Ticino as a Location for Start-ups

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Proposed Agenda

Objectives

Overview

Supporting Associations

Methodology

Results

Conclusions

Recommendations
Objectives

Current landscape of Ticino entrepreneurial situation in quantitative and qualitative aspects

Discussion of opportunities and threats for Start-ups in Ticino

Overall evaluations and suggestions
Proposed Agenda

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Recommendations
Overview

- Cross-border commuters from 2010 to 2012 increased by 10%

<table>
<thead>
<tr>
<th>Workforce</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross Boarders</td>
<td>53,417 (24%)*</td>
</tr>
<tr>
<td>Foreigners</td>
<td>98,157 (44,5%)*</td>
</tr>
<tr>
<td>Non-Italian Speakers</td>
<td>44,740 (20,2%)</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>4.4%*</td>
</tr>
<tr>
<td>Unemployed</td>
<td>6,599*</td>
</tr>
</tbody>
</table>

- With a CAGR of 6,6% calculated from 2004 to 2009, in 2020 the number of Start-ups will be double

<table>
<thead>
<tr>
<th>Ticino New Enterprises</th>
<th>2009</th>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total start ups</td>
<td>787**</td>
<td>1,154</td>
<td>1,589</td>
</tr>
</tbody>
</table>

Source: * UST and USTAT data 2011  
**UST data 2009
Proposed Agenda

Objectives
Overview
Supporting Associations
Methodology
Results
Conclusions
Recommendations
Supporting Associations

Evaluation of the Idea
- Centro Start up (agent of CTI)
- TecnoPolo

Coaching-Training
- Centro Start up
- VentureLab
- Agire Foundation

Finance
- CTI Invest
- AGIRE Invest
- Private Investors
Supporting Associations

Centro Start up

- Established in summer 2004 as partner organization of CTI in Ticino
- 2004-2011 Centro Start-up received 317 applications for evaluation
- 36 companies have been accepted
- 29 are in process: 24 in Ticino, 2 in Central Switzerland, 3 in Italy, 5 abandoned by the promoters due to lack of funds and 2 never went beyond the theoretical stage
- 110 new job opportunities have been created in Ticino and 40 in the rest of Switzerland.
AGIRE Foundation

- A policy instrument of Canton Ticino
- Founded in 2011; empowered to finance start-up/established companies with innovative ideas
- Coaching, mitigation and consulting for the companies they finance
- 90 requests per year → 4-6 companies being financed by AGIRE Invest

AGIRE Invest SA

- Agire Foundation is a separate entity from AGIRE Invest SA
- Provides investment strategies for the early stage companies in areas such as: biotech & life sciences, medtech, information & communication technology, micro & nanotechnology and cleantech

VentureLab

- VentureLab offers individual trainings specifically for start-ups
- Focus on high-tech fields
- Mission statement: “Guiding science-based start-ups to success”
- VentureLab is financed by the Commission for Technology and Innovation CTI
Supporting Associations

TecnoPolo
- Aimed to help biotech and high tech companies in Ticino and have as partners BSI and Banca Stato
- Support about 10 companies (from 2008) providing services such as:
  - Administrative and Legal
  - HR
  - Marketing
  - IT and Telecommunication
  - Network creation

CTI
- The Innovation Promotion Agency CTI creates awareness among young people and graduates on the topic of entrepreneurship
- CTI focuses on training modules in setting up own sustainable businesses

CTI Invest
- CTI Invest is the Swiss Venture Platform that provides a wide network of business contacts (i.e. investors)
- They support companies for up to two years and stay in regular contact with them
- CTI Invest provides professional business coaching
Proposed Agenda

Objectives
Overview
Supporting Associations
Methodology
Results
Conclusions
Recommendations
Quantitative – Survey Approach

Students Surveys
- USI Students
- SUPSI Students
- IMD Vaud Students
- EPFL Students
- Italian Students

Companies Surveys
- Incubated Companies
- Non-Incubated companies

Rate Of Entrepreneurial Companies (ROEC)
Rate Of Failed Companies (ROFC)
Qualitative – Face-to-Face Interview Approach

Expert Interview

Trust Company owner

Successful and Unsuccessful Cases

Unsuccessful Transport optimization Company

Unsuccessful Biotech sector Company

Successful Digital Marketing Company

Successful on-line platform Company
Proposed Agenda

Objectives
Overview
Supporting Associations
Methodology
Results
Conclusions
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Proposed Agenda

Results

- Students Surveys
- Expert
- Cases
- Companies Surveys
- ROEC and ROFC Indexes
Students Surveys
Students Surveys

- Neither Swiss or Italian students perceive Ticino as an Entrepreneurial Society
- 95% of Vaud students perceive more opportunities in Vaud canton and they are not willing to share their ideas with Ticinese Start-up Associations
- 64% of Milan students perceive hard the possibility to start up a business in Italy and 84% of them do not have any ideas of the start up situation in Ticino

![Students Perception of Ticino](image)

- Being a beautiful region
- Convenient fiscal system
- Very strong economy
- Easy to start up a business
Students Surveys

Students Awareness

• AGIRE and Centro Start-up still do not have enough visibility either in Switzerland or in Italy
• Despite the efforts made it seems USI and SUPSI students do not know the start-up associations in Ticino

Student awareness of Start-up Associations

<table>
<thead>
<tr>
<th>Institution</th>
<th>Total</th>
<th>Centro Start up</th>
<th>Agire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polytechnic of Milan</td>
<td>20</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Vaud - EPFL</td>
<td>10</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Vaud - IMD</td>
<td>5</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Ticino USI</td>
<td>20</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Ticino Supsi</td>
<td>40</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

0  20  40  60  80  100

Total  Centro Start up  Agire
• Swiss and Italian students believe to have innovative ideas and are willing to start up their own businesses
• Independence and Innovative Ideas are the main reasons for which students would start up their own business

Students Surveys

Students Innovativeness

Students Motivations to start up a business

- Independence
- Unemployment (impossibility in finding a proper job that fulfill your competencies)
- Higher Profits
- Innovative Idea
Students Surveys

Students Perceived Obstacles

• Fear of lack of support is the biggest obstacle perceived by Ticinese and Milan students
• Fear of failure is the second biggest perceived obstacles which is mainly related to lack of support

Students main Fears – Likert Scale

<table>
<thead>
<tr>
<th></th>
<th>EPFL-Vaud</th>
<th>SUPSI-Ticino</th>
<th>USI-Ticino</th>
<th>IMD-Vaud</th>
<th>Polytechnic -Milan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fear of lack of support (funds, partners, infrastructures)</td>
<td>2.8</td>
<td>4.2</td>
<td>4.5</td>
<td>3</td>
<td>4.13</td>
</tr>
<tr>
<td>Fear of heavy responsibilities related to the activity</td>
<td>3.28</td>
<td>2.4</td>
<td>3.23</td>
<td>1.1</td>
<td>2.3</td>
</tr>
<tr>
<td>Fear of failure</td>
<td>3.44</td>
<td>2.7</td>
<td>3.72</td>
<td>1.4</td>
<td>3.21</td>
</tr>
</tbody>
</table>
Students Surveys

Conclusions

• Students do not perceive Ticino as a place to start up a business but they perceive it as a nice place for vacation

• It is clear that more efforts needs to be made in order to make Start-up Associations more visible

• Students seems to have good ideas and willing to start up their own business but fear of lack of support seems to be the biggest obstacle to be overcome
Expert and Cases Interviews
Expert Interview

Trust Company

• Trust Company owner in Lugano
• Supported many start-ups in their initial phases
• Helps on business plan, partners seeking, investor seeking, bank connection, bureaucratic procedures

Lessons Learnt

• Banks help entrepreneurs whose companies are already operating as an ongoing business
• Probability to succeed is higher for Services companies than Production companies
• Cheaper labor available due to the cross-border situation but stability in the long term is questionable (i.e. unemployment among Swiss residents will increase)
Cases Studies

**Unsuccessful Transport optimization Company**

- The company was supported by Centro Start-up Association
- Core business was based on the optimization of road transportation through an Internet portal to monitor truck transportations

**Unsuccessful Biotech Company**

- The company was supported by Centro Start-up Association
- Core business based on the experimentation of two anti-inflammatory agents intended to be commercialized in 3 years

**Successful On-line Platform Company**

- The company was supported by Centro Start-up Association
- A modern platform that provides the possibility to search rental offers for products and services

**Successful Digital Marketing Company**

- Young entrepreneur without any support from any start-up Association
- Core business is consultancy for the application of digital marketing strategies
Cases Studies

Lessons Learnt

• Ticino lacks a centralized information system, information are barely available (confirmed by AGIRE Association as well)

• Ticino is still behind in the process of internationalization, firms cannot easily hire non-Italian speakers since they face several barriers and specialized personnel in specific field is hard to hire (i.e. expatriates issue)

• Associations have very low level of funds to support entrepreneurs and lack of private investors network

• Start-ups associations have proper network to help entrepreneurs but in some cases do not have the constancy to support them (i.e. Tutor issue)
Companies Surveys
Companies Surveys

Entrepreneurs Profile

- Around 60% Entrepreneurs are Italians and in total around 70% entrepreneurs are foreigners
- Average age of Entrepreneurs in Ticino is between 35-45 years old

![Entrepreneurs Nationality Chart]

![Entrepreneurs Age Chart]
Companies Surveys

Entrepreneurs’ Perception

- In the Pre-Start-up phase both incubated and non incubated entrepreneurs seems to have same perception of the Ticinese system
- In the Post-Start-up phase both perceptions of incubated and non incubated entrepreneurs clearly get worse, particularly non incubated companies perception sharply increased from 16% to 36%

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**Entrepreneurs’ Perception Pre-Start up**

- Incubated Companies: 11% didn't know, 42% Very Easy, 38% Normal, 9% Very Hard
- Non Incubated Companies: 16% didn't know, 34% Very Easy, 36% Normal, 14% Very Hard

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**Entrepreneurs’ Perception Post-Start up**

- Incubated Companies: 20% didn't know, 50% Very Easy, 36% Normal, 14% Very Hard
- Non Incubated Companies: 36% didn't know, 60% Very Easy, 60% Normal, 14% Very Hard
Entrepreneurs’ Awareness

- 69% of Entrepreneurs don’t know any start-up associations
- Centro Start-up is the best known Association
Companies Surveys

Entrepreneurs faced obstacles

- Lack of financial and start up associations support are the major issues especially for non incubated companies

Entrepreneurs advantage points

- Economic stability and low level of bureaucracy are the main strengths pointed out by entrepreneurs
Rate of Entrepreneurial Companies (ROEC)
Rate of Failed Companies (ROFC)
• Ticino is ranked 1st in comparison with other regions in terms of start-up companies but it has the second place in terms of failed companies
• One out of two start up companies fail within 5 years from their creation*

\[
\text{ROEC} = \frac{\text{Number of Entrepreneurial Companies}}{\text{Population}} \quad \text{ROFC} = \frac{\text{Number of Failed Companies}}{\text{Population}}
\]

Source: *UST data
Comparing two Indexes ROFC and ROEC, we have calculated the risk of the Investment.
Ticino is ranked 6\textsuperscript{th} and can be considered a relatively safe place for investment compared to other regions.

\[
PFA = \frac{ROFC}{ROEC}
\]
• The more ROEC increases, the more GDP per Capita increases
• Ticino has a high ROEC but low GDP per capita due to the small size of its enterprises
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Conclusions

Main Issues

1. System uncoordinated
2. Clearer objectives and agreements among all the institutions involved
3. Start-up Associations do not have enough visibility
4. Entrepreneurs do not receive adequate funds
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Issue 1: Uncoordinated system

Different pieces but still an uncoordinated system

• All the ingredients exist but they are not well connected

• Information system \(\rightarrow\) Better Communication

• Coordination should be improved

• Reconsideration of the process from “customer” point of view

• Effectiveness is very limited

• Creation of multiple supporting paths

• We are far away from the “ideal” Entrepreneurial Society concept
How to improve the system?

• In order to improve the support system, it is important to see a broader picture, thus it is necessary to:

  ✓ Clarify the purpose of development of entrepreneurial activities in the region
  ✓ Specify the type of entrepreneurship: Who should be involved? Ticinese or foreigners?
  ✓ Understand to what extent the Canton is ready to collaborate with the associations: what are the financial and physical limits?
  ✓ Create organized union between all institutions who are promoting business environment for start-up entities
Issue 3: Start ups Associations do not have enough visibility

How to advertise our start-up Associations to Students

Increase awareness of start up Associations among the students before students choose USI or SUPSI University
How to advertise our start-up Associations to Students

Increase awareness of start up Associations among the students during their period of studying

• Promotion through Career Service Centre in both the Ticino and other cantons
• Professors – Promote Associations in Entrepreneurship course
• Seminar once a semester
How to attract investors

• Cantonal agreement – Define a minimum investment amount to get residence permit with lump-sum taxation for potential foreign investors (i.e. amount of years of residence permit = amount of years of companies activity)

• Collaborations with other agencies (i.e. Asset Management companies, Real estate companies, private universities)

• Promote economic, political and social stability and security of the Canton
Issue 4: Entrepreneurs do not receive adequate funds

Create a cantonal institution to fund start-ups

- Ticinese entrepreneurship mostly is based on Italian entrepreneurs and cross-border workforce, is this the real Entrepreneurship Ticinese Institutions want?
- Create a cantonal institution to fund start-ups and focus funds on start-ups projects created by Swiss entrepreneurs
- Take share/profit percentage of the company, this will be a way in the long term to self-finance the institution

INVITALIA

- Is an Italian governmental institution aimed to fund entrepreneur whose idea is promising. It promotes the Italian economic development and is active in the south of Italy

AGIRE

- Despite, valuable efforts, AGIRE is not enough for the whole region of Ticino. They support only few companies (i.e. 6/90)
In theory, the system is structured in an efficient way; however, there are still some of the components which require amendments.

Entrepreneurial society can be improved through creation of additional supporting associations.

Canton of Ticino may exploit region’s advantages and entrepreneurial capabilities.

Encourage young entrepreneurs to implement their great ideas into the market place.

Make sure that the support associations do not abandon chosen start-up companies, at least in the first two years of their activity.
Thank you for Listening

Special Thanks

Prof. Gianluca Colombo
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Mr. Leoni (AGIRE Director)
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Mr. Aris (Eco sustainable Company Entrepreneur)
Trust Company owner (decided to be anonymous)
Mr. Luca Boschin (Digital Marketing Company owner)