

## US/Europe : The Geek And The Old Lady ?

*Innovation distinguishes between a leader and a follower (Steve Jobs)*

As we all know , innovation today means market shares and jobs tomorrow. We also know that the pace of innovation is accelerating at dizzying speed . Many of us remember the times when computers were the size of a building and it took a whole day to process cards punched by beavies of sharp-eyed “perforators-verifiers”. Products sold in America were made in America, products sold in Europe were made in Europe, big China exported less than tiny Singapore , bankers could still enjoy long lunches and big cigars.

The world is no longer a quiet place. Rapid change is largely triggered by innovation in general sparked in turn by “Tech” in particular. From Artificial Intelligence (AI) to automation to the myriad facets of connectivity, battle lines move so fast that the layman often finds it hard to figure out what’s really going on. Objectivity is muddled as passions run high on tech-related sensitive issues : H1-B visas , European taxes slapped on tech businesses in the EU, fines on alleged monopolies , containment of Gafa power relative to governments , cyber-security and privacy , etc.

Are there salient facts emerging in our European American realm ? Let’s just take a step back from the scrimmage and quietly look at a couple of apparently unrelated data :

- The White House Council of Economic Advisers predicts that automation will displace around 80 million US jobs, mostly low-paying ones, in the near future. A similar study for the UK puts the number for that country at 15 million jobs. While automation is perceived to be the most aggressive job-killer, tech’s high-end spearhead AI is commonly perceived as a threat to higher-pay jobs.
- The World Bank tells us that , over the last decade, three times more Americans than Europeans moved to find better jobs and better lives
- A recent Forbes study lists the 100 companies that matter in cloud computing. Analysis by region shows that 95 of them are based in North America (of which 67 on the West Coast), 1 in Australia , 1 in the UK , 2 in the Netherlands , 1 in Switzerland.

- On the broader subject of innovation, a similar Forbes study lists “The 100 Innovators”. The Top 20 is comprised of 14 US and 6 Asian companies, zero European. In the next 80 entries, also dominated by the US (41) and Asia (18), France scores 4 , Denmark 4 , the UK 3, Switzerland 3 , Ireland 2, Italy 1 (Luxottica, being merged into Essilor of France, also on the list), Germany zero.
- Fortune’s 100 high-growth companies ranking features 84 US companies , with only three companies for Europe (in Ireland and France)
- As typically happens in a fluid environment, nobody fully agrees with anybody. For example, The Boston Consulting Group , in yet another recent study , takes a much rosier view of AI’s than previous studies predicting a negative impact on employment. BCG sees just about as many jobs created by AI as will be obliterated and insists that key AI developments will be internal to big corporations with US third party suppliers offering “too little juice to be worth the bite”.

Where does this hodgepodge of “data” leave us ? Over and above the obvious and massive dominance of the US, two key points would seem to emerge ;

First , Europe is clearly on notice. Should current trends continue ,the old continent may find itself with massive unemployment , in a position similar to that of China in the 19<sup>th</sup> century, mired in antiquated backwaters while the rest of the world darts ahead, particularly in North America and Asia. Some analysts think that this doom-and-gloom scenario would be the just deserts of lack of unity and vision, underinvestment in tech , low mobility , rigid labor laws curtailing flexibility and employee apathy toward mid-career training for a new job.

It’s still early days , though, and Europe is on the move . The UK and Germany already have flexible labor laws and even France is following suit ; European HR managers are increasingly busy implementing job adaptability programs; the countries with the highest penetration of automation are also those with the least unemployment; many key developers on the West Coast are Europeans (60% of Math PhD’s in Silicon Valley are foreign-born) ; Europe does have many large corporations capable of developing their IA internally, etc. But dropping the ball is not an option and the danger is real. Ben Franlin’s famous words fully apply to Europe today : “We must all hang together , or assuredly we shall all hang separately”

The second all-important finding is that Germany seems to be cashing out. Milking its huge dominant positions in machinery and electro-mechanical equipment, it is glaringly hanging behind on major innovation. While remaining a formidable and respected force on world markets, it no longer leads the way in tech innovation. Mittelstand Germany has the same aging

demographics as Japan and follows the same cash-cow path over time. This is verified by Eurostat data showing Germany investing significantly less than the rest of Europe.

Simultaneously, some of the smaller nimbler countries (Denmark , Ireland, the Netherlands ...) seem to be emerging as “stars”, hosting high-growth firms in specific segments (unsurprisingly, Switzerland ranks Number One in The World Economic Forum’s competitiveness ranking, just ahead of the US). France, warts and all, also enjoys strong innovative companies and may eventually deserve the “star” label over time. Europe thus appears as having a pretty good portfolio of countries , just like GE has a portfolio of divisions and the US has a portfolio of states . Places like California , New York , Florida or Ohio play very different roles in the US economy, but permanent re-allocation of assets (money and people) results in a strong cohesive powerhouse. Funding growth businesses from cash-cows is still a lot less easy within Europe than within GE or within the US , but it is increasingly feasible for money from Stuttgart to find its way to Copenhagen or Grenoble just like it already boosted “Silicon Saxony” and Berlin’s start-ups at home. Human assets move too : seeing over 20 different nationalities working together in a German facility is no longer a shocker.

Today , the portfolios would seem to be reasonably balanced on either side of the Atlantic. One is even tempted to think of our economy as being comprised of the sum total of these portfolios with components as diverse as Texas , Bavaria, Illinois and Lombardy each doing their bit. It all starts with individual firms understanding the other side of the ocean and it is a thrilling experience for EACC to help this happen.

*“Whoever becomes the leader in artificial intelligence will be the ruler of the world” (Vladimir Putin)*

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