



MANIFESTO FESTO

**MANIFESTO FOR IRELAND'S
INNOVATIVE STARTUPS AND
SCALEUPS**

Foreword by Startup Ireland.

Relatively young companies such as Google, Facebook, Airbnb and Ryanair now play a hugely important role in providing us with radically new services or in using innovations in technology or business models to massively drive down the prices of traditional services. Most commenced as innovative startups, and then grew very rapidly. More and more such companies will transform our lives in ways we may not yet imagine.

Such fast growing innovative young companies can not only provide us with much better services, but can greatly benefit the economies in which they start and grow because, over time:

- They can grow to significant scale and create many jobs, often of high quality.
- They are inherently export-focused and thus bring in the wealth that an open economy like ours needs in order to fund government services and to create demand for domestic market focused companies and thus jobs in such companies.
- In an increasingly uncertain and volatile international environment, innovative indigenous exporters provide greater long term security than the subsidiaries of foreign multinationals or indigenous exporters who compete mainly on price.



All startups are economically beneficial. In rural areas, in particular, even small startups, or indeed a number of part time entrepreneurs, can make a huge difference both economically and socially. However, the real prize is to grow far more innovative startups, into companies of significant scale internationally. We need large, fast growing Irish companies, in all regions, which have achieved such a degree of competitive advantage through a combination of innovation and excellent execution that they can create significant wealth and employment while being able to weather economic downturns, radical swings in exchange rates and other such shocks.

Startup Ireland is the only voluntary national organisation focused exclusively on promoting and enabling such startups. We facilitate the startup conversation and provide a platform for this conversation to take place. This is a knowledge sharing voluntary community movement. We use this knowledge to advocate for, support and celebrate startup activity across the island. We act as a voice for entrepreneurs and startups.

Startup Ireland is a member of the Startup Nations Network and was a founding member of the European Startup Network.

Startup Ireland believes that the needs of innovative startups and their rapidly scaling elder siblings, often called “scaleups” differ in some key respects from the needs of most other businesses. In the past, Ireland was well ahead of most countries in meeting those special needs, thanks to great work over the years by EI, LEOs and many other players.

However, Startup Ireland is very conscious that in recent years a growing number of other countries have started to implement programmes and policies similar to our own. Many of these countries have significant advantages in terms of much lower costs, bigger home markets and less domestic competition for the talent needed by startups. Some are far more aggressive than us in their efforts to attract internationally mobile startups.

Therefore, to encourage, attract and retain startups and the talent they need, as well as to prepare our startups for increasing competition from overseas, Ireland now needs to significantly up its game.

This manifesto sets out, in broad brush terms, a range of measures that the state and various other players should take to achieve that. Over time, Start Up Ireland’s Steering Group will flesh out more detailed proposals in respect of some of these measures, in the form of budget submissions and similar proposals.

The Startup Ireland team

Ibec Foreword

Our ambition for Ireland is to be a hub for innovation, where creative ideas can be quickly and easily transformed into successful businesses. Entrepreneurship can play a far greater role in underpinning the substance of Ireland’s business model by not only creating new technologies and services, but also delivering the jobs of the future.

Ireland must work harder to encourage more people to start their own business. While it is an easy place to start a business, it appears to be a difficult place to grow one. Ibec is supporting Startup Ireland to make the path of entrepreneurship easier, more resilient and above all, encouraging. Simple steps outlined in this manifesto will help achieve that. Substance requires identifying solutions, not focusing solely on problems. This manifesto was put together by crowdsourcing views and ideas directly from entrepreneurs and those across the entrepreneurial ecosystem, from policy makers to investors.

Entrepreneurs and small businesses are the foundation of our economy and are key to sustainable job creation. Many of the jobs of tomorrow do not exist today. Just as the internet has created jobs unimaginable in the past, automation, robotics, and artificial intelligence will create new positions for an agile and adaptable workforce. This means nurturing and facilitating the skills that allow entrepreneurs to quickly capitalise on new opportunities.

While no one can accurately predict technological trends of the future, we can take the steps to allow startups to flourish regardless. A pro-entrepreneurship environment should enable startups to bring creativity and innovation to the economy. Our tax system must be fairer for entrepreneurs. Both the financial and non-financial climate must be conducive to the startup community. Regulations should not hold back innovation and startups. Finally, we need more people to start their own business and we need greater diversity in our entrepreneurship community.

Startup Ireland’s objective is to foster a spirit of entrepreneurship. Entrepreneurs are made, not born. We need to encourage as many as possible to confidently start their own businesses, to be their own employers and to create jobs for others. If the right conditions are provided, startups can underpin Ireland’s economic resilience.

Danny McCoy,
CEO, Ibec



PILLAR 1

Access to Talent

The Challenge

Ireland needs more people with the ambition, drive and skills to found and grow innovative, high potential startups. Our startups and scaleups need more: skilled employees; senior managers with experience of driving young companies to very significant scale, mentors and advisors.

As a country we need to:

- Develop more of our own entrepreneurs and other required talent.
- Ensure that a greater proportion of such talent opts for startups and scaleups rather than other careers.
- Retain our own entrepreneurs/other talent and attract in more of them from overseas, in the teeth of rapidly increasing competition from other countries for exactly the same type of talent.

Actions required to improve access to talent

- 1.1** All first and second level students should be given a taste of the challenge and excitement of entrepreneurship. While LEOs, NGOs and many teachers do an excellent job of providing such experience to many pupils, state intervention, ideally led by a suitable champion, is required to ensure these opportunities are extended to all pupils without exception.
- 1.2** Third level colleges should embed entrepreneurship across all faculties, and encourage cross faculty collaboration in relation to entrepreneurship.
- 1.3** Existing programmes to promote entrepreneurship through student competitions, entrepreneurship apprenticeship programmes, adopt a school, etc., to be continued and enhanced.
- 1.4** The startup community, the State, the media and corporate sponsors should do more to celebrate Irish startup success stories. Ideally this would be done in a way that also reduces any social stigma against failure.
- 1.5** Career guidance counsellors should draw student's attention to the option of entrepreneurship and startup companies rather than focusing only on more traditional careers. The State should provide training and resources to support them in doing so.
- 1.6** Build on the existing programmes aimed at increasing interest in IT, science, engineering, maths and other technical subjects while ensuring that primary and secondary teaching of such subjects are properly resourced.
- 1.7** Increase state promotional efforts to attract more entrepreneurs, and the other talent needed by startups, to relocate to Ireland.
- 1.8** Irish people at home and abroad should leverage any opportunities they encounter to promote Ireland to startups, talent or the media.
- 1.9** The State should periodically review visa and work permit regulations to ensure they maximize the likelihood of attracting and retaining entrepreneurs and other talent.
- 1.10** Immigration and work permit processes should consistently treat top talent as highly valued customers. These processes should be overhauled and resourced to facilitate this.
- 1.11** Remove discrepancies in the social welfare and PAYE systems that penalize or appear to penalize self-employment, proprietary directors and startup failure. (Note 1).
- 1.12** To facilitate more women to start companies, the State should allow female sole traders and proprietary directors to share their maternity leave with their partner. (Note 1).
- 1.13** Employee share options should be taxed in a way which assists startups compete for talent.(Note 1).
- 1.14** Continuously review Capital Gains Tax to encourage entrepreneurship and angel investment, and to ensure we are competitive with the best other startup locations. Capital Gains Tax rules should not encourage early exits. (Note 1).
- 1.15** Companies should facilitate and encourage their employees to give back by becoming involved in mentorship and skills programmes for startups.
- 1.16** Large private and public organisations should consider providing leaves of absence, and/or other supports, for staff wishing to participate in the founding or development of a startup.
- 1.17** Experienced entrepreneurs, managers and professionals should give back by providing free mentoring to startups, either informally, or through the existing structures.
- 1.18** On a trial basis, the State should fund an effort to significantly grow a new, or existing, online system to match up mentors and entrepreneurs. This would complement existing mentor programmes operated by LEOs, accelerators, EI, etc.
- 1.19** Entrepreneurs should engage with appropriate mentors and coaches. They should also engage early and frequently with customers and use the evidence from such engagement to direct their business and to prepare any investor pitches they may need.
- 1.20** Consider providing an online e-learning portal to provide free or low cost training in all the skills needed by those starting a business and to meet other key skills gaps. This could leverage Ireland's Edtech strengths and be a mixture of links to existing high quality content and to content created especially for the portal.

Note 1. Items outlined above relating to tax and social welfare are addressed in more detail in our Tax and Social Welfare White Paper



PILLAR 2

Access to Finance

The Challenge

Sufficient funding should be available such that:

- Good projects can get the investment they need to start and achieve optimum growth.
- No company relocates out of Ireland, nor exits too early, due to lack of funding.
- Internationally mobile startups are attracted to Ireland.

We need an ever-increasing virtuous circle in which Irish entrepreneurs and investors generate wealth and skills from startup investments and exits, which they then apply to starting and growing more Irish startups.

Startups also need a procurement and regulatory environment that assists revenue and cash flow, so as to minimize the amount of funding they need to raise.

Actions required to improve access to Finance

- 2.1 In order to incentivise investment in startups and to make Ireland internationally competitive for startups, the State should overhaul and consolidate the Employment and Investment Incentive (EII), Seed Capital and “Entrepreneurial Relief” schemes. (Note 1)
- 2.2 Investment tax relief should be administratively simple and should be the same whether the investment is made directly or via a fund and whether made via ordinary shares or convertible debt.
- 2.3 In the context of Brexit, undertake a pilot initiative to attract international seed and venture capital firms to Ireland without State co-investment (while also continuing with the current programme of attracting them by means of co-investment).
- 2.4 Corporates should start or expand existing programmes to engage with startups by investing in them, procuring from them, providing free or low cost services and funding accelerators.
- 2.5 The State and Stock Exchange should review whether there are practical options to make it easier for fast growing but young companies to raise capital through public markets and/or to increase the liquidity of angel and VC investments.
- 2.6 The State should review the regulatory environment for crowdfunding and peer-to-peer lending to eliminate any unnecessary obstacles to the use of these mechanisms by startups.
- 2.7 Given the intense cashflow problems faced by most startups/scaleups, the State should allow businesses below a specified age, to claim R&D tax credits in a single instalment (Note 1) and with minimal complexity.
- 2.8 Banks should make lending decisions based on sound business principles rather than requesting a personal guarantee. The State should encourage this. Where an entrepreneur has to pay up on a personal guarantee given to secure funding for their startup, they should be able to offset this against income tax.
- 2.9 The State should expand existing programmes to procure innovative products and services from startups and also existing programmes to build startup’s skills at navi - gating complex procurement processes.
- 2.10 Business should buy more innovative technologies and services from startups.
- 2.11 Entrepreneurs should realise that accepting funding from Government or private sources creates an obligation to apply proper governance and honest and timely reporting.

- 2.12 National and European policymakers should consider changing administrative requirements and /or issuing implementation guidelines designed to make it easier for people changing countries to open personal or business bank accounts.
- 2.13 The State should regularly monitor the availability of funding across all stages of growth and should monitor evolving international best practice in facilitating startups, scaleups and other SMEs to access funding and take consequential action where needed.
- 2.14 Investors and others should realise that repeat entrepreneurs whose previous startup failed, may as a result, bring highly valuable experience to their current project.

Note 1. Items outlined above relating to tax and social welfare are addressed in more detail in our Tax and Social Welfare White Paper



PILLAR 3

Startup Supports

The Challenge

Many Irish startups already benefit from the advice, training, introductions, assistance in entering international markets and similar soft supports, which are currently provided by a wide range of organisations such as state agencies, corporately funded accelerators and the educational sector. While we are fortunate to have many long standing high quality such programmes, there is still considerable scope for improvement.



Actions required to improve startup supports

- 3.1** Continue and enhance existing high quality startup support programmes ensuring the highest standards are achieved. There should be a particular focus on programmes that support companies capable of achieving very significant scale and/or that encourage a regional spread.
- 3.2** The State should develop a transparent system to ensure that all startup programmes it supports, including mentoring programmes, meet specified minimum standards appropriate to the startups at which they are targeted.
- 3.3** Startup support programmes should work to raise ambition levels and, to generate a deep sense of urgency to achieve product market fit as soon as possible with as little external investment as possible.
- 3.4** Where companies demonstrate a high potential to be world beating, the capability programmes offered to them should be of world class and if necessary should receive sufficient subsidy, to make them affordable.
- 3.5** The State should continue to streamline application processes for support programmes, while also continuing to rigorously demand great clarity of thought and as much market based evidence as possible. As part of this, the state could review whether there is an opportunity to make greater use of approaches such as slide decks, video pitches and other online systems instead of lengthy business plans, when considering funding applications from early stage innovative companies.
- 3.6** Where there is a sufficient critical mass of promising but still small companies which require access to the same types of specialist laboratories and test facilities, the State should consider making existing (e.g. in academia) or new such facilities available on flexible terms and at affordable prices. Biotechnology and food are examples of sectors where this might prove beneficial.
- 3.7** Create a single national “one stop shop”, either by creating a new service or improving an existing one, to signpost startups and would-be entrepreneurs to the supports most relevant to them. This should be well publicised, adequately resourced over the long term and while using online technology should also allow enquirers an opportunity to communicate one to one with knowledgeable staff.
- 3.8** Continue efforts to better coordinate the various providers of startup supports.
- 3.9** Ensure the representation of startups to government through a designated entity.
- 3.10** Consider programmes targeted at groups disproportionately underrepresented amongst start up founders. They could copy the approaches applied in recent years that have made considerable progress in increasing the number of females founding innovative startups.
- 3.11** The State should encourage third level colleges and the private sector to run startup accelerators, focused on specific niches, for both local and overseas entrepreneurs and should design these programmes to maximise the likelihood of retaining participants in Ireland after they complete the programme.
- 3.12** The State should work to increase policymakers’ awareness of the experiences and challenges faced by entrepreneurs and startup companies in Ireland. For example, by renewing efforts to second relevant public sector staff to short term assignments in startups.
- 3.13** The State should publish better data on innovative startups in Ireland to: improve policymaking; help attract startups/talent and to encourage people in Ireland to engage with startups. As a minimum it should publish an annual compilation and analysis of all existing statistics relevant to startups on a dedicated webpage.
- 3.14** The State should engage with corporates and startups in an effort to devise more ways of encouraging greater integration between the two groups.
- 3.15** The State should monitor the availability of office space for startups and scaleups and, if needed, take action to address any shortages. Ideally, one element of this, would be an iconic building.
- 3.16** The State should investigate implementing a pilot programme to attract, retain and develop a large number of very promising local and international startups in a selected narrow sector where Ireland is or has the potential to be world beating. The objective would be to make Ireland the prime location in Europe for that sector and to create a self-sustaining cluster. If successful, the programme could be rolled out to create similar clusters in other sectors.

**PILLAR 4**

General Business Environment

The Challenge

The general business environment, including for example, education standards, wage rates, infrastructure, and levels of bureaucracy affect all companies, but they have the biggest impact on exporters. Young exporters face the biggest impact of all, as they often lack the resources that better-funded, older companies can deploy to partially overcome the effects of deficiencies in the local business environment.

Excellent and ubiquitous broadband is critical to regionally based startups. Quality of life is critical to attracting and retaining the increasingly mobile top talent needed by startups.

Our economic recovery is paradoxically creating problems that are of growing concern to both startups and many other businesses. These include input costs and a shortage of both office and residential accommodation. The solution to the above issues, while important to startups, is beyond the scope of this manifesto. However, we do recommend the following actions to improve other aspects of the general business environment.

Actions required to improve startup supports

- 4.1 The State should set clear targets to improve its placing in specified international rankings on competitiveness and quality of life, develop specific action plans to achieve those targets and publicly review progress against such plans.
- 4.2 The State should evaluate the potential impact on smaller companies of all proposed laws and administrative procedures and consider exemptions for them.
- 4.3 The State should press for the elimination of the remaining obstacles to trading with other EU countries, especially those that impact on fast growing young companies in the sectors where Ireland is strong. This would allow high growth Irish (and other European) companies to grow as fast in the European market as their US equivalents do in their home market and thus reduce the incentive for scaleups to relocate to the US.
- 4.4 The State should ensure that skills deficits identified by the Expert Skills Group are addressed on an ongoing basis and to a high standard. Budgetary considerations must not be allowed to cause any inappropriate shifts from the subjects we need towards cheaper subjects, nor to cause a drop in standards.
- 4.5 The State and educators should ensure that all aspects of education build skills in areas such as; initiative, tenacity, critical thinking, creativity, design thinking, collaboration and foreign languages.
- 4.6 The State, and others, should continue, and expand, existing efforts to make the population more tech savvy and to make the country a leader in digital skills, regulation and usage including fully implementing the National Digital Strategy, eGovernment Strategy and National Payments Plan.
- 4.7 Government and business should eliminate regulations/practices that cause cash flow problems for startups.

- 4.8** The state should change its law/regulation making and enforcement processes to cope with the rapid changes that can occur when innovative companies disrupt regulated industries. This would include implementing the EU's "think small first" approach.
- 4.9** The State, and ideally others, should initiate a consultation/idea generation exercise to see whether there are any ways of mitigating the impact on startups/scale ups of some of the negative aspects of the general business environment, in particular our cost base, skill, and accommodation shortages.

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