

# Winning with Twinning

Interview with Sander Jansen

By Eibert Engelsman

*Silicon Polder and Digitaal Dommeldal are just two terms used to express the Dutch desire to be leaders in ICT in Europe. Not surprisingly, as the current world leader in ICT (the USA) sees unparalleled economic growth which is largely attributed to the rise of the information economy. Inspired by the example of Silicon Valley, renowned for its entrepreneurial and innovative culture, the Dutch ministry of Economic Affairs decided to initiate Twinning.*

“Twinning” really is an aggregate noun for mechanisms that aim to facilitate ICT entrepreneurship in the Netherlands. Its main objective is to have supported about 600 new ICT companies by the year 2007. Part of Twinning are the Twinning Centers, the Network, and a start and growth financing fund. The Centers will provide housing and facility services for starting ICT companies. The Network provides knowledge and international contacts which help starters in founding sound businesses and export channels. Roel Pieper, who is currently known as the most successful Dutch businessman, is the chairman of the Twinning Network. At the moment, both Dutch and American ICT leaders are part of the Network, such as Paul Baan, David Chaum, Esther Dyson, and Arthur van Hoff, to name a few. The investment funds provide starters with the required capital during the expensive start-up and growth phase.

Twinning is implemented by the Twinning implementation team, managed by the worldwide consultation firm Booz-Allen & Hamilton. Their current activities are the selection of sites for Twinning centers (Amsterdam and Eindhoven have already been selected), the actual shaping of the Amsterdam center, and the detailing of the investment funds. Furthermore, they cooperate in the NewVenture98 business plan contest to boost the intake of ICT entrepreneurs.

Time for Xootic to find out more on Twinning. Spokesman was Mr. Sander Janssen, who is working on the implementation of the Twinning concept. Most of his activities focus on communications, of which the opening of the Amsterdam center, which will open in fall 1998, is crucial. The management team who will run Twinning, including the center, is now being recruited.

## Twinning in Holland

EZ's vision on Dutch ICT is that it should become one of the leading innovators in Europe. The ministry regards ICT as one of the pillars of the Dutch economy in the next century. However, innovation requires new ideas and strong competition, which is quite effectively demonstrated in Silicon Valley, a former desert around San Francisco. The American model, which is driven by venture capitalists, is a model for Twinning, but can not be exactly copied according to Mr. Janssen. American entrepreneurship is largely rooted in their pioneering culture, which rewarded risk taking individuals who cultivated land and mines far from civilization. The laws and regulations that originated in this culture are still beneficial to entrepreneurs. For instance, the US bankruptcy law disallows persons which have gone bankrupt to go bankrupt again for sev-

eral years. This in effect protects the investor who reinvests in initiatives started by the bankrupt.

## **Jan Salie**

Does the Dutch culture, which traditionally used small shop- and farm-keeping as a measure of personal success, provide the right conditions to furnish entrepreneurial spirits? Entrepreneurs are attracted by high returns (with associated high risks) rather than steady and safe growth. Mr. Janssen feels that it is not Twinnings ambition to radically change that specific culture. Rather, using the start-up fund and the successes of the companies they help to succeed, Twinning intends to act as a catalyst. Successes of earlier starters will make less-daring colleagues start as well.

Other ICT companies and investors have reacted positively to the Twinning initiative. They regard the new start-ups as partners which will increase demand for ICT products in general. Furthermore, investors have long been waiting to increase their investments in Dutch ICT firms. Now they are encouraged by the Twinning initiative. According to a report on Twinning, Dutch venture capitalists spend only 17% in ICT of total venture capital investments, compared to the 60% of their American colleagues. Although the government initiated Twinning, it will become a separate venture, with limited government influence. Furthermore, Twinning should not be regarded as a subsidy fund, which is often for free less the large amount of paperwork and bureaucratic procedures.

Demand for ICT workers has been surging in the last few years. Does the lack of skilled workers not conflict with the desired growth of the ICT sector? Mr. Janssen does not think so. Rather, the excitement surrounding an innovative industry may attract students to technical studies that otherwise would have chosen non-technical subjects. Furthermore, with the growth of the industry, its worker capacity will rise as well, thus attracting more students due to the higher chances of finding the right job. Mr. Chaum, founder and Chief Technology Officer of Digicash, has the following vision: "The Netherlands in my view, could be the global market leader in electronic commerce, because I believe it is part

of the Dutch culture. Somehow it is in the genes to be traders, and that is what in The Netherlands really about given an aggressive government position, I think The Netherlands could really establish itself a a major player in this area. But that means that all the different regulations, not only be relaxed, but be improved in such a way that it really becomes an attractive seat for electronic commerce."

## **For starters**

During the next few years, it will be possible to start up with the support of Twinning. A start-up can now join through the NewVenture98 business plan competition, or seek direct contact with Twinning. Based on innovation, the ICT level of the product idea, the export-ability, and being a starter, a business plan can be submitted. This business plan should address both commercial and technical feasibility. Finally, during an interview the question "Is the starter a real entrepreneur?" will be answered. The start-up company can apply for either location, funding, or both. A toast will be given and then the real work will start.

## **The Network at the Center**

One Twinning center will support at most 40 to 45 companies. In addition to facilitate support, such as reception, catering, and secretary functions, the manager of the center will build a regional network of contacts that provide, for instance, technical, legal, and marketing expertise. The international Network will provide coaching to the starters. The fund financing will at first be a so-called convertible subordinated loan. This means that the loan does not have to be repaid should the entrepreneur go bankrupt. The latter condition is less likely to occur, as the financial situation is likely to be frequently reviewed with the starter and the fund managers. After a company has been founded, the loan will be converted into equity. At a later stage, co-financing is possible in which venture capitalist and government supply money in equal shares.

Sander Janssen is an associate at Booz·Allen & Hamilton in Amsterdam and works in the Communications, Media and Technology practise. He is currently assigned to the Twinning Implementation team to set-up Twinning Centers, Funds and Network.

For Booz·Allen Sander Janssen has worked on several projects in telecommunications and technologies sector throughout the world. Prior to Booz·Allen he worked for KPN Telecom and AT&T-Unisource. Sander Janssen holds a master degree in Electrical Engineering from the Eindhoven Technical University.

### **Where to start?**

The Twinning Network has its own site: <http://www.twinning.nl>. The NewVenture98 busi-

ness plan competition has already started, but the more ambitious people can still apply for the third round, see <http://www.newventure98.nl>.