2012 TRANSATLANTIC DIGITAL MEDIA CONFERENCE

OPPORTUNITIES AND CHALLENGES FOR NEW YORK CITY AND BERLIN IN A TRANSATLANTIC DIGITAL ECOSYSTEM

Conference Summary

The 2012 TDMC was hosted by
The American Council on Germany (New York)
Atlantik-Bruecke (Berlin)

And supported by
The German Consul General in New York
The German Marshall Fund
Telefonica
CMS Hasche Sigle
Hub:raum

January 2013

Please note:

1. This summary is a draft. It has not been authorized for publication by the hosting institutions.

2. This is the beginning of a discussion, not the end. This paper is unstructured and needs iteration on many levels.

3. The interviews and workshop were conducted under the Chatham House Rule.

4. Many differences between the two continents are cultural and seem therefore hard to change. That is why we agreed to not use the word "culture" and assume everything can be changed.

5. This paper focuses on technology entrepreneurs and New York and Berlin. However, many of the findings can and should be applied to other sectors, e.g. biotech, food startups, and regions, e.g. European Union or the Silicon Valley.

6. Join the discussion and comment on the paper at the [2012 TDMC LinkedIn](#) group.

Make it here, then anywhere.

**Mayor Michael Bloomberg, accepting the Webby's Lifetime
Achievement Award, May 2012**

*Berlin's rapid rise and international appeal—about half of the
business founders in the city are not German—make it an
object lesson in what really matters in an environment
appealing to entrepreneurs.*

The Economist, July 2012

Background

On October 29th, 2012, Sandy, the largest Atlantic hurricane on record, severely damaged New York City, flooding streets, tunnels and subway lines and cutting power in and around the city. On the same day, after months of preparation and collaboration, 80 investors, entrepreneurs, and city and government representatives were to meet for the 2012 Transatlantic Digital Media Conference on *Opportunities and Challenges for New York and Berlin in a Transatlantic Digital Ecosystem*. The conference was canceled.

While New York and its inhabitants experienced damage and devastation, no conference participant was injured. On October 30th, 2012 some 30 people met for a roundtable discussion in the only open conference facility in the city, the University Club of New York City.

This paper summarizes that discussion, as well as pre-conference interviews. It lists some of the key opportunities and challenges for digital entrepreneurs in both cities. Like the conference itself, this discussion is far from academic and focuses on concrete and actionable ideas. Every suggestion needs further evaluation, and this paper can only serve as the basis for a broader transatlantic discussion.

Introduction

The uncertainty of economic development on both sides of the Atlantic sometimes overshadows necessary discussions on opportunity and how to generate growth in the coming years. Many agree that technology and new digital opportunities will continue to be a driver for growth, but this fact is often overshadowed by our economic anxiety.

New digital ventures in the U.S. and Germany, while still small in economic clout, attract a lot of attention. It has never been easier in history to come up with an idea and implement it. During discussions with digital entrepreneurs and investors in New York and Berlin, one participant called this the "democratization of entrepreneurship". This technology-driven phenomenon, while happening globally, has added momentum in New York and Berlin. New York City has surpassed other U.S. cities to become the #2 tech center in the U.S., while Berlin has bred a significant number of digital ventures in Europe[1]. Though very different, both cities are rich in culture, history, vivacity and diversity, and attract some of the best global talent.

As the American Council on Germany in New York and the Atlantik-Bruecke in Berlin began to discuss the objective of the *2012 Transatlantic Digital Media Conference*, it became clear that an exchange between the two cities would offer an opportunity to learn from and support the digital ventures and related initiatives and policies of both cities.

To focus our discussion and build the basis for sustainable results, we conducted talks with experts from related fields in both cities. While all participants see the opportunity for closer cooperation, some challenges remain, as we are only at the onset of the trend toward rapid globalization and digitalization.

---

[1] http://www.wired.co.uk/magazine/archive/2011/09/european-startups/berlin?page=all

Summary

Strength	Weaknesses
• Urban hubs attract talent and ideas • Clear strategic priority and access to capital and a large consumer market (NYC) • Pool of talented engineers and consumer experience designers (Berlin) • Access to European markets, including Central Eastern European talent (Berlin) • High transparency, but important networks • Close cooperation with academic institutions • Berlin startups with clear global focus • Cost of living (Berlin) • "Convener power" of some city institutions	• Federal regulations not always aligned with the needs of cities • High cost of living, especially housing (NYC) • Track record of successful ventures and returns still limited; no role models (Berlin)
Opportunities	**Challenges**
• Strategically think about what a "super-easy" expansion across the Atlantic would look for tech companies: workshop and discussion series • Begin the expansion across the Atlantic by starting at home • Cost and incentives are not driving factors in the beginning • Strategic cooperation has already started: hub:raum & General Assembly (2012); startup conference hy! Berlin (2013) • Explore a transatlantic investment fund	• Europe is not a single market for tech companies; legal and language conditions will not change soon • Networks are important, but take time to build • Engineering talents are becoming harder to get and retain • Regulatory environment: Immigration and visas, labor and bankruptcy law • Convince decision-makers that the economic dimension of the tech/startup sector is likely to grow and have broader implications for citizens (Berlin)

Overview

The roundtable discussion and the interviews centered around three topics:

1) A description of a rapidly-changing environment and what it means for the tech sector and the cities

2) The opportunities that these changes bring and the difficulties that will remain to fully leverage potential

3) Actions that various stakeholders can undertake to overcome challenges and explore opportunities

Overview of the discussion points:

1. A Truism That is Still True: The World is Fundamentally Changing

The current technology-driven evolution is profound. Many participants believe that we are only at the beginning of a fundamental disruption of existing structures in business, politics and society as a whole.

New York and Berlin present great opportunities for startup ventures, especially in the sphere of the Internet. A geography-centric business model is becoming largely irrelevant, as ideas and the exchanging of ideas can happen anywhere via media channels. Physical place is becoming less important than ideas. However, the need to meet like-minded people and exchange and implement ideas makes urban areas a valuable asset for tech entrepreneurs, enabling their ventures to scale or fail quickly ("Look at Berlin, a minority of the founders there are actually *Berliner*").

One of the key changes is the amount of capital required to start a business and implement an idea ("The democratization of entrepreneurship is a phenomenon we haven't seen in the 90's when everything still had cost a lot of money").

2. There Are More Opportunities Than Challenges

Although challenges remain for leveraging the full potential of digital transition in both cities, all participants pointed to the tremendous opportunity that exists in both New York and Berlin.

The challenges look insignificant in contrast; they appear unable to stop a single idea from being tested and implemented. As a result, the question is how to best leverage the opportunities for entrepreneurs, investors, policymakers and the public in digital hubs like New York and Berlin.

There is very little competition among digital cities worldwide; instead there exists an opportunity in urban centers to enable a faster and better globalization of ideas and ventures.

3. Key to Initial Success: People, Ideas and Execution Over Money and Politics

Berlin does not seem to have come close to its potential as a world-class digital city, due mainly to a less-developed digital ecosystem, a rather low risk/reward-ratio and inadequate political support. New York is seen as a rewarding, if expensive, and highly-integrated place for starting a business. It has surpassed the Boston area in digital ventures and transactions due to strategic policy priorities and smart initiatives.

New York and Berlin are especially well-positioned to benefit from this trend. Both cities share a creative and inspiring environment that creates opportunities and attracts talent. This talent pool can attract more talent and create a snowball effect.

Tax incentives and subsidies mean less to a startup than a favorable environment that can create the momentum needed to attract ideas and talent ("Berlin and New York are attractive because of their non-economic aspects").

One interviewee suggested that the combination of strategic priority practiced in New York and new incentives seen in the United Kingdom are the benchmark, e.g. the UK patent box[2].

---

[2] http://www.ipo.gov.uk/types/patent/p-patentbox.htm

4. **Key to Continued Success: The Important Integration of Strategy, Policy and Communications**

All New York-based interviewees pointed to the efforts of Mayor Bloomberg to promote the city as a digital hub. Representatives of global foreign firms mentioned the mayor's efforts as an important reason to locate or expand an office in the city.

There is great transparency in the New York digital ecosystem. The "mass media and the media masses" report developments almost on a daily basis. This doesn't necessarily mean it is easy for newcomers to get their foot in the door, as networks drive the city ("With so much going on, you trust the people you know"). New York City therefore supports transparency and networking systematically. The city can draw upon a number of successful role models: These entrepreneurs have a track record of recognizing success patterns and the ability to think big ("There is no Facebook in Germany because there is no model for it yet").

Obviously, New York and the U.S. can build their tech ecosystems on the shoulders of a leading financial market that supports high valuation and an outstanding universe of strategic buyers for digital ventures. There is still a lower inclination among German entrepreneurs to turn to the financial markets ("Once he or she is a successful entrepreneur, a German doesn't start anything new. Have we ever heard of a 'German serial entrepreneur?'"). In that sense, a German startup tends to be less strategic than a new venture in the U.S

5. **You'd Better Be in Berlin and New York**

Current global momentum supports Germany and Berlin as a business location. Germany is considered an attractive place for international investors ("Forget Paris, forget London. You have to be present at the heart of the economic powerhouse").

While overall economic momentum certainly helps Berlin, the city's specific strengths make it unique in Europe and beyond ("Berlin is two years behind London and even more behind New York. But Berlin might be even more promising than New York"). It offers:

- Young, educated and capable people in the key areas of engineering and design ("The art scene leads to attractive consumer design")

- Unmatched potential in creativity and ideation in the area of mobile and web

- A still-comparatively low cost of living

- Leading universities which are great partners for cooperation

However, some interviewees pointed out that decision-makers need a better understanding of the digital sector to actually support it with good policies.

Once successful, a German business has a high chance of being successful in other countries, and it actively seeks to expand to the U.S. Once startups reach around 30 people or so, they look for a footprint in the U.S. Berlin startups are extremely global from the start ("Have you heard about a *Berliner* running a startup? No, many come to Berlin from the Nordic countries, the UK and Central Eastern Europe"). New York seems to be especially attractive because of its European proximity and its high consumer and urban focus ("For consumer-focused products, there is no better place for European companies than to start in New York").

However, German sophistication in its products and services can make it difficult to offer competitive pricing in the U.S. ("You never hear the word 'quality' in the U.S. If you want quality, buy an upgrade").

6. A Lesson for Germans from Americans: Support People who Try, Even if They Fail

Starting a new venture has become much more common in Berlin and other German cities. However, some key philosophies of new ventures seem unknown in Germany, e.g. "Fail fast, fail cheap", "Fail your way to support", "Design-do-iterate"[3] . Therefore, failure is still hard to accept in German business and law.

7. Immigration is a Key Challenge

Both cities struggle with federal regulations that do not support the particular needs of digital ventures. In addition, European labor laws are mentioned as an example of where the startup mentality and reality can clash.

---

[3] http://www.economist.com/node/18557776

8. **NYCEDC: The Development Powerhouse that's Not Afraid to Think Big**

Under the direction of Mayor Bloomberg, the New York City Economic Development Corporation, a private institution owned by the city, carries out many economic strategies and initiatives ("We felt Berlin entrepreneurs, though very good, didn't think big enough. We need global solutions, so we moved to New York as we felt extremely welcome by the mayor").

To have a meaningful impact for the development of a city like New York, political initiatives and policies must be visionary. The Cornell NYC Tech Campus is an example of a strategic project with huge potential in the eyes of all interviewees[4].

On a tactical level, the NYCEDC is able to bring together many stakeholders ("convener power"). Several mentioned the number of initiatives (NYC2020), institutions (NYCMediaLab) and challenges (BigApp, NYCNextIdea) initiated or supported by the NYCEDC. In addition to the NYCEDC, *Partnership for New York City* was mentioned as a force for facilitating private sector support for the city[5].

---

[4] http://www.cornell.edu/nyc/
[5] http://www.pfnyc.org/

Recommendations

The initial discussions and the roundtable workshop on October 30th, 2012 validated the assumption that closer cooperation between entrepreneurs, investors, development agencies and political opinion leaders in both cities can be meaningful.

Time constraints did not allow participants to expand on the ideas mentioned. All participants agree that more discussion is needed on how to leverage the opportunity of collaborating among digital hubs. However, some ideas can be implemented fairly soon.

Quick wins

- Start a small-scale series of workshops and discussions leading up to a conference and action paper with broad support; broaden the discussion towards entrepreneurship beyond technology, innovation and growth

- Invite leading NYC investors and entrepreneurs to Berlin, e.g. Berlin Web Week May 6-8, 2013

- Organize a tour for Berlin startups in NYC

- Set a link to the right resources at the websites of development agencies

- Encourage and facilitate international expansion preparation in the home market

- Foster collaboration among political decision-makers and the economic development agencies in Berlin and New York

More strategic recommendations

- Think holistically what a "super-easy" market entry would look like and provide similar companies with a desk in each city ("International House in New York and Berlin")

- Leverage the access, experience and insights of investors, successful entrepreneurs and VC firms to identify companies for a "super-easy expansion" starting pilot program

- Examine best practice examples of initiatives and regulations ("Berlin would be a great place for starting a *B Corporation*. But the concept is not known there.")[6] [In United States companies law, a *benefit corporation* is a type of corporation required by law to create general benefit for society as well as for shareholders. Source: *Wikipedia*]

- Lobby for updated immigration regulations

- Bring leading digital hubs closer together in New York, e.g. Berlin, Tel Aviv, Tokyo, Panama, Bangalore

- Explore the feasible of a transatlantic investment fund

---

[6] http://www.bcorporation.net/

Additional resources

- *The Economist*, **"European Entrepreneurs: Les Miserables"**, July 28, 2012 http://www.economist.com/node/21559618

- *The New York Times*, **"Technology Industry Seen Growing Fastest in New York"**, May 9, 2012 http://www.nytimes.com/2012/05/10/nyregion/new-yorks-tech-industry-tops-us-in-growth-study-finds.html?_r=0

- Center For An Urban Future, **"New Tech City"** and **"NYC 2012 Digital Startup Index"**, May 2012 http://nycfuture.org/content/articles/article_view.cfm?article_id=1306&article_type=0

- Partnership for New York City, "**Not Coming to America. Why the US is falling behind the global race for talent",** May 2012 http://www.pfnyc.org/reports/2012-05-not-coming-to-america.pdf

- Lars Hinrichs and others, **"What do you think Germans need to boost Entrepreneurship & Internet"**, June 2012 https://plus.google.com/u/0/113586474616634226716/posts/iiZL98m4SSC