

Unlocking the potential of Europe's tech sector

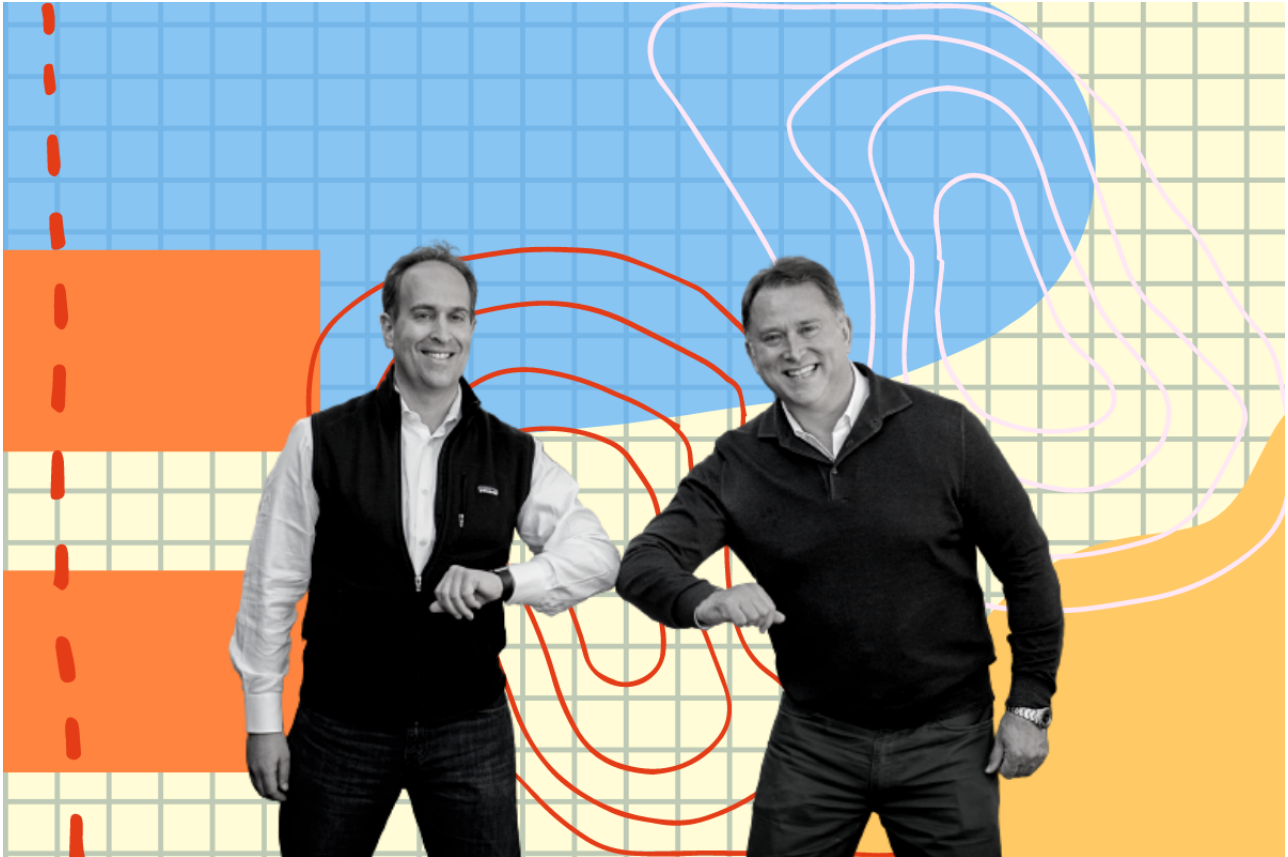
Europe is facing a brewing crisis in its tech sector. Despite being home to world-class universities and a rich pool of talent, the continent has struggled to produce tech giants comparable to those in the United States and Asia.

Temps de lecture : minute

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The Draghi Report, commissioned by former European Central Bank President Mario Draghi, highlights systemic issues that are holding Europe's tech industry back from achieving its potential and driving the economic growth that the bloc needs, including underinvestment, bureaucracy, and skills gaps - issues that demand immediate action.

At *DN Capital*, we witness these challenges firsthand. As a venture capital firm headquartered in London with offices in Berlin and Palo Alto, we are uniquely positioned at the intersection of European innovation and global markets. Over the past two decades, we've invested in over 100 companies across Europe, the US, and beyond, including success stories like Shazam, Auto1 Group, and Remitly.



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I write this from London, which remains one of Europe's leading technology and venture capital hubs even after Brexit. DN chose to be headquartered in London for its robust financial ecosystem, regulatory environment, and access to international talent. It has a multicultural landscape that aligns with our global investment approach and enhances access to talent from around the world - indeed our own team comprises professionals from over 20 nationalities. There are lessons to be learned here by other European tech hubs like Berlin and Paris.

Let's run through some of the data: Europe accounts for only about 12% of the world's unicorns, compared to 47% in the US and 35% in Asia, and none of the top 15 global tech companies by market capitalisation are European.

We don't believe that this is due to a lack of ambition or capability, rather we see structural challenges that make life harder for startups and tech companies. Many promising European startups struggle to scale globally due to limited access to capital and fragmented markets, and differing regulations and standards across EU member states hinder startups from scaling efficiently. Our portfolio companies often face significant hurdles when expanding across Europe, requiring tailored strategies for each market. This fragmentation contrasts sharply with the vast, unified markets of the US and China.

Thomas Rubens is a Partner at *DN Capital*.

Then there's the investment landscape. Venture capital investment per capita in Europe is €50, significantly lower than the US at €150, and European startups often find it challenging to secure late-stage funding. At DN Capital we bridge this gap by providing not just early-stage funding but also support in attracting international investors for subsequent rounds – but we can't close the gap alone.

European startups need support so they can achieve the scale required to expand internationally, both within the EU and further afield – particularly to the US. At DN, our footprint on both sides of the Atlantic means we're positioned to help startups bridge the gap between these markets with expertise in market entry strategies, legal frameworks, talent acquisition and cultural nuances, not to mention introducing startups to deep-pocketed US investors for scale-up capital.

Ultimately, there's an urgent need for fundamental reform to remove the barriers inhibiting European tech and to create an environment in which startups can thrive. We think many of the Draghi Report's recommendations are correct, particularly to establish a unified regulatory framework to enable seamless scaling across Europe. A harmonised market would significantly reduce the time and resources our

portfolio companies spend on compliance.

Alongside this we want to see reforms that encourage cross-border venture capital activity and create incentives for investment in tech startups, make it easier for skilled workers to move freely within Europe, and support for STEM education to build a pipeline of tech talent.

European leaders must act decisively and swiftly. Without immediate reforms, Europe risks falling further behind in the global tech race.

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