



EUROPE'S INNOVATION, AMERICA'S BOON

US TECHNOLOGY GIANTS ARE PROFITING FROM OTHER COUNTRIES' INVESTMENTS IN INNOVATION

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Personal assistant applications and their soothing voices have changed our lives. They listen to everything we say on our phones and tablets in our offices and living rooms, and predict our wants and needs. Apple's Siri is the most famous. Its story is telling about the relationship between innovation and geography in our times.

Originally, the real Siri (Kalvig) was a weather anchor woman on Norwegian television. She was considered attractive and became widely popular, with half of Norway falling in love with her. And among them was Dag Kittlaus who worked on voice recognition. He went on to name his company Siri. A few years later, Steve Jobs called him and made a deal to buy his company for USD \$200 million. A fairy tale? For him yes, for Europe less. Siri is just one of many European ground-breaking inventions, such as Skype or DeepMind, bought by major US technology companies in recent years.

In Europe, entrepreneurs rarely create companies around their inventions; they usually end up selling them. Efforts to support start-ups and to encourage them to grow are obviously commendable. But in the "Old Continent" we fail to transform these new innovations into larger businesses that create jobs and pay local taxes.

In the United States, companies with top market capitalization such as Apple, Alphabet, Microsoft, Amazon, and Facebook have relatively short histories. And while these companies are innovative on their own, they are also extremely competitive in acquiring discoveries made by others.

Between 2001 and 2006, these five companies bought 52 technology start-ups which originated in Europe. To do so, they have used the huge amount of liquidities from their balance sheets, overall amounting to more than USD \$500 billion. In general, US companies are more aggressive in buying companies than European ones. During the same period, 82% of all start-up acquisitions in the United States and Europe were made by US companies; 21% by companies from Silicon Valley alone.

That means that surprisingly, the money that many countries' government programs provide to support innovation and start-ups are in fact indirectly subsidizing the research of large US technology companies. Many of these internet giants have realized that it is often more efficient to buy a promising start-up than investing a lot of money in endogenous research that may not pay off.

So then, why aren't our young European entrepreneurs creating businesses around their innovations? Undoubtedly, economic and financial structures do not support them well enough. But it's also a question of attitude. Being entrepreneurs at heart, they do not want to become managers and take care of the administration of a company that will inevitably become bigger. For the most part, they prefer to sell their start-ups, cash in, improve their living conditions after years of hardship, and maybe create another start-up.

Therefore, it is important to connect better managers and start-ups. At Google, Larry Page and Sergei Brin hired Eric Schmidt (former CEO of Novell) to free them from managerial constraints. Mark Zuckerberg did the same with Sheryl Sandberg (McKinsey) for Facebook. As for Bill Gates, he left his role as chairman of the board to Satya Nadella to remain "Founder and technology advisor."

Siri is not alone in her misfortune. Once upon a time, people emigrated from Europe to the United States to sell their work. Today, it is young entrepreneurs who emigrate to sell their start-ups.

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