

THE TECHIES

European Digital Future
for Businesses and People

Issue No.3, October 2023



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THIS QUARTER TEAM'S RESEARCH HIGHLIGHTS

Digital Business: Interest in generative AI (GenAI) in Europe is still lower than in other regions, but clearly on the increase. As of June 2023, 20% of European businesses are reporting significant investments in GenAI, with 53% looking into usage opportunities.

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Regulations: As digital regulations represent a strategic priority for European organizations, RegTech companies open a new market perspective, offering a proactive approach to compliance for tech end-users and new business opportunities for tech vendors.

[Read more >>](#)

In European Digital Native Businesses, organizational dimension influences key personas for tech decision making. In 60% of start-ups the CEO is the key decision maker for technology buying processes. CIOs and CTOs take the lead in scale-ups and mature DNBs.

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FoW: The biggest challenge for organizations adopting automation continues to be balancing operational efficiency and staff retention. 28% of business leaders admit to already discussing replacing staff with automated solutions.

[Read more >>](#)

FoW: More than 80% of European CEOs will increase or maintain spending to enable a hybrid workplace and attract/retain the best talents. Digital investments supporting workforce and workplace transformation are growing faster compared to the total market.

[Read more >>](#)

Digital Business: European Digital spending keeps growing at a double-digit rate, three times faster than the IT market. Artificial intelligence (AI) is a great propeller of digital spending growth with the 10 fastest-growing use cases all strongly enabled by AI.

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BACK TO THE FUTURE

As 2023 draws to a close, it is imperative to reflect on the transformative shifts that have characterized the market landscape and the IT industry. This year has underscored the inseparability of society, work, and businesses from the digital realm. Key highlights such as the surge of Generative AI, concerns about inflation, and macroeconomic uncertainties have collectively propelled European enterprises to prioritize operational efficiency. As our **IDC CEO Survey** shows, **Technology, Automation** and **Productivity** are the main three strategic focus areas of European organizations. Consequently, a marked trend has emerged: an increasing reliance on digital solutions across all facets of business operations. However, the looming specter of macroeconomic instability has the potential to impede IT investments, emphasizing the critical importance of strategic planning and foresight in navigating an ever-evolving environment.

Against this backdrop, technology vendors face the pressing imperative to proactively adapt to emerging challenges and seize opportunities amidst ambiguity. To this end, the establishment of a comprehensive strategic vision, efficient planning, and effective go-to-market strategies are paramount. For technology vendors, the overarching objective should be the deliberate and principled adoption of technology solutions tailored to the needs of customers, fostering purposeful digital integration within the business ecosystem.

You will find all these features in this new edition of The Techies, with our research highlights of the quarter, touching on several topics, a positive perspective on what failure could turn into and an insightful look at European VC investments in technology.

In this context, we, as a team, have undergone some changes in people and research topics and decided it was time to rebrand ourselves, because "European Digital Business Strategies, Future of Work, C-Suite, Digital Regulation, Emerging Technologies and Digital Native Businesses" team takes way too much time to read (or say). We had to come up with a team name that encompasses the whole spectrum of the research we cover giving a sense of the depth, both in time and range, of the targeted people, areas, technologies and companies that we analyze. Thus, our new team-name is **European Digital Future for Businesses and People**.

A new team name alone could just be a new fancy façade without anything behind it. The recent rebranding of our team stands as a testament to our deepened commitment and expanded focus. So, we also tried to outline in just a sentence what it means for us, for our research and what we aim to achieve with all our work together. Our goal is to **foster a purposeful and fair adoption of technologies supporting digital societies, businesses and workforce (through key insights) and empower tech vendors in strategic decision making, planning and go-to-market**. We feel this mission statement precisely addresses all the different points our research touches upon. Our Audience: technology vendors; Our Goal: empower their strategic planning; Our Focus: digital societies, work and businesses; Our Motive: adopting technologies with fairness and purpose, in an efficient way.



Lapo Fioretti

Senior Research Analyst, European Emerging Technologies, IDC

NEWS OF THE QUARTER

An extract of some news from our European digital business bi-annual update

FoW – The Need for Tech Skills in the Automation Era

The technology arm of CaixaBank announced that they will hire 200 new IT staff with expertise in AI, advanced analytics, data engineers and scientists, as well as specialists in ML and natural language processing to reach 1000 IT personnel in-house. The automation and AI everywhere era is requiring technology buyers to increasingly invest and source digital and tech skills to secure competitiveness in the digital space.

[Read more >>](#)

DNBs - Uncertainties in the Digital Natives world, who wins and who “meh”

The Digital Native space is among the fastest growing in FinTech, InsurTech and FedTech, while other sectors such as the delivery and parts of the EdTech are facing challenges. Users are cherry picking the activities carried out online, Kahoot recorded the lowest valuation since it's debut and is expected to exit the public market with a private partnership led by Goldman Sachs Asset Management, in conjunction with General Atlantic, Kego Group's KIRKBI and Glitrafjort.

[Read more >>](#)

MacroTech – When Europe's Horizon R&D Projects are stronger than Brexit

3 years after Brexit, the UK is expected to re-enter European Union Horizon R&D projects, which, in delivering research and innovation, provide a secure route for European competitiveness and the U.K. participation plays a critical role. As tech savvy country with multiple centers of technology excellence in quantum computing, GenAI, biotech European projects will benefit from this pool of expertise.

[Read more >>](#)

AI Everywhere – Three Selected News on the European AI landscape in 100 words

European companies and governments are consolidating roles in the AI race, and we selected three news on this. First, the European Union allowed access to proprietary high performance computing supercomputers to train AI models for startups to support innovation while supervising the developing environment. Second, NatWest deepened the partnership with AWS in the generative AI space to boost the roll out of personalized services to customers. Third, Helsing, a German-based defense startup focused the delivery of AI capabilities to defense infrastructures, recently received €209 million in a Series B funding, placing the company among the largest DefenseTech companies in Europe.

[Read more >>](#)

"TO THE WELL-ORGANIZED MIND, DEATH IS BUT THE NEXT GREAT ADVENTURE.",
ALBUS DUMBLEDORE

J.K. Rowling, Harry Potter and the Sorcerer's Stone

QUOTE OF THE QUARTER

Today we are living and breathing the Digital Business Era. Organizations, despite the financial discipline required by the uncertain macroeconomic scenario, are continuing investments in digital initiatives to secure resilience, competitiveness, innovation, and growth. However, the rate of failure of these initiatives is still high, and we see many projects where the plug is pulled off and they die.

We shouldn't consider these as failures. Organizations are conscious (the well-organized minds as expressed by Dumbledore) that not all the projects they start or have in place will make the next day, nonetheless they continue to invest to try to become better businesses and to innovate. The plug pulled, the death, of these projects is part of these organizations' journeys and despite death these are just learning experiences and dos and don'ts building blocks for the next project(s). These Deaths are just the basis for organizations' next great adventure to be undertaken.

Savvy organizations know that failure is part of the journey, and they are voluntarily embracing it, as Harry at the end of the books confront Lord Voldemort face to face, without fear but with (bold) confidence in its capabilities and the love and support of his friends.

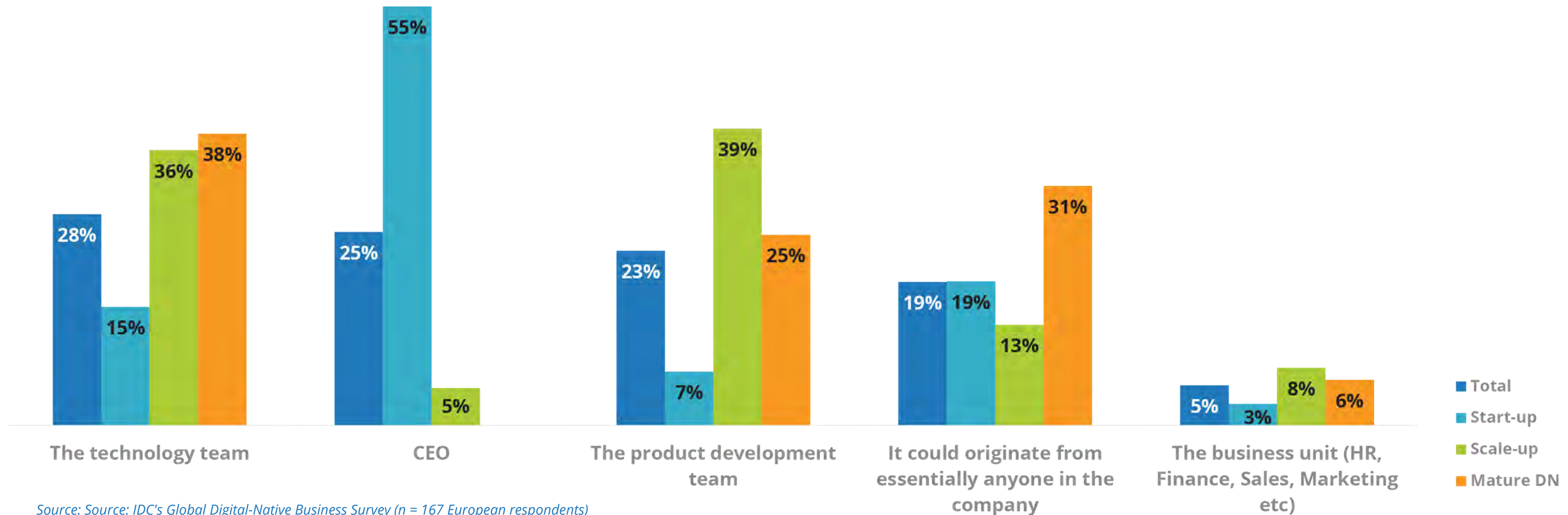


CHART OF THE QUARTER

Developing Digital Product Ideas in European Digital-Native Businesses

In mature digital natives, the technology team is responsible for developing new digital products or services. However, innovation is still the norm in mature digital natives. Idea generation may come from any of the different functions in the company, still retaining a core start-up mindset.

When your organization pursues development of a new digital product idea (whether it's a customer-focused product/capability or a notable internal process/new technology), where does that idea most often originate?



MACROECONOMIC CORNER

How macroeconomic uncertainties are reshaping the European Tech Funding Ecosystem in 2023

Only 21% of European Digital-Native Businesses, start-ups and scale-ups actively searched access to capitals as a key business priority in 2023, according to [IDC's Global Digital Native Business Survey](#). A data that reflects the current European funding environment scenario. European Venture Capital (VC) funding was down 66% year over year in the first quarter of 2023 per [Crunchbase data](#), as especially US investors pulled back. However, this trend is not limited to Europe, as US, China and the rest of the world are also recording a drop in overall capital invested. High interest rates, persisting inflation and the shadow of a recession are pushing the worldwide funding ecosystem to freeze their activities, looking forward to less uncertain times, while this macro instability is slowing the IPO market as well.

But it is not all doom and gloom. The European tech investment landscape shows sign of resiliency and stability if compared to previous economic downturns, while searching for a new balance in the absence of US funding. In the first half of 2023, AI and Machine Learning investments were on the rise, with Generative AI companies capturing 35% of all European AI and ML funding (Source: PitchBook.com), a trend confirmed by the record-breaking deal raised by French start-up Mistral AI, as European "sovereign AI" in terms of data protection and usage is becoming an emerging space for investors.

At the same time, investments in FinTechs/Financial Services and Climate and other "purpose-driven" companies are holding the largest investment shares in Europe also in the first half of the year. While FinTech is historically one of the most consistent Digital-Native segment in Europe in terms of number of companies and capital injected, IDC also expects European regulations such as CSRD to continue driving ClimateTech and SustainTech investments in the long run, thanks to an increased demand from organizations seeking to track, report and reduce their carbon emissions.



THIS QUARTER'S GUEST

How gender diversity can
fuel superior returns and
purpose-driven
investments



Kinga Stanislawska

Founder, European Women in VC

Funding is a key driving force in the development and growth for new businesses - what investors back often become the products and solutions of tomorrow! Yet female entrepreneurs and start-up founders receive a tiny percentage of venture funding in Europe, despite their ability to deliver superior results and provide significant positive social impact. The European Venture Market as a whole is still far from parity in terms of equal access to capital for female led start-ups and for female fund managers.

For the third time European Women in VC, a community of over 1000 senior female venture capital and growth investors from all over Europe and beyond with the mission of empowering diversity in Venture Capital, released a study on the European Venture market from a gender perspective, shedding light on the profound impact of gender diversity on fund performance within European Venture Capital (VC) firms.

The "**Achieving Superior Returns with Gender Diversity in European Venture Capital Firms**" comprehensive study, conducted together with IDC, and supported by 15 institutional partners, highlights how yet again analysis of actual firepower (Assets Under Management - AUM) year on year presents **no change in AUM managed by female GPs** (women manage only 9% of total AUM, compared with 91% of AUM raised by male GPs.)

At the same time, the research revealed that **the financial performance of European VC funds was found to increase with higher representation of women in senior management and decision making teams**. VC funds managed by mixed teams also showed a higher annual internal rate of return (IRR). In fact on average, **each 10 percentage point increase in the representation of women in senior management teams** is associated with a **1.3 percentage point increase in IRR**.

Considering life time of funds is beyond 10 years – this increase represents a huge positive financial impact to the stakeholders. Moreover, taking a helicopter view of asset allocation, European female-led and co-led funds are focusing LP attention on positive impact and purpose-driven investing (in alignment with the United Nations' Sustainable Development Goals), in addition to delivering strong financial returns.

Investing in the clean and green energy space (in line with the European Green Deal), healthcare, biotech and life science, circular economy projects, deep tech of all kinds, and AI for good is at the forefront of investment allocation decisions of female led and co-led funds.

The next step is thus to **catalyze the biggest pools of capital**, from pension funds and insurers to family offices and HNWIs, to back mixed VC and growth teams so that the capital can be invested in purpose-driven products and solutions with a positive impact. The ecosystem must join forces to bring about meaningful change for the benefit of all.

Investors can participate at all levels of the ecosystem – from the very top by backing mixed team led **Fund of Funds which invest in VC** (Fund of Funds are very low risk, yet meaningful and impactful), through **selecting VC and growth fund managers** and right through to the start-up level, where **angel investors** can provide significant value at the early very risky stage.

And while progress is being made, we must collectively acknowledge that change very much depends on motivation and priorities. The correlation between gender diversity and superior performance is a powerful motivator for the industry to adapt to the evolving landscape.

Nevertheless more transparency is needed, in order to draw a full picture of the impact of diversity on performance European funds must report their returns. We need openness and data in order to constantly search for arguments and ways, for all of us, to benefit from diversity across the VC space.



WHAT YOU DON'T WANT TO MISS

Webinars

Past webcasts

- [How to Engage with and Support European Digital Native Businesses](#)
- [How To Unlock Value in the Era of Digital Business in EMEA](#)
- [Embracing Tomorrow: Your Roadmap to Emerging Technologies in EMEA](#)

Upcoming Webcasts

- [Five Ways to Unlock a Purposeful, Automated Future of Work in EMEA, Webinar on Demand](#), November 8th, 2023
- [IDC FutureScape 2024: Reimagining an AI Everywhere Digital Future, Webinar on Demand](#), December 11, 2023

Blog posts

- [The Impact of Generative AI on the European Future of Work](#), September 20, 2023
- [ICT Market Predictions in the Making — IDC EMEA FutureScape 2024](#), October 9, 2023

MEET THE TECHIES



Andrea Siviero
The Wind Catcher



Giulia Carosella
The Digital Architect



Meike Escherich
The FoW Mastermind



Erica Spinoni
The Digital Diver



Martina Longo
The Unicorn Rider



Lapo Fioretti
The EmTech Astronaut

THANK YOU

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