



## Executive Summary

In the early 2010s, France realized it was lagging behind its European neighbors in terms of start-up creation numbers. A proactive strategy was implemented by the government, aimed at allocating resources – notably financial resources – essential to the success of French start-ups.

This strategy is bearing fruit and success stories abound. France now boasts 18 unicorns, as many as in Germany and half as many as in the United Kingdom (weighing in at 31), not to mention the many promising French start-ups ready to take off in the coming years. It would be counterproductive to alter this trend or to want to change it on principle, since its effects are long-term; on the other hand, it would be an equal miscalculation not to prepare for the challenges of the coming decade.

Much has been written and discussed on the topic of unicorns and their funding. This study aims to determine the factors which contribute to success (or failure) in the emergence of resilient and effective innovation ecosystems. To this end, this paper compares France with its European and other international neighbors,<sup>1</sup> according to number of unicorns and, more generally, according to venture capital funds raised in excess of US\$ 30 million;<sup>2</sup> as well as by assessing the relevance of more explanatory factors, such as the availability of private and public funding, the founders' backgrounds, the quality of higher education and the value assigned to research activities (see the Methodology section).

This study offers nine recommendations to make France the most innovative country in Europe and enable it to create the most high-value start-ups. This report is based on two principles shaped by the interviews and the quantitative studies carried out:

**1. In France, funding for start-ups is now more reliable than ever and will likely increase in the coming years.** At this rate, France already has the potential to generate 2 to 3 times more unicorns in the next five years than in the 2010-2015 period, as evidenced by the increased number of start-ups currently in the early stages of their growth cycle. **It is nevertheless possible and beneficial to encourage French people to increasingly**

**direct their savings towards supporting French start-ups.** The challenge is of course financial but also cultural, since French savers are more inclined to choose very low risk investments;

**2. The real challenge of the 2020s will be human capital, which is the key driver of start-up creation and growth in a highly competitive global environment.** In this respect, France is still lagging behind: lacking forward vision when it comes to key skills and professions of the future, its start-up founders are too academically and socially homogeneous when compared to other countries (which hinders Deep Tech, the most likely to interest the French industrial fabric), and research areas bogged down by misgivings which are ultimately detrimental to the country as a whole.

In other words, this study aims to be as realistic as possible when it comes to France's performance in terms of innovative start-ups: acknowledging the successes of the last ten years thanks to an actionable innovation policy; but also recognizing the challenges in human capital for the years to come.

## RECOMMENDATIONS

### 1. Invest in human capital

**To find out what skills are needed over the next 10 years, conduct an annual national survey and adapt higher education training accordingly.** Successful start-ups are those that manage to attract and retain all essential complementary talents (scientific, technical, user experience, developers, AI experts, etc.). An annual survey could be conducted jointly to help higher education institutions adjust their programs, while also encouraging cross-curricula and high-level English courses.

**Broaden the range of start-up creators to include as many talented profiles as possible:**

- **Encourage more university students to embark on entrepreneurial paths, as they tend to have more diverse backgrounds than students from the elite higher education establishments ("grandes écoles").** Notably, make PEPITE hubs (student centers for innovation and entrepreneurship) the strategic points for guiding students towards entrepreneurship. This means adapting how PEPITEs are run and setting the objective of increasing the number of student-entrepreneurs sixfold over the course of the next four years;

<sup>1</sup> The study sample includes Germany, Estonia, Israel, Switzerland and the United Kingdom, and on a solely quantitative level, Denmark, Finland and the Netherlands.

<sup>2</sup> This threshold was taken from the findings of the 2019 Tibi report, Financing the Fourth Industrial Revolution – *Unlocking financing for technology companies*, which emphasized that "as far as shares are concerned, overall start-ups do not struggle in financing their early stages of development. France has a promising collection of technology companies. However, their growth is slowed down by the lack of late-stage funding (raising more than €30-40m)".



- **Welcome international talent by doubling the number of French Tech Visa recipients over the course of the next two years;**
- **Promote the integration of foreign students into the world of French entrepreneurship;**
- **Promote talented profiles from across the country, including those outside the traditional education system, by doubling the number of annual recipients of the *French Tech Tremplin (Springboard)* incubator program over the course of the next two years.**

## **2. Strengthen the ties between research and entrepreneurship**

**Implement ambitious policies to promote and encourage researchers in public laboratories to create innovative companies.** Further promote a culture of research dissemination in society and in the economy; and take this into account in the assessment of research institutions by the (High Council for the Evaluation of Research and Higher Education – HCERES) and in the assessment of researchers by the National Council of Universities (CNU).

**Promote a culture of competitive project selection based on the American DARPA committee model;** relying on existing operators and mindful of not creating new administrative structures.

**Finally, in order to enable France to grow its pool of start-ups in universities and research, implement a financial plan of 5% of GDP allocated to higher education and research by 2030.**

## **3. Sustain efforts to finance innovation by adding personal savings to already existing funds**

**Create an innovation passbook savings account (“Livret I”) with user-friendly standard operating rules, available in all major financial networks and fully tax-exempt.** The Livret I should support the already strong mobilization of funds in the French and European innovation ecosystem – particularly well documented in recent years – while familiarizing individual savers with the return opportunities in tomorrow’s economy.