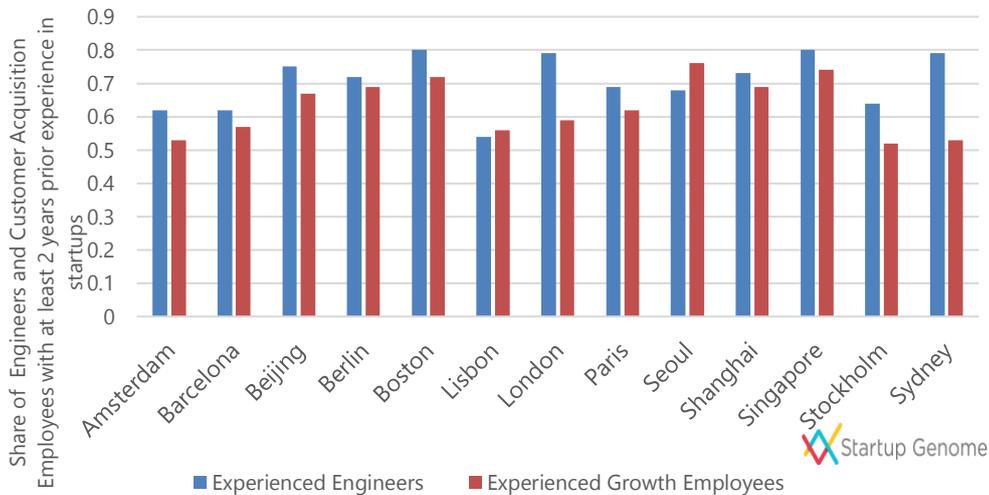


Figure 7. Source: Startup Genome, Global Startup Ecosystem Report.

As shown in Figure 7, early-stage startups in StartupDelta-Amsterdam have lower access to both experienced engineers and experienced growth employees, compared to other ecosystems. The share of software engineers with Startup Experience, in particular, is 11 percentage points lower than the global median, a significant gap.

Part of this gap may be explained by an overall lack of “recycling” that takes place in StartupDelta-Amsterdam. Among potential founders, there is a comparative lack of Startup Experience that can be recycled into future generations. Specifically, the shares of founders in StartupDelta-Amsterdam who have prior experience—either with a “hypergrowth” startup or working as startup employees—is lower than many other ecosystems as well as the global median (see Figure 8).

Founders in StartupDelta-Amsterdam Have Lower Prior Experience than in Other Ecosystems

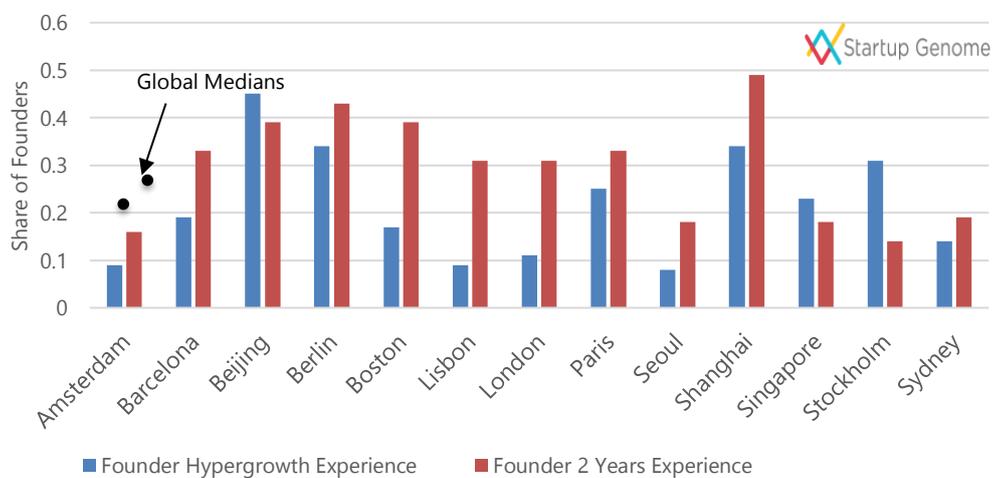


Figure 8. Source: Startup Genome, Global Startup Ecosystem Report.

These numbers may indicate that, while the Dutch ecosystem has many entrepreneurs who've had successful exits, too few are founding subsequent startups or working with new startups. There are some exceptions, such as online supermarket Picnic, which raised a \$123 million round last year, but more action might be taken to encourage serial entrepreneurship.

One way to mitigate these gaps and improve both talent accessibility and Startup Experience is to attract foreign talent. In the Netherlands, one quarter of software engineers at startups were born in another country. This is 60 percent higher than the global median, reflecting the continued attractiveness of the country as a welcoming destination for foreign talent. Actions such as the relatively new startup visa should also help raise the share of founders who are from other countries: currently, the StartupDelta-Amsterdam ecosystem is slightly below the global median on how many founders are immigrants (Figure 9).

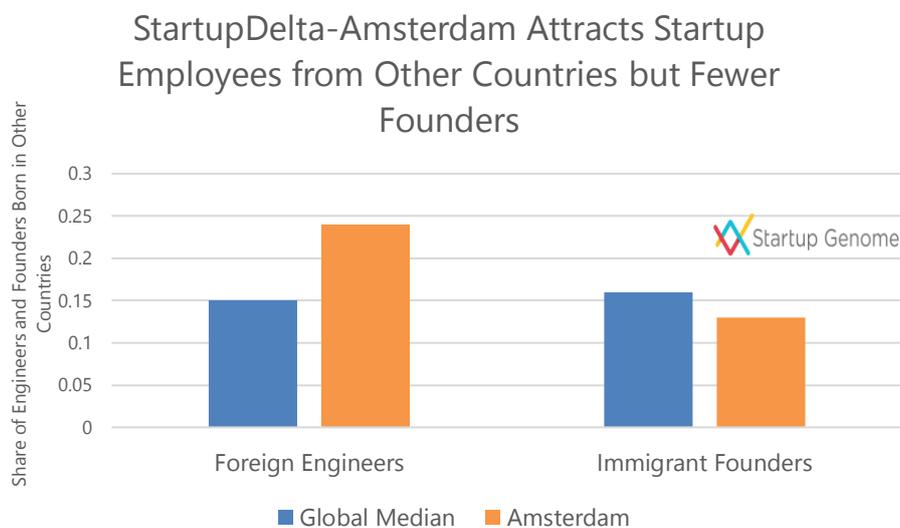


Figure 9. Source: Startup Genome, Global Startup Ecosystem Report.

Stock options are important for startups to attract talent, allowing them to reward employees without hurting cash flow. Options also enhance alignment within companies, orienting employees toward overall success. Based on preliminary analysis of 11 ecosystems around the world, StartupDelta-Amsterdam has the lowest rate of options being offered to employees: 28 percent of startup employees have options. This compares to Boston (75 percent), Singapore (53 percent), and the second-lowest, Seoul (30 percent).² Whether this is due to differences in tax law or other factors is unclear; further analysis is needed.

Setting the Stage for Continued Expansion and Growth

As startup ecosystems grow and expand, they must draw on a different set of resources than in earlier stages of development. For an ecosystem like StartupDelta-Amsterdam, it has reached the point where Global Resource Attraction is paramount. To keep growing—and to address the remaining gaps in the ecosystem—StartupDelta-Amsterdam needs to attract entrepreneurs and startups from other countries. This will draw even more talent and investment into the region.

There are two main avenues for Global Resource Attraction: large exits and Global Connectedness. As shown above, StartupDelta-Amsterdam has enjoyed a steady stream of

² Because of gaps in data, the sample sizes in this analysis of stock options are very low, thus these findings are very preliminary and should be treated cautiously.

successful exits: increasing Resource Attraction will help feed this into the future. As to the latter, Global Connectedness captures the cross-border relationships between startup leaders that are conduits not only for Global Know-How but also the circulation of entrepreneurs and startups. Startups that are more globally connected tend to sell more to global markets, which boosts their growth rate, leading to a higher likelihood of scaleup and exit. A virtuous cycle of Global Connectedness, Global Market Reach, startup growth, exit, Resource Attraction, and so on is created.

The chart below, Figure 10, demonstrates that while StartupDelta-Amsterdam has a higher level of Global Connectedness than the global median, and its startups sell to global markets at a higher rate, there is considerable room for growth. On a key metric of Global Connectedness—the average number of connections that Dutch founders have to their peers in *top* ecosystems—StartupDelta-Amsterdam is at the 70th percentile overall. Likewise, with Global Market Reach, StartupDelta-Amsterdam is at only the 60th percentile.

This is a somewhat curious finding given the small size of the Dutch domestic market and the long legacy of selling to global markets in the Netherlands. Recently, for example 53 Dutch startups travelled to the Consumer Electronics Show (CES) in Las Vegas. Prior to the larger expo, StartupDelta-Amsterdam organized an official pre-event, CES Unveiled in Amsterdam. Perhaps this is a matter of awareness and ambition rather than access. According to the Startup Genome metrics, Dutch founders do have some ambition to sell to global markets, but the levels are only just around the global median. For an Expansion phase ecosystem to keep expanding, a greater level of global ambition is required.

Startup Genome's [analysis](#) of the Global Connectedness metrics has found that global events which bring in founders from all over the world can help boost startup performance in an ecosystem. Already, international events such as TheNextWeb conference and StartupFest Europe attract global audiences. This year, Europe's largest fintech event, Money 2020, will be in Amsterdam. These events present a key opportunity for Dutch startup ecosystem leaders and stakeholders to promote the country as a top destination for startups. Organizing side events at these larger conferences that focus on building founder-to-founder connections can help enhance Global Connectedness.

StartupDelta-Amsterdam Has Room for Growth in Global Connectedness and Global Market Reach

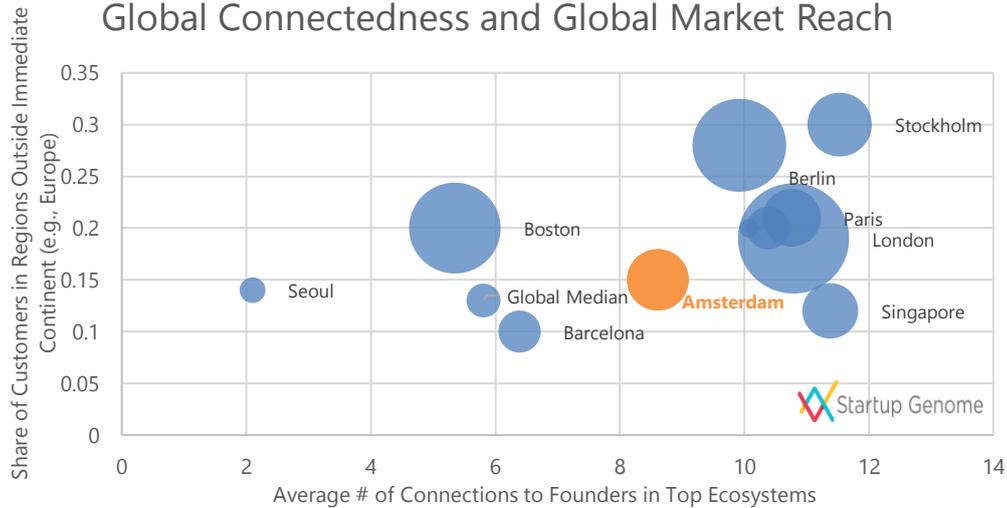


Figure 10. Source: Startup Genome, Global Startup Ecosystem Report.

Boosting Global Connectedness—particularly the connections between Dutch founders and their peers in top ecosystems—will help raise Global Market Reach, which will help Dutch startups grow faster. This will also help the ecosystem pull more entrepreneurs and startups from elsewhere. Currently, StartupDelta-Amsterdam attracts many fewer startups from abroad than Berlin and London (Figure 11).

Number of Startup Attracted from Other Countries



Figure 11. Source: Startup Genome, Global Startup Ecosystem Report.

Resource Attraction does not, however, run in only one direction. A thriving startup ecosystem requires a steady circulation of entrepreneurs and startups. At the Expansion phase, an ecosystem should have startups coming and going consistently—this helps increase Global Connectedness—but the overall level of Resource Attraction should be positive. Happily, the rate of “leakage” in StartupDelta-Amsterdam is low, at two percent, and its Net Attraction level is positive. Only one in six Dutch founders, moreover, report an intent to leave the ecosystem; this is lower than the global median.

Because of relatively free movement across borders in the European Union, StartupDelta-Amsterdam competes with Berlin, Paris and Stockholm for European founders. This is unavoidable. On the global stage, the attractive visa policy could give the ecosystem an exciting advantage in attracting ambitious entrepreneurs and startups from other countries. Non-EU startup founders who already have entrepreneurial experience and have raised sufficient funding can enter the Netherlands with either the self-employed visa or the Startup Visa, depending on their own preference and the phase of the startup. For founders in the initial phase the startup visa was introduced in 2015. To participate in the startup visa program, a startup needs an organizational facilitator, such as an incubator or accelerator. An integrated and coherent effort to promote both tracks—and the corresponding benefits of moving to StartupDelta-Amsterdam—will raise the pace of Resource Attraction. Since the start in 2015 more than 120 innovative startup visas have been granted to non-EU startup founders. This is in addition to the regular self-employed visa.

Growing into a Top Startup Ecosystem

Stability is far from assured in the development of startup ecosystems. A region that grows quickly in one period could face stagnation in the future if the Success Factors of the startup ecosystem are not tended to and continuously enhanced. StartupDelta-Amsterdam is in an enviable position: it has grown into the Expansion phase of the Ecosystem Lifecycle and sustained its position among the global top 20 ecosystems. With a large population of startups and strong track record of startups becoming scaleups, the ecosystem is in a position to enjoy continued growth.

To maintain and increase that growth, and become a global top five ecosystem, there are key areas where more public and private action in the StartupDelta-Amsterdam ecosystem may be called for.

More Early-Stage Funding. There are very few ecosystems where more early-stage capital is *not* needed—StartupDelta-Amsterdam is not one of the exceptions. While millions of dollars have been invested and millions more is ready for deployment, the accessibility of early-stage funding in the region lags behind other top global ecosystems. At the seed stage especially, there appears to be a need for more active angel investing. In recognition of this, the recent co-investment scheme announced by the national Dutch government aims to boost angel activity.

Key Node in Global Fabric. StartupDelta-Amsterdam is a globalized ecosystem: startups sell to global markets, founders are well-connected to their peers elsewhere, and it attracts people from all over the world. Yet there is ample room for growth on all these dimensions. The world's top startup ecosystems form a global fabric, through which ideas, money, and people circulate rather freely. To be a key node in this fabric, StartupDelta-Amsterdam needs to increase the level of Global Connectedness across the ecosystem. This will help Dutch startups sell more to global markets and draw even more resources to the country.

Already, the startup visa has resulted in an increase in founders and tech talent coming to the Netherlands. Another important measure that has been implemented by the Ministry of Economic Affairs and Climate policy is the establishment of the welcoming National Point of Entry for foreign entrepreneurs who consider moving to the Netherlands. Now, a concerted effort across the ecosystem should be made—among serial entrepreneurs, investors, policymakers, established tech companies, support organizations, and others—to boost the global ambitions of startups and connect them to global customers.

Postscript

For more information about the Dutch startup ecosystem or the Dutch startup visa check the StartupDelta portal: <https://www.startupdelta.org/>.

To see the latest analysis of the StartupDelta-Amsterdam and other ecosystems, see the 2018 Global Startup Ecosystem Report from [Startup Genome](#).