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Regime of privileged treatment of startups in Europe
An Italian case

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¹ Pasta Lab is an “invented name” because the real startup company name is not yet registered.

Introduction

This dissertation, based on a multidisciplinary approach, offers an overview of the startups-related regime in the EU legal and business frameworks, and particularly within the Italian system, also offering a business implementation experiment in Italy.

Starting from a review of the Italian legal framework for startups and the variety of tools available (mostly similar to those existing in the EU generally) the dissertation encompasses the different procedures needed for a startup in order to be established and run, including issues and solutions in respect of corporate governance and business advantages. The case taken into consideration is a currently on-going project, foreseen to be completed around the beginning of 2021. The startup is classified as innovative since it is conceived to operate in a market sector yet to be explored and exploited widely. The last chapter of the dissertation provides an overview on strategies and rationale behind the overall business plan in respect of the mentioned case

The scope of the new Italian legislation on startups is to bring positive and prosperous conditions to create and develop innovative enterprises, thus, to ensure economic growth and increase employment, especially in reference to future generations.

The support for innovative entrepreneurship contributes and enriches greater social mobility as well as strengthening links between universities and businesses and by making individuals more inclined to take and face business risks. Since 2012, the Italian government has been working to create this comprehensive and coherent legislation aiming to develop a system to foster innovative startups with a high technological content. Consequently, it was introduced a new definition in the Italian legal system for innovative startups: innovative companies with high intrinsic technological value. The definition of an innovative startup is “joint-stock enterprises” (i.e. corporations), including cooperatives, whose shares or significant interests are not listed in a regulated market or multilateral trading system. Since we are in a global market, we have to consider that there are different countries around the world where to make business, generally divided in two main groups of legal habits, common law systems and civil law systems. The different legal system influence, of course also the approach to the business. Moreover, the case under consideration, is a project that has been in progress for few months, and it will be completed around the beginning of 2021. The startup is classified as innovative, brilliant and clever because it will operate in a market sector that right now it is undefined. The last chapter of the thesis deals with all the strategic decisions and the philosophy behind a plan and behind the case discussed.

1. Italian Opportunities for Startups: Legal Profile

Back in March 2012 the Italian Government released a new Italian law for startups with the ultimate objective to facilitate their creation and development and it has developed a new legislative framework for new potentially high-tech companies. By doing so, the new legislation has allowed the foundation of new so-called “innovative” companies, with the aim of bringing positive and prosperous conditions for startups. As a consequence of all, there was a specific expectation on ensuring economic growth and increase employment, especially as far as young future generations were concerned.

This kind of law was also formulated to incentivize the spreading of knowledge throughout the whole economic fabric and, more specifically, to support the Italian production on high-technology sectors through a strong and very specialized high-competence. By focusing on innovation, beyond the creation and development of new industry sectors and professional competencies, there is also a great added-value as far as network and centers of excellence are concerned, that is contributing to foster a highly dynamic effective social mobility as well as strengthening links between universities and businesses, and by making individuals more inclined to learn, take, face and manage business risks. This kind of new industry format certainly helps the country to become more attractive to foreign capital and professional qualified people which, in turn, further strengthen the overall market eco-system and benefit.

In order to achieve all these goals, the Italian Government, since 2012, has been working to create comprehensive and coherent legislation as well as implementing decrees to move from a “theoretical” industrial policy into a concrete and workable system allowing entrepreneurs, and, above all, debt financial institutions, to feel confident on project and risks/benefit trade-off. From this program, the *Legislative Decree 179/2012* on “*New urgent measures for the economic growth of Italy*” was approved and came into law in 2012. Law 221/2012 includes, indeed, many political proposals presented in “*Restart, Italy!*”: a report drawn up by a working group of 12 experts, created in April 2012 by the Minister of Economic Development, containing also suggestions for a broad consultation with the key players contributing to the structure of the new ecosystem for Italian startups. This is the reason why the law has introduced a new definition in the Italian legal system for *innovative* startups: innovative companies with high intrinsic technological value.

For the first time these types of companies have been able to count on an exhaustive number of applicable rules (from article 25 to 32) as tools and measures launched in matters affecting the entire life cycle of a company: from its constitution to its growth, from its development to its maturity.

This public support, for innovative entrepreneurship, represents a new way of thinking about the formulation of industrial policies. However, this law is very far from being solid, in fact the policy for innovative startups is in a constant evolution, suffice to say that a more recent legislative measures were created: for example, the "Labor Decree", which was converted into *Law 99/2013*. This kind of dynamic law is obviously depending on the industry of reference which, in its core, is also highly dynamic and, as a matter of fact, the law system must closely follow all industry changes and development and capture upcoming opportunities into new policy frames. Another example is the recent law decree *n. 3/2015*, known as the "Investment Agreement" (transformed into law *no. 33/2015*), which helped improve and expand the range of measures in favor of innovative startups. Other measures, that do not derive directly from the original regulatory package, have also fortified the framework of government initiatives (currently in place as to support innovative startups and their ecosystem). The legislation in question does not regard all newly created companies, but only those with a strong and simple link to a technological innovation, and without considering the sector of belonging, either being software-based, in the manufacturing or agriculture fields of interest.

1.1 What is an innovative startup? (legal profile)

The definition of an innovative start-up is "joint-stock enterprises" (i.e. corporations), including cooperatives, whose shares or significant interests are not listed in a regulated market or multilateral trading system in order to consider a start-up as innovative, it is necessary for it to meet the following requirements:

- 1) it shall be new in the market or at least in service for a maximum of 5 years;
- 2) it shall have the headquarter in Italy or in another EU country, with at least one branch of the production unit in Italy;
- 3) it shall not generate an annual turnover higher than 5 million euros;
- 4) it shall not had to share profits with shareholders;
- 5) it shall produce and develop market innovative goods or services which endure of high technological value;
- 6) it shall not originate from merger, spin-off or sale of an existing subsidiary or company;
- 7) it shall be innovative *in nature*, meaning to be able to meet at least one of the following criteria:
 - a. at least 15% of the company's expenses shall be dedicated to research and development activities. Newly created companies that have not yet submitted their first accounts must provide a forecast of their R&D spending.
 - b. at least 1/3 of the total workforce need to be PhD students, or possess a PhD or are researchers; alternatively, 2/3 of the total workforce must have achieved a master's degree;

- c. the company is the owner, custodian or licensee of a registered patent (industrial property) or owner of an originally registered computer program.

Once the startups meet the above-listed requirements, they can be accompanied with supporting measures during the first 5 years of operations. It should be noted that already established companies can exploit these benefits if they were already created upon the entry into force of *Law no. 221/2012* (19 December 2012) and if they meet the conditions set out in the legislation in question. Once one of these conditions is met, startup innovators shall register as a startup by sending via ComUnica (a digitized system) a Certificate of compliance with the requirements at the local Chamber of Commerce. To note that this Chamber also carries out routine checks as to ensure that innovative startups do comply with legal requirements.

Requirements will be confirmed once a year, by June the 30th. By that date, startups must also update their public profile on **startup.registroimprese.it**. The benefits in question apply for a period of 4 years if the company was incorporated in the previous 2 years; for a period of 3 years if the company was created in the previous 3 years; and for a period of 2 years, if the company was established in the previous 4 years (for more information see circular *16 / E* published on 11 June 2014 by the Italian tax authorities). All eligible companies can (self-select) register as an innovative startup in their local Chamber of Commerce and benefit from a wide range of policy measures. The support measures aim to support startups throughout their total life cycle (first steps, growth, and maturity) and as to influence the entire national startup ecosystem (like investors, incubators, and universities).

As to undertake in further details, it is firstly important to understand a few definitions:

- **Innovative startup with a social goal:**

It has to meet all requirements that are valid for ordinary startups. It could be helpful to analyze the *DL 155* on 24 March 2006 where social enterprises are described. All private organizations, including the entities referred to in *Book V of the Civil Code*, shall carry out an organized economic activity on a stable and main basis for the purpose of producing or exchanging utility goods or services. *Article 2*, paragraph 1, of the legislative decree of 24 March 2006, *n. 155*, which deals social enterprises, lists the specific areas: social work, health and social assistance, education and training, environmental protection, promotion of cultural heritage, social tourism, university and postgraduate studies, cultural services, university education, services to social enterprises of entities, of which 70 percent are to be social enterprises. As we will see later, in the case of investment in an innovative startup with a social objective, the tax incentive granted to investors has to be increased. An innovative startup with a social objective operates in specific areas that are also covered by *Italian law 1-*

Circular 3677 / C, issued by the Ministry of Economic Development, on 20 January 2015. This decree introduced a new procedure able to identify easily innovative startups with a social goal. It must be extremely agile and flexible and be based on the accountability of the social impact, on transparency and on a generalized control of information. At the same time, in order to better guide the user in the use of this new procedure, the Ministry has published the "*Guide for the elaboration of the document describing the social impact*". This guide is the result of the collaboration with the Ministry of Education, the University and the Research, as well as other actors in the social affairs community.

- **Certified incubator:**

The startup incubator or accelerator must meet the specific requirements related to the physical structures of the startup company, management, planning and, above all, that the track records must be respected (established under the Ministerial Ordinance of February 22nd, 2013). Following this way, the law allows to focus on the best structures capable of offering effective incubation services in Italy, where certified incubators can exploit some instruments provided by legislation (for example, they are free from registration fee payments and can give their employees stock options as remuneration). If they are also innovative, they can have priority access to tax credit for hiring highly qualified people, as they have simplified access to guarantees on bank loans.

In sum, innovative startups and certified incubators must register in the respective special sections of the business register (startups/incubators) created ad hoc at the Chambers of Commerce. The registration is generated by electronic transmission of a declaration of self-certification of compliance with all necessary conditions as previously indicated, to the Chambers of Commerce competent by jurisdiction. This "incoming" flexibility is even out by two arrangements: ex post control by the competent authority of the effective conformity to the all the needed requirements, to the obligation to update every two years (where deadlines last until 30th June and December). Also, the given data, when registered in the appropriate section, shall be confirmed once a year the reach of all requirements as above mentioned (as part of the six-monthly compliance). If not done so, the special status and the respective benefits will be lost (for further notice, see circular *no. 3672 / C* of the Ministry of Economic Development of 29 August 2014). This data refers primarily to the type of activity conducted, with a consideration to the fundamental elements of technology innovation. The special register of innovative startups is published in electronic format and updated weekly by the chamber system, as to disseminate, encourage widespread monitoring and stimulate a qualified and objective debate on the impacts that the new lawgiving will have on economic stimulus, innovation and employment.

The up-to-date platform offers to innovative startups the possibility of administering a public profile, in a bilingual version both in Italian and English. Each company can download a detailed profile, which does not

only include the data already available, (updated weekly), in the register of companies (salient facts such as corporate purpose, location, main sector of the sector and operating activities, number of employees, capitalization, value of the production), but also provide a broad range of more detailed information on the development phase of the business, characteristics of team members, type of products and services offered, financial needs, capital raised and target markets. Once the legal representative of the Firm has validated the data provided, using an online procedure (link to the guidelines), the data themselves are available to those who visit the public profile of the company. Profiles must serve as a digital showcase for innovative startups: they can be read by more traditional companies fascinated in creating a partnership [based on innovative ideas] and by international investors looking for interesting innovative opportunities matching their investment strategy and pay-off programs.

As far as the implementation of the “factual policy” is concerned, the normative corpus on startups arranges structured monitoring and evaluation systems for this recent policy. The Minister of Economic Development shall submit an annual report to the Italian Parliament on the impact of these legal actions.

On 1 March 2014, the Minister of Economic Development discussed the first “*Annual Report to Parliament on the Start-up Law*”. This provided analysis’ results which had been carried out by the Monitoring and Evaluation Commission (established by ministerial order approved on 31 January 2014). The first report was followed by the second one, published on 16 December 2015. The Ministry of Economic Development is also making an extensive awareness-raising effort to track evidence of the policy's effects on innovative startups and spread it to the community. Furthermore, is to note also how the National Institute of Statistics (Istat) has elaborated a dedicated page on its website with the aim of sharing the raw data collected, as part of the policy, in an open and fully editable and transparent format.

1.2 Corporate Governance for innovative startups

One of the first decision to be taken when deciding to initiate a startup venture is the legal company structure. It is possible to choose any of the for-profit corporate types governed by the Italian civil code to this aim, *i.e.* under the form of a partnership such as “*società di persone: società in nome collettivo, società in accomandita semplice*”, or of a **capital corporation** such as “*società in accomandita per azioni, società per azioni, società a responsabilità limitata and società a responsabilità limitata semplificata*”.

Amongst corporations, a limited liability company is the corporate type that is considered more appropriate and efficient by the majority of the players. This type of company may be incorporated with a shareholding capital

ranging from EUR 1 (in case of “srl semplificata”) to EUR 10,000 (in case of “standard srl”) and it usually ensures a greater flexibility in terms of corporate governance.

On the contrary, a joint-stock company requires a minimum share capital of EUR 50,000 and, *inter alia*, the mandatory presence of a Board of Statutory Auditors for fulfilling supervisory duties. While the Italian Civil Code provides for the general body of law governing corporate matters, innovative startups are subject to *Legislative Decree no. 179/2012* which sets forth a set of specific rules partially deviating from the provisions of the Italian Civil Code on limited liability companies. Such rules refer to equity loss provisions, the creation of different stock classes having different voting and patrimonial rights; public offering and transactions on its own stocks; on issuance of alternative equity instruments in favor of company’s employees/directors (so called “work for equity”).

1.3 Advantage for startups

The measures which will be described as follows, apply to innovative startups for 5 years after being founded:

- 1) Possibility of constitution and subsequent amendments to the articles of association through a standard model with digital signature (Article 4, paragraph 10 bis of the *Investment Agreement*). In fact, innovative startups and certified incubators can draw up the social contract and its amendments too, using a typed-standard model along with a digital signature, similar to what already exists for network contracts. The statute and its amendments are concluded and based according to a uniform model adopted by the Ministry of Economic Development and sent to the competent business register office;
- 2) The reduction of bureaucratic formalities and commissions, which unlike most companies, innovative startups are exempted from stamp duty and taxes for compulsory registration in the business register, as well as for the payment of the annual fee due to Chambers of Commerce. Furthermore, as explained in *circular 16/E*, issued by the Italian financial administration on 11 June 2014, the exemption from these fees could be interpreted as a general exemption, covering all actions taken by the innovative startups after their Constitution and subsequent amendments to the articles of association by means of a standard model with digital signature (registration in the commercial register, such as incentives for capital increases). In other word they are exempt from paying annual fees for chambers of commerce and other registration fees and revenue stamps normally due to the commercial register at the time of sending communications;

- 3) Flexibility in business management: the most imperative exemptions are envisaged for innovative startups formed with the name of Srl (the equivalent of Ltd.), for which it is authorized: possesses specific rights (like categories of shares that do not grant voting rights or which grant such rights on conditions that are not proportional to the shareholding) the possibility of carrying out transactions on own shares; the possibility of issuing financial tools usually offered to the public of capital share. In other words, all innovative startups can create categories of shares with specific rights (for example, categories of shares without voting rights or whose voting rights are not proportional to the share capital, and so on). It can be said that many of the previously listed measures involve a radical transformation in the financial structure of S.r.l, approaching as S.p.a. (the equivalent of an Inc.);
- 4) Exemption from obligation of companies reporting systematic losses: during the beginning of the operations, innovative and high-risk companies may suffer losses. If the available capital is not sufficient, the losses can have a direct impact on the company's net worth capital (Patrimonio Netto). When the losses result in a reduction of the capital greater than 1/3, the shareholder meeting must decrease the capital in proportion to the losses estimated the following year. Innovative startups can benefit of a delay of 12 months, during which the capital can be diminished in relation to the losses. While joint ventures are assumed to reduce capital for the next fiscal year, new businesses can do so for up to two years after suffering these losses. In a nutshell, in the event of systematic losses, the innovative startup benefits from a one-year grace period to cover losses exceeding 1/3 of the share capital (two-year deferral periods);
- 5) Exemption from the rules on shell companies: rules on non-operational shell companies that normally report a loss, do not apply to startups. This legislation provides for the allocation of a fixed minimum income on a flat rate basis. These exceptions to common regulations allow startups to complete the start-up phase and recuperate from the losses incurred in the period of their growth;
- 6) Exemption from the obligation to carry out the compliance visa for VAT credit offsetting (Article 4, paragraph 11 of the Investment Agreement). The ordinary rule that makes it obligatory to have a compliance visa for VAT credit compensation might result in being a disincentive for using horizontal compensation. With an exemption of up to € 50,000, innovative startups can benefit from significant liquidity advantages during the delicate phase of investing in innovation;
- 7) Tailor-made labor law: innovative startups must comply, with some exceptions, with the discipline of fixed-term contracts defined by *Legislative Decree 81/2015* (so-called "*Job Act*"). Innovative startups should hire an employee with a fixed-term contract for a maximum period of 36 months. However,

throughout this period, without respecting the provisions of Job Act, innovative startups can hire staff with fixed-term contracts, of any duration, even very short, renewable as many times as they wish. After 36 months, the contract can be renewed only once, for a maximum period of 12 months, i.e. a total working time of 48 months. At the end of this 4 years period, generally characterized by a high commercial risk, the fixed term contract becomes indefinite. Also, exceptionally, innovative startups with more than 5 employees are not required to maintain a legal relationship between CDD and CDI;

- 8) Flexible remuneration system: the remuneration of innovative startups workers, can have a variable component linked to the efficiency or to the profitability of the company, or to the productivity of the employee or the interaction among employees' team, or other production, performance targets and parameters agreed upon by the parties. Collective agreements can establish, even at decentralized levels, special criteria for the definition of different minimum wages and rules for the management of employment relationships;
- 9) Compensation through stock options and work for equity scheme (Guide; Model with comments): to retain their managers, employees and suppliers, (lawyers and accountants), startups and incubators can offer them capital shares in addition to their remuneration. The income from these financial instruments is deductible for tax and fiscal purposes. In other words, innovative startups and certified incubators can use tools like stock options and work towards action plans on even better terms than large publicly traded companies;
- 10) Tax credit for the recruitment of highly qualified personnel (valid for recruitment from 31/12/2014): granted to innovative startups and certified incubators a priority access to benefits when hiring highly qualified staff. These benefits consist in a tax credit equivalent to 35% of the total cost of the company for the permanent employee, even with an internship contract, during the first year of the new employment relationship;
- 11) Tax concessions for corporate and private investments done by startups companies made by individuals. They can benefit of a 19% tax credit up to a maximum investment of EUR 500,000. If the startups are made by legal entities, they can benefit of a 20% tax reduction up to a maximum investment of EUR 1. 8 million. This was valid for the years 2013, 2014, 2015 and 2016 (implementing decree). These incentives are valid either in the case of direct investments in startups, as well as in indirect ones. The advantages of the tax are higher if the investment involves startups with a social vocation or which operate in the energy

sector. In this case they can benefit for a 25% the tax credit for individual companies or 27% tax deduction for legal entities;

- 12) Crowdfunding: in July 2013, CONSOB, equivalent to SEC2 in the United States, published a “*Regulation on the raising of risk capital by innovative startups through online portals*”. With this being published, Italy became the first country in the world to have a defined discipline based on equity crowdfunding, and allowing innovative startups to raise their capital, both domestically and abroad, through certified portals. As regards collective capital financing, one can say that the aforementioned decree-law “*Investment Compact*” has led to three important and crucial modern innovations: a) innovative SMEs can also benefit from the instrument; such as CIU and other companies that invest mainly in startups and innovative SMEs; b) an evolution that allows portfolio diversification and risk reduction for retail investors; c) by renouncing the ordinary rules, the sale of shares of innovative startups and SMEs is dematerialized, decreasing the respective costs, with a view to fluidizing the secondary market;
- 13) Quick, simplified and free access for new innovative companies and certified incubators to the Central Guarantee Fund. A government fund has been created in order to support the access to credit through guarantees on bank loans. The guarantees cover 80% of bank loans up to a maximum of EUR 2.5 million and are granted according to a simplified and rapid procedure;
- 14) More specific support is given to the internationalization process provided by the Italian Trade Agency (“ICE”), including assistance in legal, commercial and tax activities, including real estate and credit sectors. Furthermore, innovative startups can benefit from free participation in a selection of international trade fairs and events, as well as international initiatives to promote matchmaking with potential investors. The Agency has issued a “Startup Service Card”, which allows for a 30% reduction in its support services;
- 15) “*Fail Fast*” procedure: the aim of this measure allows the entrepreneur to access, in case of failing, a special “light” settlement of over-indebtedness crises process;
- 16) Special visa policies for beginners launched in June 2014, *Italia Startup Visa* (ISV) aimed at non-EU entrepreneurs who are interested in creating an innovative startup in Italy. Thanks to the ISV procedure, talents from all over the world can request a one-year self-employment visa, renewable free of charge after expiration date, if and when the startup is operational. The process is results in: a) being fast and free: does not take longer than 30 days; b) it is a centralized process: despite it is based on an expert’s committee of Italian representatives of the innovation system, the Ministry of Economic Development is

the only point of contact for the candidate; c) it is carried out completely online and all documentation can be sent in Italian and English, as it is completely bilingual.

1.4 Financing the project/startup

To finance the project/startup, the entrepreneur can rely on different strategies, such as crowdfunding, venture capitalists, seed investors, business angels and public tenders. With crowdfunding, venture capitalists, seed investors and business angels their basic strategy is enter into company's equity as shareholders. In the crowdfunding, startupper have the opportunity to decide different campaigns and in fact there is not just only the equity strategy, but there are also possibilities to rise money by donation or reward (giving a present to people who give capital, for example giving merchandise). For crowdfunding there is also the opportunity to choose a lending campaign, so people who put capital are not in equity.

With venture capitalists, seed investors and business angels, sharing the company equity, the decisions making process and strategy setting of the startup have also to be shared. In this case is very important to get aligned on investors' exit strategy upfront, both in principle and quantified criteria. This way the startupper are prepared to properly plan such an exit by in order to take their shares back when the exit agreement is mature and obviously repaying the capital received, plus the agreed yield.

With public tenders the situation is a little different because everything depends from the requirements of the announcement.

2. Overview on Europe

2.1 Innovative startups in Europe (common law vs. civil law)

The legal format and requirements among different countries, around the world, are generally split into two main groups: common law system and civil law system. Around 150 countries are adopting the first system, while around 80 countries are adopting the second category and they are considered common law countries. However, if we look at the number of firms adopting the common law system, we can say with reasonably certainty that it is the most widespread in the world.

The most important difference between the two systems is that in common law, the most relevant fact is the “case law” (in the form of published judicial opinions), while in civil law “codified statutes” prevails. These systems are, however, not as straightforward as they might seem. In reality, many countries adopt a mixture of features from the two systems. In fact, we have to say that the main differences between these common and civil law descend from their historical underpinnings.

The earliest origin of the common law system can be traced back during the English monarchy, because in order to be able to administer justice, it was used to publish formal orders called “*writs*”. However since “*writs*” were not enough to cover all the situations arising over time, courts of equity were, thus, created. The courts used to hear all the laments, and then they tried to find out proper solutions, basing their judgements on equitable rules taken from many sources of authority (such as Roman law and “natural” law). The process to achieve the judgement and the final results were aggregated and published, in this way courts, could in any moment, consult previous decisions and apply them to their current cases. The common law started following this path and year by year has undergone changes.

In the other European countries, however, civil law had its origins back to the code of laws issued by the Roman Emperor Justinian around 600 C.E. Legitimated legal codes with roots in these rules (or others) then developed over time in different countries, producing similar legal systems, each with their own rules.

In a nutshell, the main difference between the two traditions can be find out in the source of law and in the role of judges. In fact, in civil law system, the main considered tool is the legislation as the primary source of law, while in common law system, judges play a key active role by setting legal precedents.

Of course, the two systems include also a different approach to the business handling. In fact, usually, in the past, commercial agreements, signed in civil law regime, were quite short and concise, using general terms (since there was no need to rephrase codified law). On the contrary, in common law countries, however, their

equivalent counterparts are lengthier and more detailed, and contracts contain a very detailed description of the intent of the parties, legal definitions, etc...

Moreover, resolution of commercial disputes differs between civil and common law traditions, with an inquisitorial model at first, and an adversarial one in the last.

Before deciding to start a business, approaching to any legal system, we need to consider that a lot of countries, actually, have legal system including aspects of both civil and common law structure.

For example, even in England where the common law system took place, and where exist a lot of court rulings that can influence own business, there are also a lot of written statutes influencing this area.

At this regard, it is worth mentioning, as an example, the Companies Act published in the 2006, that is the longest legislation document in the UK, whose objective displays the civil law spirit of codifying in details laws. Establishing or expanding a business in other countries different from the one in which the business itself started, is a challenging opportunity and, apart from capturing eventual good circumstances, facing with different legal approaches can be a very difficult exercise. This is one of the reasons why, before taking any business decision involving the setup location, it is crucial to understand the key differences between the two systems.

However, despite these two different legal systems, an EU citizen could:

- Start his own business (including as a sole proprietorship) in any EU country, independently from the use of common or civil law;
- Start a branch of an already working European company that is already registered in an EU country.

However, in order to value where to start a business, it is important to take into consideration not only these legal rules, but also other conditions that, being different from a country to another one, might provide differences in terms of opportunities or obligations.

For sure, the EU stimulates all countries to reach certain goals, with the primary objective to help developing new businesses and boost Economy, through simplified procedures including:

- Company creation in not more than 3 working days;
- Costs less than EUR 100;
- Complete all procedures through a single administrative body;
- Finalize all online registration rules;
- Register a business online in another EU country.

At the 2006 Spring Council, national governments decided for a bunch of simplifications, in order to be able to start a business very fast and reasonably affordable, cost-wise, across all Europe.

Anyway, after making the decision on where to start the business, there is “no free lunch” and the most important thought, on how to sustain the startup, is to understand how to finance the idea.

Nowadays, there are a lot of European funds offering different technical forms and structures to finance the startup businesses, thus it is necessary to evaluate the best financing tool matching the needs.

There is also available a European partnership platform dedicated to startups with the objective of supporting to start and develop of the new business.

There are a lot of opportunities to receive support from EU, i.e. **solvy.it** is an online problem-solving network where EU Members of different countries put their effort together to find solutions against any possible misapplication of local country rules, by public authorities, without legal proceedings. There is a SOLVIT center in all EU Member States (as well as Norway, Iceland and Liechtenstein). They are part of the national administration department and have the objective to present real solutions to the problems arising within ten-week time. The use of SOLVIT is, good news, free of charge.

In order to be able to have visibility of own ideas with the final objective to arise funds, the project has to be registered on the European investment projects portal, that is normally visited by potential international investors.

Another opportunity is represented by the Startup Europe Partnership (SEP) created by the European Commission in 2014: it *builds* network bridges between European startups, educational institutions and investment communities. This is a very important instrument to facilitate the activities aiming at raising funds and overcoming possible language barriers and, as result, creating a common unique environment and neutralizing the risks of keeping projects at a much too local framework of mind.

The Startup Europe Partnership (SEP) is the first open platform with primary focus on helping, developing and sustaining European startups through the possibility to raise funds internationally.

This is one of six actions for web entrepreneurs defined in the Entrepreneurship Action Plan 2020. SEP works for increasing the creation of startups and making them become global players able to create real job opportunities.

2.2 Comparing different National Systems

UK

The UK is currently passing through a particular period because of its exit from the EU: the so-called Brexit.

The UK decided to exit the EU on 31 January, but the transition period will last until the end of 2020.

During this transition, EU legislation continues to apply to the UK.

It is not easy to forecast what it is going to happen at the end of this period since, the position after the end of 2020, depends on the results of the ongoing discussions and negotiations for a free trade agreement between the EU and the UK.

The EU wants UK to accept the duty, to maintain the alignments between the UK law and EU one, thus it is mandatory to obtain a tariff elimination agreement. At the moment, UK does not accept...

To increase the complexity of the situation there is also the fact that under the Withdrawal Agreement, Northern Ireland will be different from what is in the rest of the UK. After this transition period we are going to have in Northern Ireland many measures taken by EU on single market and customs union in addition to the EU rules on state aid and on the value added tax (VAT) law.

It has been decided that for trade and customs purposes it is settled a "border in the Irish Sea", although the UK / EU Joint Committee decides on specific arrangements for imposing customs duties and controls on goods that enters Northern Ireland from Greater Ireland.

Important to say is that UK is the union of four countries and three independent legal jurisdictions: England and Wales, Scotland and Northern Ireland. Each of the three jurisdictions has their own legal system, although they are similar in many aspects. In fact, the legal systems of England, Wales and Northern Ireland are funded on customary law, while Scottish legal system is based on a mixture of civil law and unmodified customary law. After becoming aware of the legislation of the place where basing the business, it is necessary deciding the legal entity:

- Sole trader: where one person owns and run the company having taken limited company
- Private or public: where the business is a separate entity from its owners
- Limited liability partnership (LLP) with two different patterns.

Once decided legal entities you have the opportunity to

apply for an initial government guaranteed loan of £ 500 to £ 25,000 to start or grow your business.

This can be considered the first difference in a business loan, since it is an unprotected personal loan.

In order to be eligible to apply for the loan, it is important to match every single condition listed below:

- a. Living in the UK;
- b. Age has to be 18 or older;
- c. The started up in UK has to be run for a period inferior to 2 years.

The key feature of this loan is that it has no registration costs or early reimbursement fee, in fact, it is guaranteed by the government, and the cost is a fixed interest yearly rate of 6% and, eventually, the loan can be repaid over a period of time going from 1 to 5 years.

If the one who has the business idea, is a foreigner, then there is the opportunity to ask for an Innovator *visa*.

This kind of Start-up Visa is, however, dedicated only for an early-stage, or high potential entrepreneurs who

have decided to start for the first time a business in Britain. It is possible to apply for a UK Startup Visa only three months before to travel. The answer for the acceptance of the application, can be received, at the shortest, three weeks later. This kind of Visa last for the first two years, then the Innovator Visa can be asked, for the three following years and then, for indefinite live in UK.

In order to be eligible for startup Visa all the below requirements have to be fulfilled:

- Age older than 18 years;
- The business or business idea must be endorsed by an approved body;
- English language requirements.

GERMANY

There is not so much difference, between Germany and Italy, for the asking of facilities related to startups. It's difficult to think about that, since just in Berlin, throughout 2017, 117 companies have been started. Also, throughout 2018, 122 startups succeeded to rise capital from investors. Why so many startups in just two years? Berlin has developed a very favorable economic environment which attracts entrepreneurs, investors and other figures that revolve around the startup economy. Moreover, Berlin is a city where living is quite pleasant, and services work very efficiently. It is an international city and very open to welcoming anyone: a fifth of the Berlin founders are foreigners, the business language is almost always English. There is an endless offer that is always at the forefront in terms of culture, entertainment and information. In addition, the infrastructures are efficient and at everyone's reach: coworking spaces, means of transport, services and a galaxy of associations representing the various interests linked to the world of startups. The startup environment is also very organized and interconnected: those arriving from outside quickly enter the suitable environments to obtain information and support. Even in the digital capital of Europe, word of mouth remains the main tool for solving problems in daily management, as evidenced by initiatives such as Digitally, a group of Italian entrepreneurs and professionals in Berlin, that has already been discussed in Startup Italia.

The business spectrum is dominated by companies offering services, among which the most represented and recipients of the largest share of investments are e-commerce activities (1,362 million in the first half of 2017): some ex-startups of international fame are part of it like Delivery Hero or Zalando, and the European branches of some American companies, like Houzz.

The absolute prevalence of services undoubtedly depends on the fact that Berlin is not surrounded by an industrial or manufacturing district like the cities of the former West Germany or Northern Italy. There are universities and research institutions broadly recognized as center of excellence, which have attracted a large number of activities in the software & analytics, fintech, health and media sectors.

3. The case: “Pasta lab”

3.1 Why?

“Past lab” is a startup aiming to operate in Italy in the gluten-free sector. The reason for such an industrial choice derives from a market analysis, the outcomes of which highlighted that this sector is not only a growing industry but brings quite a great opportunity for expansion and diversification. Actually, it has been chosen to carve out a segment that really does not exist, by working a lot on the brand identity, in order for product not to be classified as a niche one, but as a product accessible to everyone, including gluten intolerant ones, of course. In other words, by applying a marketing approach alternative to the one currently followed, the scope of Pasta Lab is that of offering not just a niche option for those impacted by gluten-intolerance, but to anyone, leveraging on healthy lifestyle. In this way, Pasta Lab aims to maximize the customers base. Eventually, in time, Pasta Lab will transition from a mere product range to a full-fledged acknowledged Brand.

The innovative character of Pasta Lab also resides in the state of the art technology used for the production of the gluten-free products offered to the customers, capable of combining the needs for healthy products with the most recent outcomes offered by research and development in the organic food and beverage industry, in view of offering a variety of products which may offer a complete alternative to those currently present in the market. Not just a niche product and for certain products themselves, but an actual change in the offer of organic products. In order to achieve those target, Pasta Lab intends to start from a product which is currently unavailable, that is the fresh pasta.

3.2 The opportunity

The business positioning aims to play within the food trade market where the challenge, yet the opportunity, would naturally be to run a competition race for product differentiation, price and creation of a recognizable brand equity (i.e. image, logo, communication, etc.). The market target segment is gluten-free. The strength of the project will be: news in the gluten-free market; brand appeal and experimentation on pasta dies and production processes; craftsmanship, speed of service and sustainability. The improvement and watch-out areas will be on: high number of market competitors; startup costs and high investments; product credibility and consequent lack of interest by non-celiac or gluten intolerant customers.

The market, however, will offer the possibility of using the digital means to increase sales, via e-commerce and delivery services. This will also give more visibility, however exposing to the risk of being labeled as a product exclusively for celiac people due to the prejudices that many people have towards gluten-free products.

The product range, underlying the Unique Selling Proposition, (USP) is based on offering fresh raw pasta in six different formats, including an innovative one, the certified gluten free and BIO. The flours that initially are going to be used will be: red lentils, chickpeas, sorghum, corn and brown rice, buckwheat and green peas. The main dies will be rigatoni, casarecce, tagliatelle, quadrelli, bigoli and paccheri. Customers can buy raw or cooked pasta by combining a sauce from the seasonal menu, among which there will be “cacio e pepe”, Genoese pesto, truffle, amatriciana, carbonara and Bolognese ragu, just to name a few, and if they want, they can complete the pasta with an extra touch (eg chopped pistachios, buffalo ricotta). On the blackboard there will also be desserts such as tiramisu, chocolate tenerina, seasonal tart, and also drinks such as Coca Cola, chinotto, mandarinata, lemonade (100% Italian) and craft beers.

3.3 The concept & the idea

Pasta lab will be an express food of pasta, with operational and legal headquarter in Milan, Italy. The company's core business will be identified in the sale of fresh BIO gluten-free pasta and express first courses. There will be two sales channels for B2C: physical with the in-store take away, and online, thanks to the e-commerce platform. There will also be the B2B channel: the plan is to sell fresh pasta to other business (supermarkets, restaurants, catering services), giving the opportunity to these channels to try first the products and then to choose the one they like more. The express dishes and drinks will be offered in a seasonal menu, where it will be possible to choose the pasta die (eg Rigatoni of red lentils), including an innovative one, found only at Pasta lab, and combine it with the favorite sauce (eg. Bacon and egg). The entire menu, with the exception of some beers, will also be fully available to those suffering from celiac disease, guaranteeing maximum safety through certifications and daily internal checks. The kitchen will be open only for lunch from Monday to Saturday, from 12 to 15, and the pasta factory from Monday to Friday from 12 to 19 and on Saturday from 10 to 19.

Pasta lab will not be just a simple pasta factory, but a real firm specialized in the food market and classified, as written before, as an express food restaurant. Pasta lab will be located in the center of Milan, because this location is optimal both for the quantity of offices and for the flow of target people throughout the day. Pasta lab is a novelty in the gluten-free market, because it is very focused on the Brand identity and on the experimentation of new dies, such that the new design of pasta with a patented die, that is going to be part of the recommended dish. The production is made in a sustainable and artisanal way. The challenge is to stand out among many competitors and make Pasta Lab appreciated through innovative marketing choices. Innovation is the winning proposition.

Pasta lab will have a semi-automatic production chain, with the use of five extrusion machines, which will increase production capacity up to 100% compared to a single machine with higher hourly production. The most important goal, in addition to making customers happy, will be to reduce the environmental impact. It will be implemented a company policy based on the concepts of sustainability and zero waste through the use of recycled and / or compostable packaging. Sources of electricity exclusively coming 100% from renewable sources, thus eliminating the use of natural gas. Through a water purifier, the free distribution of aluminum water bottles, so it is also eliminating the use of PET bottles, which, going into aqueous solution, can cause problems for the environment and health of people. The zero wastes policy consequently means the donation of not sold products giving a hot meal to many people who cannot afford it, in Milan. Fresh gluten-free pasta is going to represent an innovative product, especially for its nutrients and because of gluten absence has positive effects on the intestinal defensive barrier. The selling strategy will include an innovative service such as: digital fidelity cards. Each product is going to have labels with QR code that guarantees the origin of the ingredients and the hygienic-sanitary procedures. People working in the company is going to be managed through a software that can be implemented with innovative APIs to prove the entrance at work with stamping a simple selfie. The business, all over the first three years, will move towards an industrial market, maintaining the same quality, expanding production and customer base, with the aim of becoming the reference point for gluten-free in Italy and abroad. The masterplan consists in devising a laboratory that can supply all points of sale, large companies / GDOs and also small customers, with the same product but done on a larger scale. Making Pasta is only the starting point of the project, the goal is to influence the whole world of Food & Beverage with gluten-free and bio products.

The pasta will have an estimated duration of maximum 20 days. It will not be easy to imitate the product since the recipes and doses will be protected by an NDA (Non-Disclosure Agreement) agreement with all employees. It could be that in the future partnerships or assign patents on innovative dies with other companies, will be established. Of course, there is always a risk that other companies will develop recipes to reproduce similar products, but for sure it is going to be very difficult to obtain the same textures and organoleptic quality, intrinsic to Pasta Lab products.

The organization is going to be led by specific hierarchy lines summarized by a simple and clear organization chart. The various roles of the workers have been studied in order to be able to identify, specific competencies and qualities that the operators must have. Seeing a great opportunity for growth in this project, it is key for success to focus from the beginning on creating a holistic structure that engages each member in the general functioning of the business, making them responsible for their own duties and team leadership and growth. In this way employee will have the opportunity to grow professionally together with the company growth. Some

external consultancy companies (eg marketing agency), chosen after careful analysis of projects and obtained results, will be used to keep fixed cost limited.

3.4 The new segment

The needs, expressed by our customers in the gluten-free sector, show the importance of offering a product that is very difficult to find in the market, such as the fresh gluten free pasta. Today is present in the market with an unjustified and too high price compared to other products. What the market is looking for is exactly what Pasta lab will offer them. Through proactive marketing choices, the latent and induced needs will also be influenced, essential for the competitiveness and the success of the company. Key is going to be the ability to bring out through emotional stimuli the hidden needs of which not even the customers themselves were fully aware. Customers will be therefore surprised by identifying what their needs are. In this way their emotional areas will be continuously stimulated by innovating and developing new products, competitive advantages and new markets.

The main competitors are in two areas of expertise, on the one hand in the gluten-free industries and on the other in the pasta factories with kitchen.

The industries analyzed, are for example Dr. Schar, Bi-Aglut, Molino di Ferro. The first two competitors are already established industries while the third is a family business, but each has as strengths: Leadership in the channels of large-scale distribution, the opportunity to enter foreign markets (Dr. Schar), the assortment of products that range from ready-made sauces to dry pasta, to baby food. The weaknesses of all these companies are the fact that they offer products with a long shelf life, medium quality, available in pharmacies and therefore perceived as product for ill people.

As far as the pasta factories with kitchen are concerned, three competitors have been analysed: Miscusi, èPasta and Pasta a Gogò. Each of these has a fast, dynamic service and offers the public good quality products at affordable prices. However, none of these competitors has a sealed kitchen used for gluten-free flours. To note that, gluten-free pasta made by Pasta Lab, replaces proteins present in gluten, with the vegetable proteins present in the flours of the legumes that are used. In addition to this, Pasta Lab product also tends to be a highly digestible food, because the reduction of complex carbohydrates, formed by long chains of sugars, since they require much more energy from the body to be broken down. Key advantage therefore is the answer to such a problem: reducing and eliminating these types of carbohydrates, replacing them with oligosaccharides which in gluten-free pasta provide short and medium-term energy without straining the digestive system too much.

3.5 From “*go-to-market*” to “*win-the-market*”

The reference market at the beginning can however be extended to the whole city with online sales and delivery. A research conducted, outlines thru statistics analysis from AIC (Italian Celiac Association), according to which happens in the Italian population, in Lombardia, from 2011 to 2018, people with gluten intolerance and celiac diseases increased significantly. In the years 2011, 2012 and 2013 there was a steady increase in the number of people intolerant to gluten of about 10,000-15,000 new diagnoses per year. Finally, according to data published by the Ministry of Health, the average annual increase in new diagnoses is 10.6%. A very important factor, which could create a barrier to the Pasta lab shopping, is the prejudice that gluten-free is seen more as a trend while, who are intolerant or celiac will consider Pasta lab as a point of reference, the same thing for those who follow a diet rich of fiber and protein as for sportsmen.

The business model and format, once successfully validated, will be rolled-out throughout Italy and abroad, with flexible and dynamic technology that allows for an affordable increase in workloads. The product, since the market in which operates is still limited explored, will allow to have a phased gradual introduction into the Italian market. There is going an initial penetration in the most important Italian cities and also on all the tables of Italians restaurants and on large retailers. In the development phase, the market will be extended abroad, to duplicate what some Italian companies have done (e.g. Barilla, Giovanni Rana), not only in pasta but also in other products (e.g. bread, sweets, ice cream, drinks). In fact, the company's growth curve in the future will reach a maximum point, where it will find a stability that will inevitably be affected by the entry of competitors into the market. The challenge will be to keep the curve stable by relaunching some products, eliminating others and bringing new ones following the experimental line always adopted.

The set of our B2C targets refers to the age group that most closely matches the Pasta lab for the healthy diet and the novelty of the products. That is young women and men between 19 and 40 years (64.55%), followed by the one ranging from 41 to 65 years (35.45%) which approaches the style of life mainly for health reasons. Customers in the lunch time slot, who will therefore consume ready meals, will be freelancers, sale people in the surrounding area, brokers and shareholders of the Milan stock exchange. The catchment area that will buy fresh raw pasta will be not only those described above, but also all the residents in the area and not only who do not have the possibility, being celiac, intolerant or new customers, to be able to buy (even online) a product that they cannot find elsewhere. Many young people between 19 and 40 years old are sportsmen, even professionals such as Novak Djokovic, Martin Castrogiovanni, Ivan Rakitic, Federica Stufi and many others, who are not only

potential customers because they have a particular diet or are celiac, but they could also become Brand Ambassadors or Pasta lab Testimonial.

We are talking about a potential market that goes beyond the 214,000 Italians diagnosed with celiac disease, which could be (according to the ISS COVID-19 report n.38 / 2020 published on 05/06/2020 by ISS) 600,000 in total, but numbers that they go beyond one million by virtue of the fact that our customer base will also include people who want to eat safely.

As far as B2B is concerned, a targeted marketing strategy will be implemented in order to get restaurants and commercial activities to be loyal first, then GDOs in the whole country. The characteristics of the commercial activities will be those of already operating in the gluten-free sector or with products such as pasta and bread, while in restaurants to have the need to be able to offer customers, who need them, gluten-free dishes.

4. The Startupper strategy during COVID times and its “social” role

“If your actions inspire others to dream more, learn more, do more and become more, you are a leader,” said John Quincy Adams, the sixth President of the United States. In the best of times, Adams’s advice is tough to achieve. In a crisis, it requires something special.

In recent months, it became commonplace to call COVID-19 an “unprecedented crisis”. How could entrepreneurs/manager/policy makers have known and/or expected to know what to do, when confronted by a completely unfamiliar enemy?

In reality, there are very few *truly* unprecedented crises.

As rightly stated by various INSEAD weekly newsletters on this matter, *“more often than not, leaders simply freeze in front of a crisis”*.

Surveying the past with an objective, rational attitude should give any leader a general, yet accurate, idea of the threats they may be facing. Once a potential danger becomes actual, there are basic principles that experienced crisis managers (in their leadership capacity) can adapt to suit the situation.

These principles can be organized into a six-phase framework that might be applicable to a wide variety of real-world crises (not just COVID-19).

1. **ENGAGE** all in framing the crisis and get own framing right
2. **EXPLORE** the crisis and how to fight it
3. **EXPLAIN** what you have decided, why and how it will work, then commit to action

4. **EXECUTE** with focus and constant monitoring
5. **EVALUATE**, learn and adapt efforts, as well as your leadership, as new information and feedback comes in.
6. **LEVERAGE**, from the new economic scenarios, financial facilities and simplified legal frameworks

Thus, is all that simple? Certainly not. The economic dynamics in general, and for startups in particular during major crises like COVID-19, represents a severe challenge even for the most clever and seasoned entrepreneur/manager.

Why?

Simply because we all now live in an overall global interconnected and articulated complex environment and even the best solution for a firm might be completely useless within a potentially cracked system. Yes, there have been, and will continue to be, very successful firms whose core business is in the virus therapy or people protection devices and which have greatly exploited the opportunity, but when the crisis touches your firm it is all but simple to manage especially for manufacturing firms which need people on-site to produce (whilst, for example they must be on quarantine at home).

What can do a startupper, who has a good idea and wants to pursue his/her plan knowing that a new COVID-19 lockdown wave might be probable? One option is, of course, just wait for a better time. Another option is to mold the idea and the business model in a way that, in case of lockdown, the business is “prepared” to manage this kind of challenge.

How?

Well, first of all the startup business models have a better chance to cope with these kinds of uncertainties if they are coherent and compliant with the possibility of closure (forecasting a lockdown scenario as a real concrete possibility) or, at least, ensuring a model robustness with the probability of performing under a very strict authorization system (food production and delivery, pharma, etc.).

Once this is secured and the overall business capability is up and running and under control, the entrepreneur/startupper management style must also follow very important directives because his/her colleagues/employees have to feel in harmony and motivated, given the external critical situation.

In a recent survey organized by INSEAD (they surveyed more than 300 CEOs and conducted over 30 interviews in Denmark, France, Germany, Hungary, Italy, Ireland, Poland, Russia and the United Kingdom).

They found that following three strategies work particularly well:

1. **Be authoritative yet compassionate.** In times of crisis, stressed employees expect their leaders to be cool-headed, confident, and decisive, and to show the way forward. They also need empathy, personal attention and compassion.
2. **Be enabling.** When the level of uncertainty is as high as it is today, nobody has all the answers. Smart leaders understand this. They don't monopolize decision-making but focus on creating conditions for collective learning and productive work.
3. **Be fair, transparent and accessible.** At a time when many tough decisions are made under high stress and uncertainty, leaders ought to pay special attention to fairness in the decision-making process and openness of communication.

In any case like previous global crises, the coronavirus pandemic will pass. But the impact of what leaders do in the darkest hour will last for years to come. Whether they like it or not, CEOs create a legacy through their words and deeds every day.

One of INSEAD survey's respondents said:

"I have no doubts we will survive this crisis. The true challenge is if we are going to survive by sticking to our values. It's a real test for me and the whole leadership team."

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ABSTRACT

As it is clear from the title, the dissertation offers an overview on the regime of startups in Europe, with a specific Italian case. Precisely this case is a project that has been carried out for a few months and that will continue to do also in the next period after the master's degree. What can be seen in the Italian landscape is a strong investment and release of new Italian laws for startups and startupper. This had the objective to help facilitating the foundation for creation of new innovative companies. In order to consider a startup innovative, it is mandatory to meet the following requirements: 1) to be new in the market or at least in service for a maximum of 5 years; 2) to prove to have a headquarter in Italy or in another EU country, with at least one branch of the production unit in Italy; 3) to enjoy of an annual turnover of less than 5 million euros; 4) prohibition in profits sharing among shareholders; 5) to produce, develop and market innovative goods or services which endure of high technological value; 6) to be original and hence not originate from merger, spin-off or sale of an existing subsidiary or company; 7) to be innovative in nature, meaning to be able to meet at least one of the following criteria: a) at least 15% of the company's expenses shall be dedicated to research and development activities. Newly created companies that have not yet submitted their first accounts must provide a forecast of their R&D spending; b) at least 1/3 of the total workforce need to be PhD students, or possess a PhD or are researchers; alternatively, 2/3 of the total workforce must have achieved a master's degree; c) the company is the owner, custodian or licensee of a registered patent (industrial property), or owner of an originally computer program. Once startups meet (at least some of) the above-listed requirement, they can be accompanied with supporting measures during the first 5 years of operations. Startups especially at the beginning are carefully accompanied to do the right choices in order not to risk ruining the project. In fact, there exists startup incubators that have the task to provide the companies the needed tools to start the business. Innovative startups and certified incubators must register in the respective special sections of the business register (startups/incubators) created ad hoc at the Chambers of Commerce. The registration is completed upon electronic transmission of a self-certification of compliance with all the conditions necessary as previously indicated, to the Chambers of Commerce competent by jurisdiction. This "incoming" flexibility is balanced through ex post controls by the competent authority of the effective conformity to the all the needed requirements, with the obligation to update every two years (where deadlines last until 30th June and December). Also, the given data, when registered in the appropriate section, shall be confirmed once a year, therefore the reach of all requirements as above mentioned (as part of the six-monthly compliance) has to be continuously update. In lack of such adjournments, the special status and the respective benefits will be revoked. The special register of innovative startups is published in electronic format and updated weekly by the chamber system, as to disseminate, encourage widespread monitoring and stimulating a qualified and objective debate on

the impacts that the new law gives to economic growth, innovation and employment. The up-to-date platform offers to innovative startups the possibility of administering a public profile, in a bilingual version both in Italian and English. Each company can download a detailed profile, which not only includes the data already available, in the register of companies; but also provides a broad range of more detailed information on the development phase of the business, characteristics of team members, type of products and services offered, financial needs, capital raised and target markets. Once the legal representative of the Firm has validated the data provided, using an online procedure, the data are available to those who visit the public profile of the company. Profiles must serve as a digital showcase for innovative startups: they can be read 1) by more traditional companies fascinated in creating a partnership [for innovation] and 2) by international investors looking for innovative opportunities.

As for the implementation of the “factual policy”, the normative corpus on startups arranges structured monitoring and evaluation systems for this recent policy. The Minister of Economic Development shall submit an annual report to the Italian Parliament on the impact of these legal actions.

One of the first steps to set up a startup is certainly the choice of company structure and corporate governance. It may be chosen any of the for-profit corporate types governed by the Italian civil code to this aim, i.e. under the form of a partnership such as “*società di persone: società in nome collettivo, società in accomandita semplice*”, or of a corporation such as “*società in accomandita per azioni, società per azioni, società a responsabilità limitata and società a responsabilità limitata semplificata*”. However, innovative startups must necessarily be incorporated as one of the above form of corporations. Amongst corporations, a limited liability company is the corporate type that is considered more appropriate and efficient by the majority of the players. There are various benefits that help the setting up of a startup. The measures which will be described as following, apply to innovative startups for 5 years after being founded: 1) Possibility of constitution and subsequent amendments to the articles of association through a standard model with digital signature (Article 4, paragraph 10 bis of the Investment Agreement). In fact, innovative startups and certified incubators can draw up the social contract and its amendments too, using a typed-standard model along with a digital signature, similar to what already exists for network contracts. The statute and its amendments are concluded and based according to a uniform model adopted by the Ministry of Economic Development and sent to the competent business register office; 2) The reduction of bureaucratic formalities and commissions, which unlike most companies. Innovative startups are exempted from stamp duty and taxes for compulsory registration in the business register, as well as for the payment of the annual fee due to Chambers of Commerce. Furthermore, as explained in circular 16 / E, issued by the Italian financial administration on 11 June 2014, the exemption from these fees could be interpreted as a general exemption, covering all actions taken by the innovative startups after their Constitution and subsequent amendments to the articles of association by means of a standard model with digital signature (registration in the commercial register, such as incentives for capital increases). In other word they are exempt from paying annual

fees for chambers of commerce and other registration fees and revenue stamps normally due to the commercial register at the time of sending communications; 3) Flexibility in business management: the most imperative exemptions are envisaged for innovative startups formed with the name of Srl (the equivalent of Ltd.), for which it is authorized: possesses specific rights (like categories of shares that do not grant voting rights or which grant such rights on conditions that are not proportional to the shareholding) the possibility of carrying out transactions on own shares; the possibility of issuing financial tools usually offered to the public of capital share. In other words, all innovative startups can create categories of shares with specific rights (for example, categories of shares without voting rights or whose voting rights are not proportional to the share capital, and so on). It can be said that many of the previously listed measures involve a radical transformation in the financial structure of S.r.l, approaching as S.p.a. (the equivalent of an Inc.); 4) Exemption from obligation of companies reporting systematic losses: during the beginning of the operations, innovative and high-risk companies may suffer losses. If the available capital is not sufficient, the losses can have a direct impact on the company's net worth capital (*Patrimonio Netto*). When the losses result in a reduction of the capital greater than 1/3, the shareholder meeting must decrease the capital in proportion to the losses estimated the following year. Innovative startups can benefit of a delay of 12 months, during which the capital can be diminished in relation to the losses. While joint ventures are assumed to reduce capital for the next fiscal year, new businesses can do so for up to two years after suffering these losses. In a nutshell, in the event of systematic losses, the innovative startup benefits from a one-year grace period to cover losses exceeding 1/3 of the share capital (two-year deferral periods); 5) Exemption from the rules on shell companies: rules on non-operational shell companies that normally report a loss, do not apply to startups. This legislation provides for the allocation of a fixed minimum income on a flat rate basis. These exceptions to common regulations allow startups to complete the start-up phase and recuperate from the losses incurred in the period of their growth; 6) Exemption from the obligation to carry out the compliance visa for VAT credit offsetting (Article 4, paragraph 11 of the Investment Agreement). The ordinary rule that makes it obligatory to have a compliance visa for VAT credit compensation might result in being a disincentive for using horizontal compensation. With an exemption of up to € 50,000, innovative startups can benefit from significant liquidity advantages during the delicate phase of investing in innovation; 7) Tailor-made labor law: innovative startups must comply, with some exceptions, with the discipline of fixed-term contracts defined by Legislative Decree 81/2015 (so-called "Job Act"). Innovative startups should hire an employee with a fixed-term contract for a maximum period of 36 months. However, throughout this period, without respecting the provisions of Job Act, innovative startups can hire staff with fixed-term contracts, of any duration, even very short, renewable as many times as they wish. After 36 months, the contract can be renewed only once, for a maximum period of 12 months, i.e. a total working time of 48 months. At the end of this 4 years period, generally characterized by a high commercial risk, the fixed term contract becomes indefinite. Also, exceptionally, innovative startups with more than 5 employees are not

required to maintain a legal relationship between CDD and CDI; 8) Flexible remuneration system: the remuneration of innovative startups workers, can have a variable component linked to the efficiency or to the profitability of the company, or to the productivity of the employee or the interaction among employees team, or other production, performance targets and parameters agreed upon by the parties. Collective agreements can establish, even at decentralized levels, special criteria for the definition of different minimum wages and rules for the management of employment relationships; 9) Compensation through stock options and work for equity scheme (Guide; Model with comments): to retain their managers, employees and suppliers, (lawyers and accountants), startups and incubators can offer them capital shares in addition to their remuneration. The income from these financial instruments is deductible for tax and fiscal purposes. In other words, innovative startups and certified incubators can use tools like stock options and work towards action plans on even better terms than large publicly traded companies; 10) Tax credit for the recruitment of highly qualified personnel (valid for recruitment from 31/12/2014): granted to innovative startups and certified incubators a priority access to benefits when hiring highly qualified staff. These benefits consist in a tax credit equivalent to 35% of the total cost of the company for the permanent employee, even with an internship contract, during the first year of the new employment relationship; 11) Tax concessions for corporate and private investments done by startups companies made by individuals. They can benefit of a 19% tax credit up to a maximum investment of 500,000 euros. If the startups are made by legal entities, they can benefit of a 20% tax reduction up to a maximum investment of 1, 8 million euros. This was valid for the years 2013, 2014, 2015 and 2016 (implementing decree). These incentives are valid either in the case of direct investments in startups, as well as in indirect ones. The advantages of the tax are higher if the investment involves startups with a social vocation or which operate in the energy sector. In this case they can benefit for a 25% the tax credit for individual companies or 27% tax deduction for legal entities; 12) Crowdfunding: in July 2013, CONSOB, equivalent to SEC2 in the United States, published a “Regulation on the raising of risk capital by innovative startups through online portals”. With these being published, Italy became the first country in the world to possess a defined discipline based on equity crowdfunding, and allowing innovative startups to raise their capital, both domestically and abroad, through certified portals. As regards collective capital financing, one can say that the aforementioned decree-law “Investment Compact” has led to three important and crucial modern innovations: a) innovative SMEs can also benefit from the instrument; such as CIU and other companies that invest mainly in startups and innovative SMEs; b) an evolution that allows portfolio diversification and risk reduction for retail investors; c) by renouncing the ordinary rules, the sale of shares of innovative startups and SMEs is dematerialized, decreasing the respective costs, with a view to fluidizing the secondary market; 13) Quick, simplified and free access for new innovative companies and certified incubators to the Central Guarantee Fund. A government fund has been created in order to support the access to credit through guarantees on bank loans. The guarantees cover 80% of bank loans up to a maximum of 2.5 million euros and are granted according to a simplified and rapid procedure;

14) More specific support is given to the internationalization process provided by the Italian Trade Agency ("ICE"), including assistance in legal, commercial and tax activities, including real estate and credit sectors. Furthermore, innovative startups can benefit from free participation in a selection of international trade fairs and events, as well as international initiatives to promote matchmaking with potential investors. The Agency has issued a "Startup Service Card", which allows for a 30% reduction in its support services; 15) "Fail Fast" procedure: the aim of this measure allows the entrepreneur to access, in case of failing, a special "light" settlement of over-indebtedness crises process; 16) Special visa policies for beginners launched in June 2014, Italia Startup Visa (ISV) aimed at non-EU entrepreneurs who are interested in creating an innovative startup in Italy. Thanks to the ISV procedure, talents from all over the world can request a one-year self-employment visa, renewable free of charge after expiration date, if and when the startup is operational. The process results in: a) being fast and free: does not take longer than 30 days; b) it is a centralized process: despite it is based on an expert's committee of Italian representatives of the innovation system, the Ministry of Economic Development is the only point of contact for the candidate; c) it is carried out completely online and all documentation can be sent in Italian and English, as it is completely bilingual. However crucial to the success of a startup is to have enough funds to cover the initial investments. There are different ways of financing a startup, the entrepreneur can rely on different strategies, such as crowdfunding, venture capitalists, seed investors, business angels and public tenders. With crowdfunding, venture capitalists, seed investors and business angels their basic strategy is to enter into startup equity as shareholders. In the crowdfunding startupper have the opportunity to decide different campaigns: in fact, there is not just only the equity strategy, but there are also possibilities to raise money by donation or reward (giving a present to people who give capital, for example giving merchandise). Moreover, there is also the opportunity to choose a lending campaign, so people who put capital are not in equity.

With venture capitalists, seed investors and business angels, sharing the company equity, the decisions making process and strategy setting of the startup, have also to be shared with them. In this case is very important to get aligned on investors' exit strategy upfront, both in principle and quantified criterion. This way the startupper are prepared to properly plan such an exit by in order to take their shares back when the exit agreement is mature and obviously repaying the capital received, plus the agreed yield. With public tenders the situation is a little bit different because everything depends from the requirements of the announcement. After all, in our global market, we have to consider that there are different countries divided in two main groups of legal habits, common law systems and civil law systems. The most important differentiation between the two systems is that, in common law countries the most relevant fact is the "case law" (in the form of published judicial opinions), while in civil law systems "codified statutes" prevails. The earliest origin of the common law system can be traced back to the English monarchy, that, in order to be able to administer justice, was used to publish formal orders called "writs". However since "writs" were not enough to cover all the situations arising over time, courts

of equity were, thus, created. They usually heard all laments and then found solutions basing their judgement on equitable rules taken from many sources of authority (such as Roman law and “natural” law). The process to achieve the judgement and the final results were aggregated and published, in this way courts, could in any moment, consult previous decisions and apply them to their current cases. The common law, this way started and developed. In the other European countries, however, civil law had its origins back to the code of laws issued by the Roman Emperor Justinian around 600 C.E. Legitimated legal codes with roots in these rules (or others) then developed over time in different countries, producing similar legal systems, each with their own rules. In a nutshell, the main difference between the two traditions is in the sources of law and the role of judges. In fact, in civil law systems, the main tool is legislation as the primary source of law, while in common law systems judges play a key active role by setting legal precedents. Of course, the two systems include also a different approach to the business handling. In fact, usually, in the past, commercial agreements, signed in civil law regimes, were quite short and concise, using general terms (since there was no need to rephrase codified law). On the contrary in common law countries, however, their equivalent counterparts are lengthier and more detailed, and contracts contain a very detailed description of the intent of the parties, legal definitions, etc. Moreover, resolution of commercial disputes differs between civil and common law traditions, with an inquisitorial model in the first, and an adversarial one in the last. Before deciding to start a business in one of the two legal systems, we have also to consider that most countries do have legal system including aspects of both civil and common law structures. As it was mentioned earlier, the case took in consideration is an Italian case, therefore, it is contextualized so with the civil law. The reason why it has brought this case to the attention, is because “Past lab” is the project is going to be realized very soon: it is a startup aiming to play in Italy, in the gluten-free sector. Why this? because after a long market analysis, it has been understood that this sector is not only a growing one but brings quite a great opportunity for expansion and diversification. Actually, it has been chosen to carve out a segment that really does not exist, by working a lot on the brand identity, in order the product not to be classified as a niche one, but as a product accessible to everyone, including gluten intolerant ones, of course. This is to maximize the customer base. Eventually, with time, Pasta lab will transition from a mere product range to a full-fledged acknowledged Brand. The business positioning aims to play within the food trade market where the challenge, yet the opportunity, would naturally be to run a competition race for product differentiation, price and creation of a recognizable brand equity (i.e. image, logo, communication, etc.). The market target segment is gluten-free. The strength of the project will be: news in the gluten-free market; brand appeal and experimentation on pasta dies and production processes; craftsmanship, speed of service and sustainability. The improvement and watch-out areas will be on: high number of market competitors; startup costs and high investments; product credibility and consequent lack of interest by non-celiac or gluten intolerant customers. Pasta lab will be an Express Food of pasta, with operational and legal headquarter in Milan, Italy. The company's core business will be identified in the sale of fresh BIO gluten-free

pasta and express first courses. There will be two sales channels for B2C: physical with the in-store take away, and online, thanks to the e-commerce platform. There will also be the B2B channel: the plan is to sell fresh pasta to other business (supermarkets, restaurants, catering services), giving the opportunity to these channels to try first the products and then to choose the one they like more. The most important goal, in addition to making customers happy, will be to reduce the environmental impact. It will be implemented a company policy based on the concepts of sustainability and zero waste through the use of recycled and / or compostable packaging. Sources of electricity exclusively coming 100% from renewable sources, thus eliminating the use of natural gas. There will also be a water purifier, with a free distribution of aluminum water bottles, so it is also eliminating the use of PET bottles, which, going into aqueous solution, can cause problems for the environment and health of people. There will be adopted a zero wastes policy consequently means the donation of not sold products giving a hot meal to many people who cannot afford it, in Milan. Talking about the product, the pasta will have an estimated duration of maximum 20 days. It will not be easy to imitate the product since the recipes and doses will be protected by an NDA (Non-Disclosure Agreement) agreement with all employees. The pasta also tends to be a highly digestible food, because the reduction of complex carbohydrates, formed by long chains of sugars, and the higher quantity of fiber and protein involve wasting less energy from the body to break down those complex sugars. Key advantage therefore is the answer to such a problem: reducing and eliminating these types of carbohydrates, replacing them with oligosaccharides which in gluten-free pasta provide short and medium-term energy without straining the digestive system too much. Intolerant or celiac will consider Pasta lab products a point of reference, the same thing for those who follow a diet rich of fiber and protein, as for sportsmen. This startup even if operates for the food market will be treated as a real company. In fact, there are already future plans to work on. After the first period the idea is to split the firm into two different companies, one that operates only for the B2C sector and the other one that operates only for the B2B sector. The same brand name will be used, but with a little variant: a two different logos in order to let the costumers perceive the distinction of what these two firms offer according to their needs. But how getting to this step? Firs of all the plan is to make positive profit for the first 3 years in order to gain credibility as a startup that is profitable. The good strategy is to attract the positive attention of banks and of all the investors interested in this sector. The goal is that this company becomes object of desire for those who want to invest, so that to create easily a team of people who believe in this project and put capital and resources for the company. This two firms will be hold by another one that hosts all the investors, such that those investors will own both companies. So, they will be totally part of the whole project. The final destination is that the B2C company will become a express food chain of top quality and healthy gluten-free pasta, and the B2B company will become a leading company in Europe for the large-scale distribution of gluten-free pasta.