

LUISS



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*The Italian Startups Ecosystem:
Context, Challenges, and Trends in
Expatriation*

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I. Introduction

1.1. Context and motivations of the research

Within the context of the Italian startup ecosystem and the challenges it faces, this research focuses on analyzing the growing trend of Italian startups seeking opportunities abroad by relocating their operations to international markets. This phenomenon, also referred to as the "flight of Italian startups abroad," is an important feature of the current entrepreneurial environment. The research may explore various aspects, including supportive government policies, access to capital and venture funding, the presence of strong tech and innovation hubs, the availability of skilled talent, market demand, and favorable business environments. Analyzing these factors can provide valuable insights into the drivers of success and how different regions foster an environment conducive to nurturing and scaling successful unicorn startups. The motivations driving this research are diverse and multifaceted. First and foremost, the primary aim is to gain a comprehensive understanding of the reasons motivating Italian startups to contemplate expatriation as a strategic choice. Secondly, this research endeavors to scrutinize the role played by the Italian startup ecosystem and supporting public policies in this context. These motivations can be further elucidated as follows:

- **Understanding the Drivers of Startup Expatriation:** The core motivation behind this study is to delve deeply into the underlying factors that propel Italian startups towards the strategic decision of expatriation. This involves uncovering the specific challenges, opportunities, and circumstances that act as catalysts for this trend.
- **Examining the Role of the Italian Startup Ecosystem:** Another crucial motivation is to assess how the Italian startup ecosystem contributes to or hinders the decisions of startups to seek opportunities abroad. This includes investigating the support structures, resources, and constraints within the ecosystem and their influence on the expatriation phenomenon.

By addressing these motivations, this research aims to shed light on the complex dynamics of Italian startup expatriation and its relationship with the domestic entrepreneurial environment, ultimately contributing to a more profound comprehension of this significant trend. This study is based on information acquired via surveys and interviews with founders of Italian businesses who have made this decision to gather their thoughts, experiences, and factors. The objective is to shed light on the intricate

interaction between market dynamics, founder decisions, and the Italian entrepreneurial climate. The information gathered in this study is crucial for understanding the challenges that the Italian startup ecosystem must confront and for identifying potential strategies and solutions to address the flight of startups. Through an in-depth analysis of founders' perceptions and experiences, we aim to contribute to a better understanding of this phenomenon and provide insights to promote innovation and the growth of startups within the Italian context.

1.2. Objectives of the research

The objectives of this research are multifaceted and centered on comprehensively understanding the trend of startup expatriation, the motivations behind it, the preferred destinations for Italian startups, and the impact of this phenomenon on the Italian economy:

1. **Analyzing the Trend of Expatriation:** The primary objective is to delve into the trend of Italian startup expatriation, seeking to establish a clear and data-driven understanding of how many startups are involved, the sectors they operate in, and the stages of development at which they tend to make this strategic move.
2. **Exploring Motivations:** This research aims to unearth the intricate motivations that drive Italian startup founders to explore opportunities abroad. These motivations could range from regulatory and economic challenges in Italy to the allure of international markets or access to more substantial funding sources.
3. **Identifying Preferred Destinations:** Understanding where Italian startups choose to relocate or expand their operations is a key objective. This involves discerning if certain countries or regions are more attractive due to specific advantages, such as regulatory frameworks, access to talent, or market demand.
4. **Assessing Impact on the Italian Economy:** The research seeks to gauge the repercussions of startup expatriation on the Italian economy. This includes evaluating the loss of talent, innovation, and potential employment opportunities within Italy, as well as any potential gains from increased international exposure and the subsequent return of startups.

By addressing these objectives, this research aspires to provide a comprehensive overview of the phenomenon of Italian startup expatriation and offer insights that can inform policy decisions, entrepreneurial strategies, and discussions within the startup ecosystem.

1.3. Research questions

1. Do Italian Startupper want to go abroad?

This inquiry attempts to ascertain whether Italian entrepreneurs choose to stay in the home market or want to internationalize their enterprises. Understanding the trends and drivers of expatriation requires analysis of this viewpoint.

2. What is their perception of the startup ecosystem in Italy?

This inquiry aims to find out how Italian businesspeople view the local entrepreneurial scene. The ecosystem's strengths and weaknesses and the areas that need improvement can be found by revealing this perception.

3. What is still missing that we can learn from other countries?

This query focuses on what lessons Italy can take from experiences abroad. Investigating where Italy's startup ecosystem falls short of other countries can lead to ideas for improvement of the home entrepreneurial environment.

II. Italian Startups: state of art

2.1. Startups: Definition and global analysis

In the current global economic landscape, startups play a crucial role in innovation and the development of new ideas and technologies. They are characterized by a number of unique features that distinguish them from traditional companies, including innovation, agility, and the potential for rapid growth (Mitchell Grant, 2022)¹. Let's examine some of the essential components that characterize a startup in more detail:

- *Innovation*: Startups are constantly looking for new methods to enhance their goods and services or to develop brand-new goods and services that weren't previously available. They are also willing to take risks in order to achieve their goals.
- *Agility*: Startups can move quickly and nimbly, which allows them to adapt to respond to market developments and seize new possibilities. They are also able to make decisions quickly, which can be a major advantage in a competitive environment.
- *Potential for rapid growth*: If successful, startups could expand extremely quickly. This is because they are not burdened by the same legacy costs and bureaucracy as traditional companies. As a result, they can invest more of their resources in growth and expand their market more swiftly.

Depending on the context and the author, the concept of a startup may vary, but a common understanding portrays it as "young, innovative, and scalable company with a repeatable and scalable business model, operating in an uncertain context" (Blank & Dorf, 2012; Ries, 2011; Michał Adamczyk, 2016)². From this important first overview, it is possible to go into more detail about certain elements that emerge from the definition:

¹ **Source 1**: "What a Startup Is and What's Involved in Getting One Off the Ground", Mitchell Grant, 2022, <https://www.investopedia.com/terms/s/startup.asp>.

² **Source 2**: Blank, S., & Dorf, B. (2012). *The Startup Owner's Manual: The Step-By-Step Guide for Building a Great Company*. K&S Ranch.
Ries, E. (2011). *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*. Crown Business.
Michał Adamczyk (2016), *An attempt to define the concept of start-up company based on inductive research*.

- *Young and innovative*: A startup is a young company, often newly formed, that focuses on innovative solutions to solve problems or meet specific needs. This innovative spirit is essential for their success, as the main goal is to bring something new and interesting to the market.
- *Scalable*: Scalability is an essential aspect of startups. It means that the business model can grow rapidly and sustainably, reaching many users or customers without a proportional increase in costs or resources. This allows startups to expand quickly and exploit market opportunities more efficiently.
- *Repeatable business model*: Startups focus on building a repeatable business model, that is, an infrastructure and a market approach that can be applied consistently and replicated on a large scale. This makes large-scale growth possible and allows startups to continuously improve and adapt their product or service.
- *Context of uncertainty*: The environment in which startups operate is often characterized by uncertainty. Since they are introducing something new to the market, there is no absolute certainty of success or consumer acceptance. Startups must be prepared to manage this uncertainty and adapt quickly to changing market conditions.

The main goal of startups, therefore, is to grow quickly and consistently. Those who do not manage to grow quickly are not destined for success. Five factors that contribute to the growth of startups have been identified (Graham, P. 2012; Michał Adamczyk, 2016)³:

- *A large market*. A startup must operate in a large and growing market.
- *A unique and innovative product or service*. A startup must offer a unique and innovative product or service that can attract the attention of customers.
- *A talented team*. A startup must have a talented team that can implement its product or service and grow the company.
- *A scalable business models*. A startup must have a scalable business model that allows it to grow quickly without increasing costs.
- *A good dose of luck*. Even if a startup has all the other factors necessary for success, it still needs a bit of luck to achieve its goals.

³ **Source 3**: Graham, P. (2012). *Startup= growth*. *Y Combinator*.
 Michał Adamczyk (2016), *An attempt to define the concept of start-up company based inductive research*.

In order to achieve success, it is necessary to adopt an innovative approach to the development of new products and startups (Blank, S.G., 2007⁴). It is important to emphasize the significance of shifting focus from traditional marketing and sales strategies towards customer acquisition and product development processes. Four fundamental stages are identified that startups must navigate to attain success:

1. *Customer Discovery*: In this phase, entrepreneurs must step out of their work environment and interact directly with potential customers to understand their needs, problems, and buying behaviors. The goal is to gain a profound understanding of market needs and validate key hypotheses concerning the problem that the product or service aims to solve.
2. *Customer and Market Validation*: Once a comprehension of the customer is acquired, the startup should concentrate on validating the business model and the market. This process involves creating a prototype of the product or service and presenting it to potential customers to gather feedback and confirm real demand.
3. *Customer Creation*: During the customer creation phase, the startup has confirmed the existence of market demand and should focus on building and expanding its customer base. Marketing and sales efforts are directed towards engaging early adopters and acquiring new customers in a scalable manner.
4. *Building and Scalability*: In the final phase, the startup focuses on constructing a scalable organizational structure and developing strategies to handle business growth. The emphasis is on process optimization, resource management, and the exploration of new market opportunities.

Throughout their development process, startups go through many life stages, each of which has its own characteristics and difficulties. A thorough explanation of the key phases of a startup's life is provided below: Pre seed, seed, early stage, growth (scale-up) ed exit.

1. *Pre-seed*: The Pre-seed stage marks the starting point of a startup's life cycle. In this phase, entrepreneurs conceive the business idea and conduct initial research to assess its feasibility. It involves gathering initial resources, often from the founders themselves or close investors. The primary goal is to develop an initial business concept, define the company's vision and mission, and identify the first

⁴ **Source 4:** Blank, S. G. (2007). *The Four Steps to the Epiphany: Successful Strategies for Products That Win*. Cafepress.

potential sources of funding (Daniel C. Fehder, Yael V. Hochberg 2014)⁵.

2. *Seed*: The Seed stage represents a subsequent step after the Pre-seed phase. At this stage, the startup has developed a prototype of the product or service and started testing it in the market. Focus is on validating the product or service and gathering feedback from early customers or users. Additionally, startups seek to attract external investors for more substantial funding to accelerate growth (Hall, J., & Hofer, C. W. 1993)⁶.
3. *Early Stage*: The Early Stage, also known as the 'start-up phase,' is characterized by initial growth and business model validation. The startup has demonstrated the market potential of its product or service and begins building a stable customer base. In this phase, founders seek to strengthen their market position and acquire additional resources to expand operations (Blank, S., & Dorf, B. 2012)⁷.
4. *Growth (Scale-up)*: The Growth stage, also referred to as the 'scale-up phase,' is marked by rapid and sustained growth. The startup has surpassed the initial start-up challenges and proven its ability to acquire customers efficiently. The focus now shifts to scaling the business model and managing accelerated growth. Startups aim to expand their market presence, internationalize, and increase market share (Zahra, S. A., & Wright, M. 2011)⁸.
5. *Exit*: The Exit stage represents the pinnacle of a startup's life cycle. In this phase, entrepreneurs seek to monetize the value created by the startup through an exit from the market. Potential exit options include acquisition by a larger company, going public through an IPO, or merging with other companies. The exit allows investors and founders to realize the profits generated from the company's growth (Lerner, J. 2009)⁹.

⁵ **Source 5:** Daniel C. Fehder, Yael V. Hochberg (2014). *Accelerators and the Regional Supply of Venture Capital Investment*

⁶ **Source 6:** Hall, J., & Hofer, C. W. (1993). *Venture capitalists' decision criteria in new venture evaluation. Journal of Business Venturing.*

⁷ **Source 7:** Blank, S., & Dorf, B. (2012). *The Startup Owner's Manual: The Step-By-Step Guide for Building a Great Company. K&S Ranch.*

⁸ **Source 8:** Zahra, S. A., & Wright, M. (2011). *Entrepreneurship's Next Act. Academy of Management Perspectives.*

⁹ **Source 9:** Lerner, J. (2009). *Boulevard of Broken Dreams: Why Public Efforts to Boost Entrepreneurship and Venture Capital Have Failed—And What to Do About It. Princeton University Press.*

Startup Financing Cycle

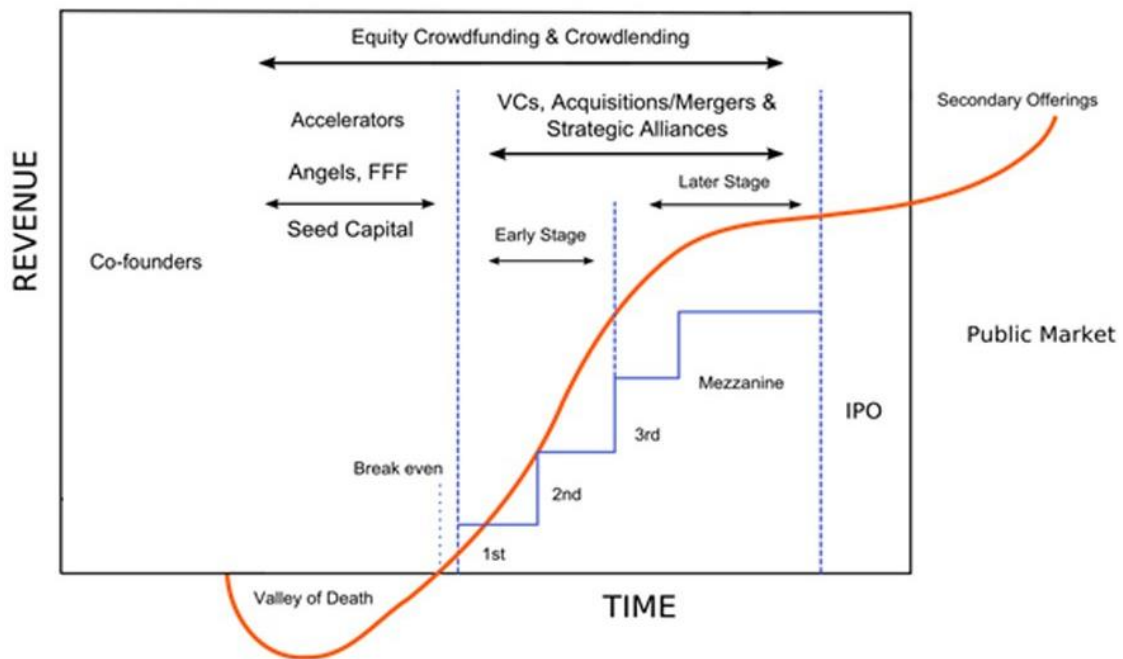


Figure 1: The Startups' life cycle and their investors.
Source: Startup Geeks S.r.l. ¹⁰

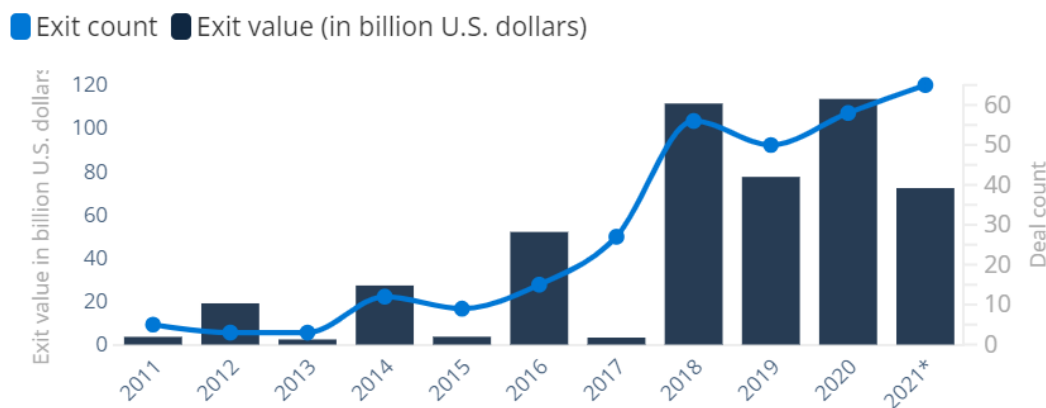


Figure 2: Unicorn Exit activity through acquisition or an IPO worldwide
Source: CrunchBase, Figures were collected and calculated by Statista (July 2021). ¹¹

¹⁰ **Figure 1:** The figure represents the stages that startups reach during their "life cycle." Each stage is associated with potential types of investors who come into play at different phases by providing capital. These entities are identified as follows: FFF (Family, Friends, and Fools), Angel investors, Venture capitalists, Accelerators, and Strategic acquisitions/alliances. The "Valley of Death" is the phase where startups require substantial capital to successfully enter the market, involving significant expenditure. This is precisely one of the most critical stages where many new ventures meet their end.

¹¹ **Figure 2:** The graph illustrates the trend of value and the number of exits made by unicorn startups. It is possible to observe a rather anomalous pattern, characterized by a series of peaks and crashes even within a single year. This is likely due to the nature of startups that planned the exit and the "hype" it generated in the market. Below are the data for each year: **2011**, 5 count - 3.57 billion \$; **2012**, 3 count - 19.07 billion \$; **2013**, 3 count - 2.38 billion \$; **2014**, 12 count - 27.31 billion \$; **2015**, 9 count - 3.63 billion \$; **2016**, 15 count - 52.08 billion \$; **2017**, 27 count - 3.23 billion \$; **2018**, 56 count - 111.46 billion \$; **2019**, 50 count - 77.53 billion \$; **2020**, 58 count - 113.57 billion \$; **2021**, 65 count - 72.35 billion \$.

To support startups, at certain stages of their lifecycle, specialized and targeted services have emerged to provide assistance and aid in the growth of these new ventures: Incubator and accelerator.

Incubator: is a structure or program that provides support and resources to new emerging companies during the early stages of their development. Startup incubators are particularly beneficial in the initial phases of a startup's lifecycle, such as Pre seed and Seed stages. During these critical stages, they offer essential support to develop and validate the business idea, overcome challenges related to product development, marketing, and accessing capital. Additionally, incubators often provide physical workspaces, connections with mentors and industry experts, as well as opportunities to access funding or investments. The primary goal is to assist startups in solidifying their ideas and successfully launching their initial activities.

Accelerator: is a program aimed at providing intensive support and accelerating the growth of existing emerging companies. Unlike incubators, they are utilized in a later phase of the startup's lifecycle, commonly in the Early Stage and Growth/Scale up stages. Accelerators typically have limited durations (usually from 3 to 6 months) and offer mentorship, training, financial resources, and networking opportunities to help startups achieve rapid and sustainable growth (Emil Lucian Crișan, Irina Iulia Salanță, Ioana Natalia Beileu, Ovidiu Nicolae Bordean, Raluca Bunduchi, 2019)¹².

Top 5 famous startup incubators/accelerators:

1. **Y Combinator** is one of the most prestigious startup accelerators in the world. Founded in 2005, it has supported the launch of numerous successful companies, including Dropbox, Airbnb, and Reddit.
2. **500 Startups** is a global startup accelerator and venture capital fund that invests in startups from various industries and countries. Founded in 2010, it has funded over 2,500 startups worldwide.

¹² **Source 10:** Emil Lucian Crișan, Irina Iulia Salanță, Ioana Natalia Beileu, Ovidiu Nicolae Bordean, Raluca Bunduchi (2019). *A systematic literature review on accelerators*. © Springer Science+Business Media, LLC, part of Springer Nature 2019
Blake Masters, Peter Thiel (2014). *Zero to One, Notes on Startups, or How Build the Future*.

3. **Techstars** is an accelerator that offers mentorship and funding programs to startups in different cities and sectors. Founded in 2006, it has supported over 2,500 startups.
4. **Seed camp** is a European accelerator that focuses on supporting emerging tech startups. Founded in 2007, it has supported several successful companies like UiPath and Revolut.
5. **Plug and Play Tech Center** is a global accelerator and incubator based in Silicon Valley. Founded in 2006, it provides acceleration and incubation programs for startups in various industries.

It is important to provide an explanation for the term 'Unicorn startup.' This statement was coined by venture capitalist Aileen Lee in 2013 during a presentation at the 'TechCrunch Disrupt' conference in San Francisco. The term has been used to refer to private startups valued at over 1 billion dollars, emphasizing their rarity and exceptional nature in the startup world by likening them to the mythical creature of a unicorn. Since then, the term 'unicorn' has become commonplace in the startup industry and is used to identify those emerging companies that have achieved an extraordinarily high market valuation (Infodata and Sole24ore, 2021; Aileen Lee, 2013)¹³. "The first unicorns can be traced back to the 1990s, thanks in part to the speculative “.com bubble” that burst during those years, some of them have reached unprecedented heights. Companies like *Google* achieved the title of “*Hectocorn*” the second evolution after the “*Decacorn*” of ten billion, thanks to its market capitalization that surpassed 100 billion dollars. Since the 2000s, only **0.07%** of high-tech startups have managed to reach the billion-dollar valuation threshold, emphasizing the exclusive nature of the unicorn club. Among them, it is certainly worth mentioning the American social media giant, *Facebook*. In 2021, the number of Unicorn Startup in the world was 865, with a global value of 2800+ Billions of dollars. Let’s take a look to some graphs and data concerning global Unicorn startups to understand the worldwide situation.

¹³ **Source 11:** Infodata and Sole24ore (2021). Le startup, le scale-up e gli unicorni spiegati bene con i grafici. <https://www.infodata.ilsole24ore.com/2021/10/31/le-startup-le-scale-gli-unicorni-spiegati-bene-grafici/>.

Fintech 173	Internet SW & Services 150	eCommerce & Direct 93	AI 71
Health 57	Other 50	Logistic & Delivery 47	Mobile & Telco 36
Auto & Transport 32	Cybersecurity 32	Data & Analytics 30	Hardware 30
Edtech 28	Consumer & Retail 23	Travel 13	

Figure 3: Number of Global Unicorn Startups By sector.
Source: Sole 24 Ore (2021).¹⁴

As can be seen from the map, and subsequently from the graph, it is possible to notice a concentration of unicorns in two main countries, namely China and the USA. The USA, being the birthplace of technological innovations and pioneers of the startup concept, firmly lead the ranking with 704 unicorns, which accounts for approximately 81%. As for Europe (including Italy, which is not present in the ranking with only 2 unicorns), the number obtained is 148.

¹⁴ **Figure 3:** They are divided in 15 sector and it's possible to see that the industry with the major number of Startups is Fintech. It is remarkable to note that many unicorn startups, approximately 37%, are concentrated in just two sectors. Furthermore, it is worth mentioning that most of the sectors with the highest number of unicorns are related to digitalization and computer science technology (e.g., fintech, internet software, eCommerce, AI, cybersecurity, EdTech).

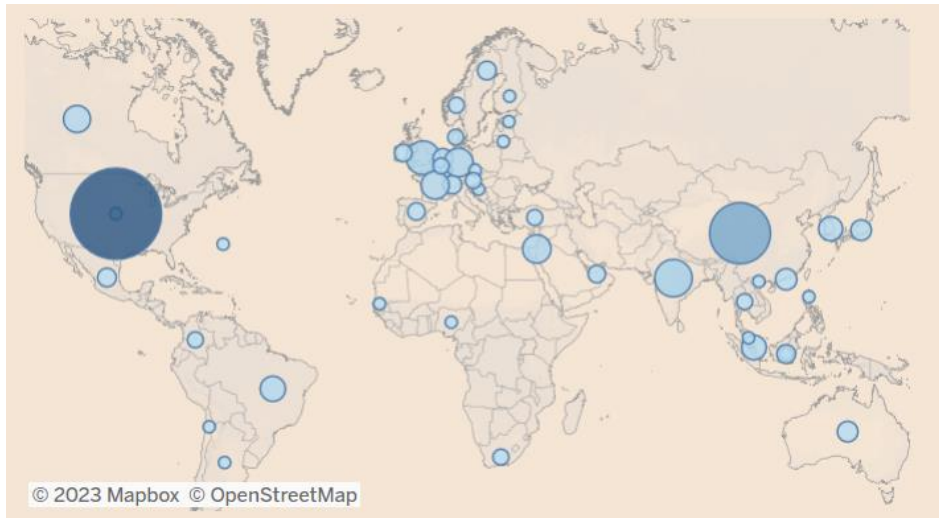


Figure 4: Global distribution of Unicorn Startups.
Source: Sole 24 Ore (2021).¹⁵

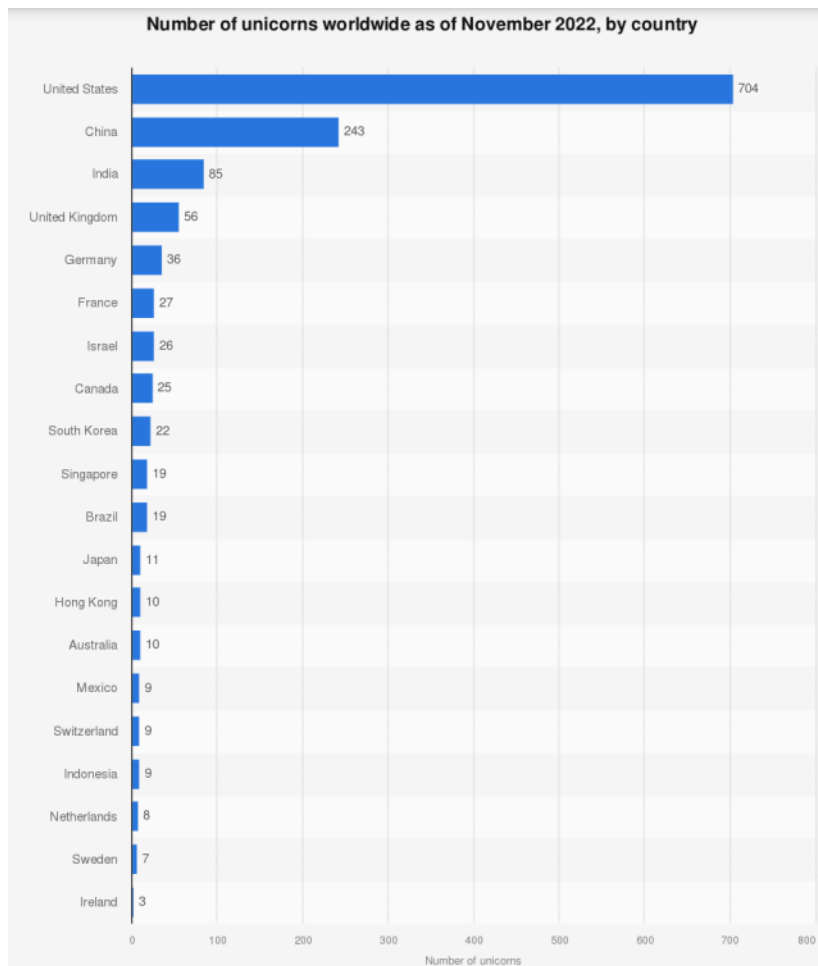


Figure 5: Number of unicorns worldwide by country (2022).
Source: CrunchBase, Statista (2022).¹⁶

Figure 5: United States has 81% of global unicorn. It's possible to see that in Europe, considering also Italy, which is not present in the ranking, there are 148 unicorns, representing 17% of the total number of global unicorn startups.

Nevertheless, it is possible to observe that the highest-valued unicorn is Chinese. Furthermore, the Asian country boasts a total of 5 startups in the top ten by value, as opposed to only 3 American ones.

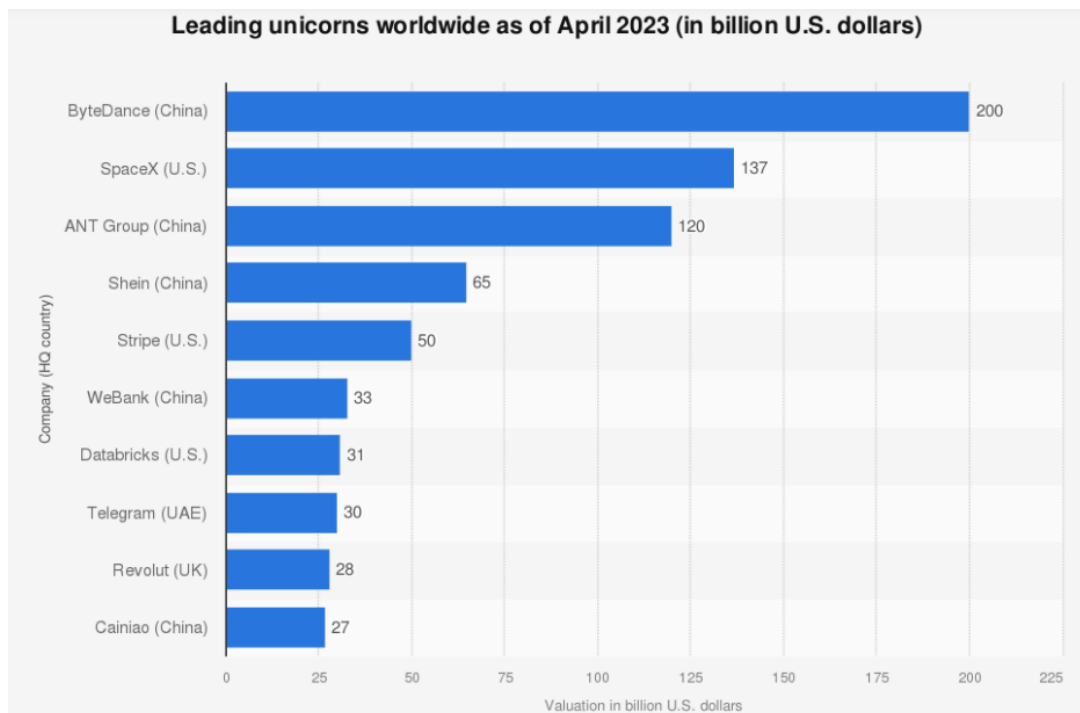


Figure 6: Leading unicorns worldwide (in billion U.S. Dollars).
Source: Hurun Research Institute, Statista (2023).¹⁷

The spontaneous questions that arise and will be further explored in this research concern the reasons behind such concentration: what is the cause of it? What are the success factors?

These questions delve into the underlying factors that have led to the significant concentration of unicorn startups in specific regions, such as the USA and China. Understanding the reasons for this concentration is crucial to gaining insights into the dynamics of the global startup ecosystem and the factors that have contributed to the success of these companies in those countries.

¹⁷ **Figure 6:** ByteDance is the holding company of Tik Tok, the famous social. It can be noticed that, unlike the previous graph where the fintech sector had the highest number of unicorns, the startups that top this ranking do not belong to the previously mentioned sector. Only *Revolut*, *Webank*, and *Stripe* are fintech companies, while the others span from high-capital sectors (like *SpaceX*) to social media (like *Telegram* and *ByteDance*). One element unites all these companies: Information technology.

2.2. Characteristics of Italian startups ecosystem

The Italian startup ecosystem is one of a kind: it has shown tremendous growth in recent years, but it has not yet reached European standards, and it still has a long way to go to match global levels. Studying research from 2017, it is possible to observe that Italy's propensity for innovation, measured by the number of graduates in scientific subjects and the BERD (Business Expenditure on Research and Development), was significantly behind compared to OCED countries (Luca De Angelis, 2017)¹⁸:

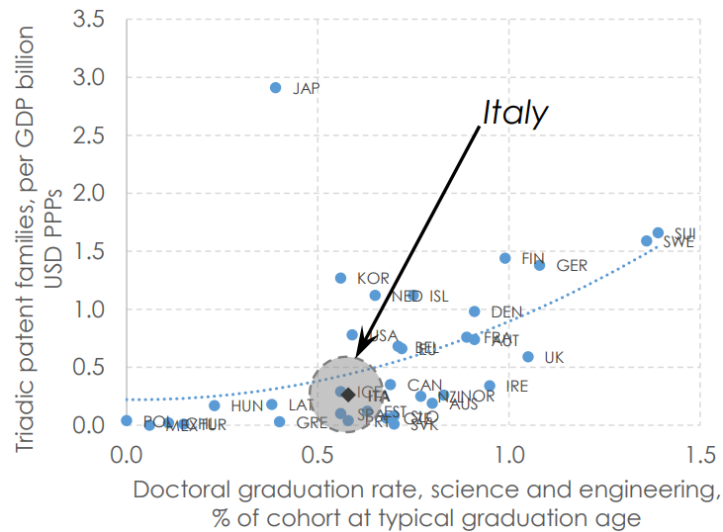


Figure 7: Innovation supply (offer of innovators).

Source: Italy and Startups: harnessing a country of innovators (2017).

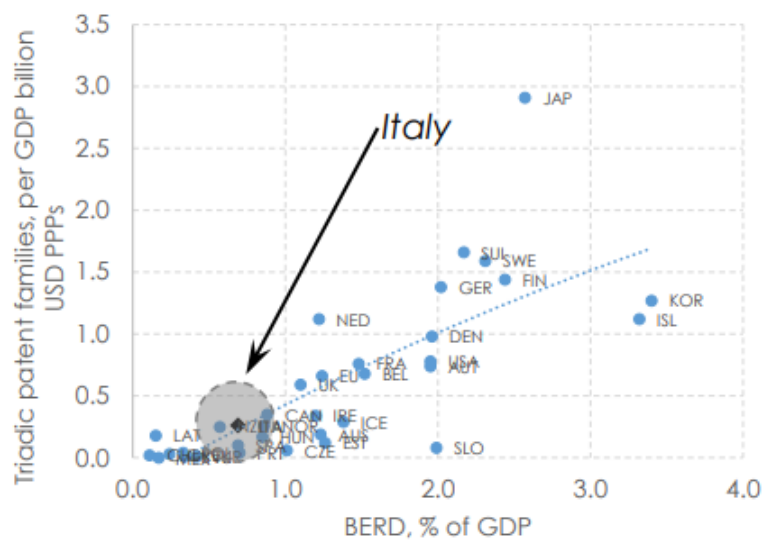


Figure 8: Innovation demand (demand of innovators).

Source: Italy and Startups: harnessing a country of innovators (2017).

¹⁸ Source 12: Luca De Angelis (2017). *Italy and Startups: harnessing a country of innovators A Policy Analysis of the Italian Startup Act and its effects on the Startup Ecosystem.*

As you can see from the graphs, there was a clear discrepancy between the demand and supply of innovation, with the latter even below the global average. Another critical element that hinders entrepreneurial development concerns access to state funds. It may seem counterintuitive, but the possibility of financing through low-cost government debt guarantees can incentivize requests even from small businesses with suboptimal entrepreneurial ideas. This results in significant waste of financial resources, which could be beneficial to deserving startups, and poses a substantial risk to the state's coffers as such investments carry high risks. Moreover, the presence of this debt disconnects startups from investor oversight, which, after investing significant amounts and becoming shareholders, have an interest in maintaining constant control over the operations of small innovative enterprises (Luca De Angelis, 2017)¹⁹.

Exhibit 0.03 Venture investments as a proportion of GDP, European Countries, 2015

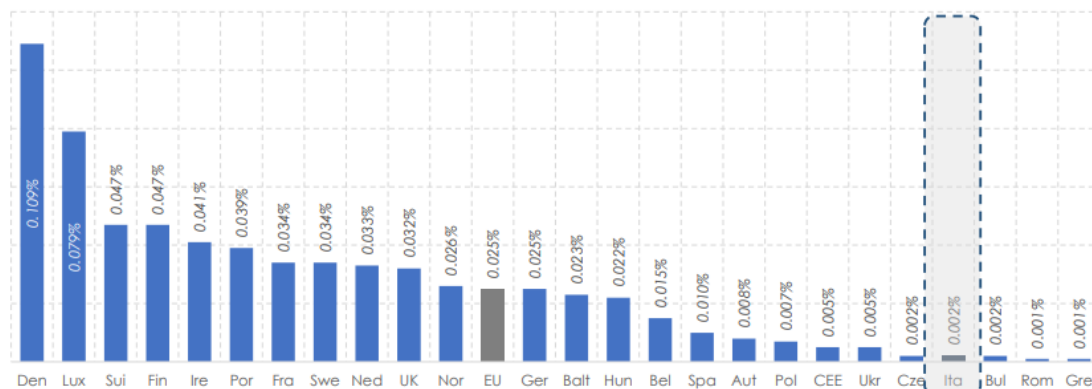


Figure 9: Venture Investment in Europe.

Source: Italy and Startups: harnessing a country of innovators (2017).

As shown in the graph, a possible consequence of such government policy is reflected in the investments made by venture capitalists. Italy has one of the lowest percentages, even below the European average (0.0025%), as startups are inclined to seek state funding, leaving venture capitalists at a disadvantage.

Another crucial element for the development of the ecosystem is brought to attention by journalist *Maurizio Maraglino Misciagna* in an article from 2018 in *Il Sole 24 Ore*²⁰.

¹⁹ **Source 13:** Luca De Angelis (2017). *Italy and Startups: harnessing a country of innovators A Policy Analysis of the Italian Startup Act and its effects on the Startup Ecosystem*.

²⁰ **Source 14:** Maurizio Maraglino Misciagna (2018). *L'Italia non è ancora una startup Nation e non basterà un fondo pubblico*. <https://www.econopoly.ilsole24ore.com/2018/10/03/italia-startup-fondo-pubblico/>

What emerges from his research is that in Italy, there is neither a lack of money nor startups to invest in, but rather a cultural issue. As reported in his article:

“What hinders the growth of startups in Italy is called: total aversion to risk. We have high-quality companies that no one finances. And when Venture Capital decides to invest, most of the time they immediately demand control over them.”

John Perry, an associate professor of strategic management at Wichita State University in Kansas, conducted a study to support his claim that cultural influences affect people's decisions to invest in startups. Individuals are influenced by their society's cultural norms when making economic decisions. Due to Italy's strong saving culture, venture capital may not always be inclined to make investments.

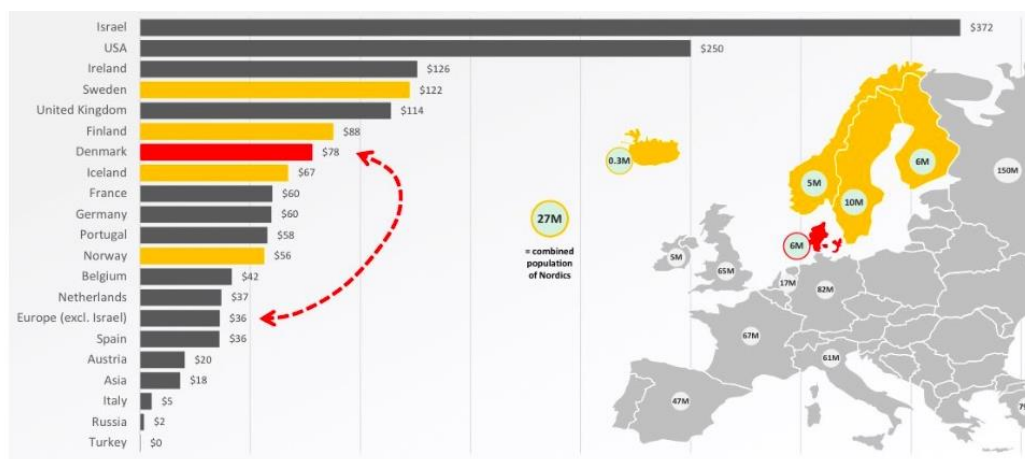


Figure 10: venture capital investment per capita in Europe.
Source: Sole 24 Ore and Dealroom.co (2018).²¹

According to the journalist's advice in the article, as every nation has a different financial culture, every nation cannot use the same investment methods or tools. His recommendation is that Italy should instead concentrate on a program that encourages a culture of entrepreneurship and investment awareness rather than merely copying the development models used in Germany, the UK, the USA, or France. The article also states that incubators and accelerators need to promote more entrepreneurial culture while ensuring growth. Along with greater investment education, SMEs, universities, research institutions, and consultants need to encourage open innovation more.

²¹ **Figure 10:** The data provided by Dealroom.co significantly highlights the Italian cultural gap with the rest of the European regions in terms of investments. The per capita venture capital invested in Italy amounts to 5 dollars compared to the European average of 36 dollars.

“Italy needs more “quality startups” and fewer “startup””²².

Despite these initial challenges, over the years, the Italian ecosystem has shown significant development. Regarding the number of startups in the country, as shown in the following graph, there has been a steady growth. The numbers still remain modest compared to the European averages, but it is essential to view this slight growth as a positive turning point for the Italian entrepreneurial development.

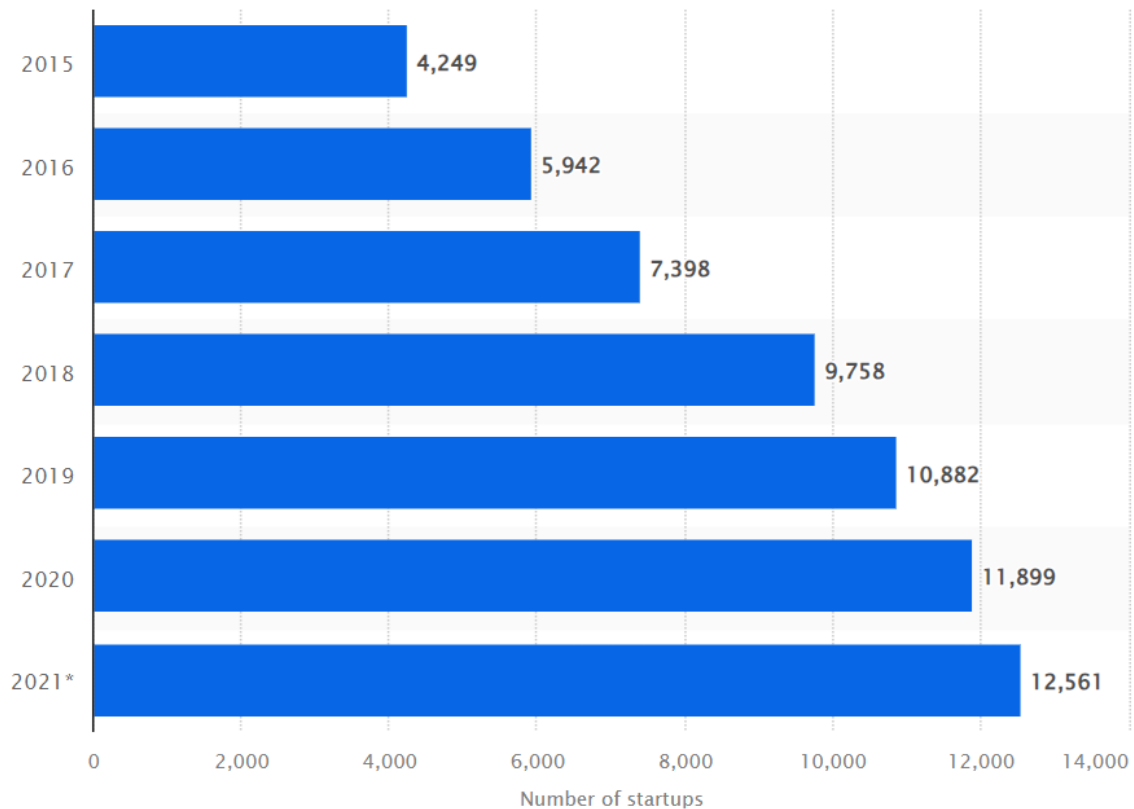


Figure 11: Number of startups in Italy from 2015 to 2021.
Source: Startups in Italy (Statista).

Regarding the geographical distribution, Lombardy has the highest number of startups, accounting for approximately 27% of total, with a significant difference compared to Lazio, which ranks second. Due to this concentration towards Lombardy, Northern Italy appears to be the area of greater interest and inclination towards innovation. Upon closer examination of the graph, it is evident that 6 out of the top 10 regions are part of the central-southern area. This is significant because, despite Lombardy's clear advantage, other regions are also making progress in technological research and entrepreneurship. The Ministry of Economic Development included a critical analysis of this phenomenon

²² **Source 14:** Maurizio Maraglino Misciagna (2018). *L'Italia non è ancora una startup nation e non basterà un fondo pubblico.*
<https://www.econopoly.ilsole24ore.com/2018/10/03/italia-startup-fondo-pubblico/>.

of startup concentration in regions like Lazio and Lombardy in the 2020 Annual Report to the Parliament:

“The high concentration of companies in these areas is probably attributable to the presence of a multitude of enabling factors for the world of innovation and new entrepreneurship, including greater interconnection, developed banking and financial services, research centers, incubators, and accelerators with extensive networks.”

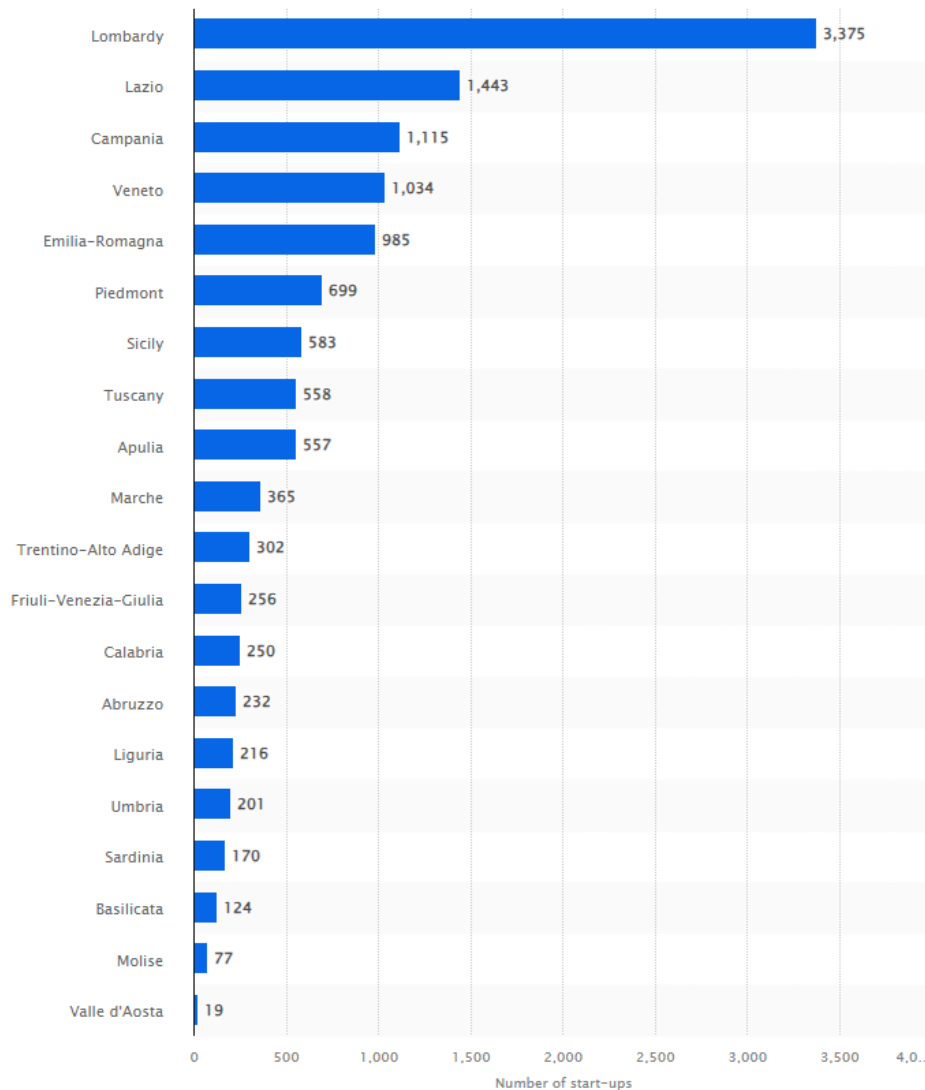


Figure 12: Number of innovative startups in Italy by region (2021).
Source: Startups in Italy (Statista).

Analyzing Italian startups from the perspective of the sectors in which they operate, it is evident from the graphs that the business services sector is the most prominent. In more detail, it comprehends: Software production and IT consulting, 36.9%; R&D activities, 14.2%; Information services activities, 9.0%. Regarding the second-ranked sector, which

is manufacturing, it includes: manufacture of machinery, 3.1%; manufacture of computers and electronic and optical products, 2.6%²³.

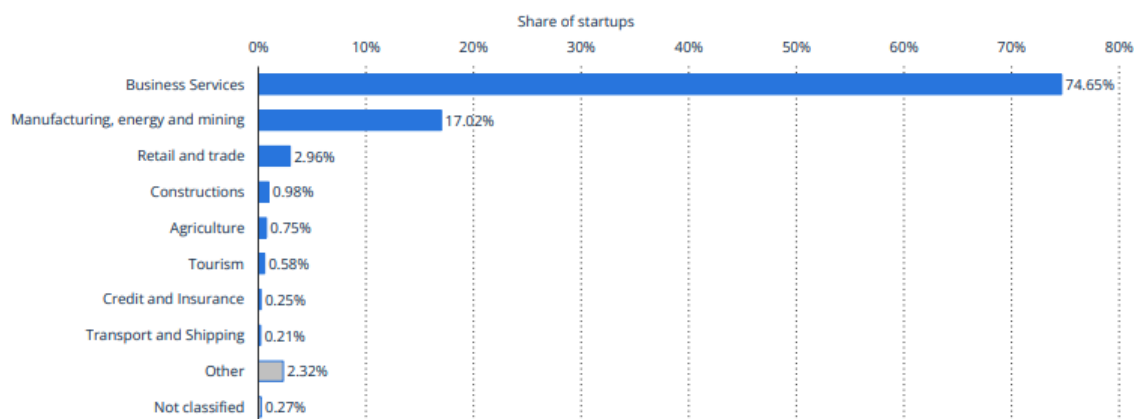


Figure 13: Distribution of innovative startups in Italy by sector (2021).

Source: Unioncamere, Ministero Dello Sviluppo Economico, Inforcamere (Statista).²⁴

The data previously presented makes it clear that Italian startups are distinct from the fintech industry, which is the largest sector globally. It is hardly unexpected that Italian entrepreneurs have concentrated on business services because SMEs, which make up much of the entrepreneurial fabric in Italy, have difficulty innovating. Therefore, helping and offering exact services to already established businesses represents the biggest market opportunity.

Despite the predominate focus on business services, it is significant to note that *Satyspay* and *Scalapay* are the only two unicorn startups that have arisen in Italy. This demonstrates that Italy's fintech industry has exhibited strong growth and promise, which has fueled the emergence of these remarkable firms with valuations of more than \$1 billion.

The spontaneous question that arises is why Italy has had only 2 unicorns, a significantly lower number compared to those previously shown for the major European nations. For example, consider that in Munich alone, there are 9 unicorn startups²⁵. Before delving into this topic, it is important to analyze the evolution of investments in startups in Italy.

²³ **Source 15:** Unioncamere (2021), *Cruscotto di indicatori statistici - dati nazionali startup innovative*.

²⁴ **Figure 13:** Data of single sectors are: 9377 from business services; 2138 from manufacturing activities, energy, mining; 372 from wholesale & trade; 123 from construction; 94 from agriculture and related activities; 73 from tourism; 32 from insurances and financial activities; 27 transportations and logistic; 291 from other sectors; 34 not classified.

²⁵ **Source 16:** Startupitalia (2021). Startups and technology trends.

<https://startupitalia.eu/167372-20211210-1348-miliardi-di-investimenti-in-startup-italiane-scarica-il-paper-2021-di-startupitalia>

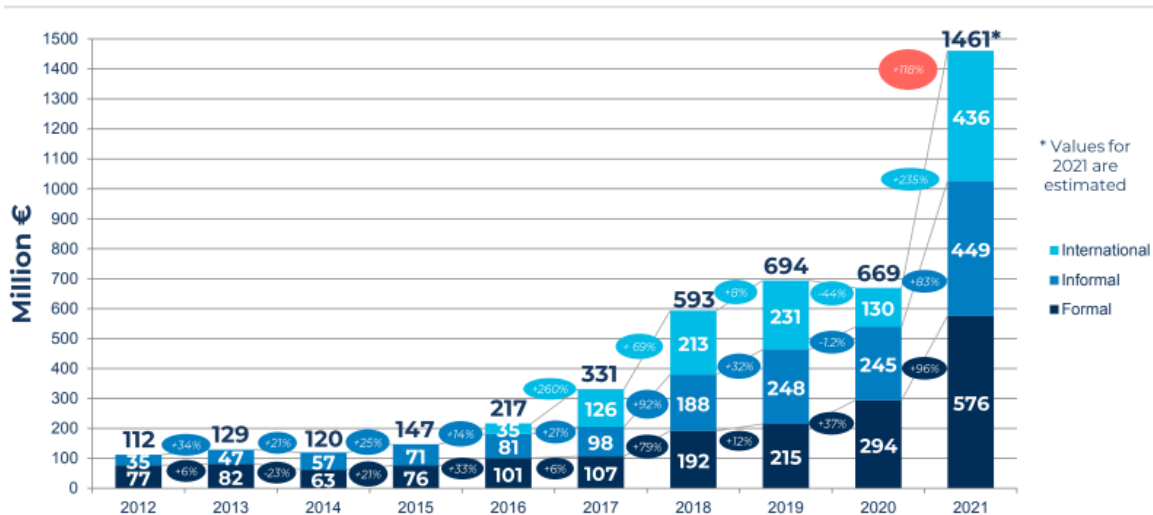


Figure 14: Total Investments (domestic and international) distribution of investments by investor type.
Source: Osservatorio Startup Hi-tech and school of management Politecnico Milano (2021)²⁶.

Italy is growing, although still far from the much higher numbers of other European countries. For example, in the year 2020 alone, in countries like the United Kingdom, Germany, and France, startups received total investments of \$11.6 billion, \$6.2 billion, and \$5.4 billion, respectively. Another very interesting data comes from the growth of equity crowdfunding:



Figure 15: Equity crowdfunding In Italy.
Source: Startupitalia and Bocconi (2021)

²⁶ **Figure 14:** some definitions, *Formal investors* are Independent VC funds, corporate venture capital (CVC) funds, and government venture capital (GVC) funds. On the other hand, *Informal investors* are venture incubator, family office, club deal, angel network, independent business angel, Equity crowdfunding platforms and companies without a structured CVC fund.

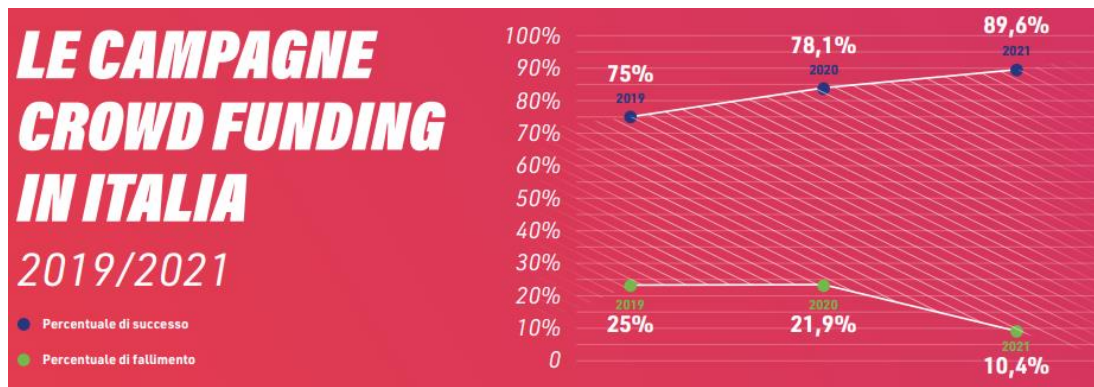


Figure 16: Equity crowdfunding In Italy.
Source: Startupitalia and Bocconi (2021)



Figure 17: Equity crowdfunding In Italy.
Source: Startupitalia and Bocconi (2021)

As seen from the graphs, crowdfunding has also experienced remarkable growth. This has been made possible both by the success of certain platforms like Mamacrowd and Crowdfoundme and by the creation of ad hoc laws to stimulate investment. This type of investment is particularly important because it opens investment opportunities to non-institutional individuals with more limited capital. Even though in smaller proportions, giving startups the opportunity to receive funding from multiple angel investors fosters their growth and increases entrepreneurial spirit. Often, those who choose to invest in specific startups also offer themselves as advisors and provide support to the development of the small business.

The growth trend was also confirmed in 2022: investments increased by 68% compared to the previous year, reaching 2.34 billion (Monica D'Ascenzio, Sole 24 ore, 2022)²⁷. The 192 deals involving Italian startups that resulted in this year's statistic indicate an increase of 16.3% from the 165 transactions in 2021. It is important to highlight that this growth

²⁷ **Source 17:** Monica D'Ascenzio, Sole 24 ore (2022). *Startup, nel 2022 +68% gli investimenti a 2,34 miliardi di euro.*
<https://www.ilsole24ore.com/art/startup-2022-68percento-investimenti-234-miliardi-euro-AEHfvXOC>.

has also been noticed by major international players who have placed their trust in Italian startups, doubling their investments which increased from 453 million to 1 billion in 2022.

In support of the development of startups, in addition to the growth of investments, there is also an ecosystem of incubators and accelerators that has continued to expand and improve over the years. In the image below, you can get an overview of the current situation:

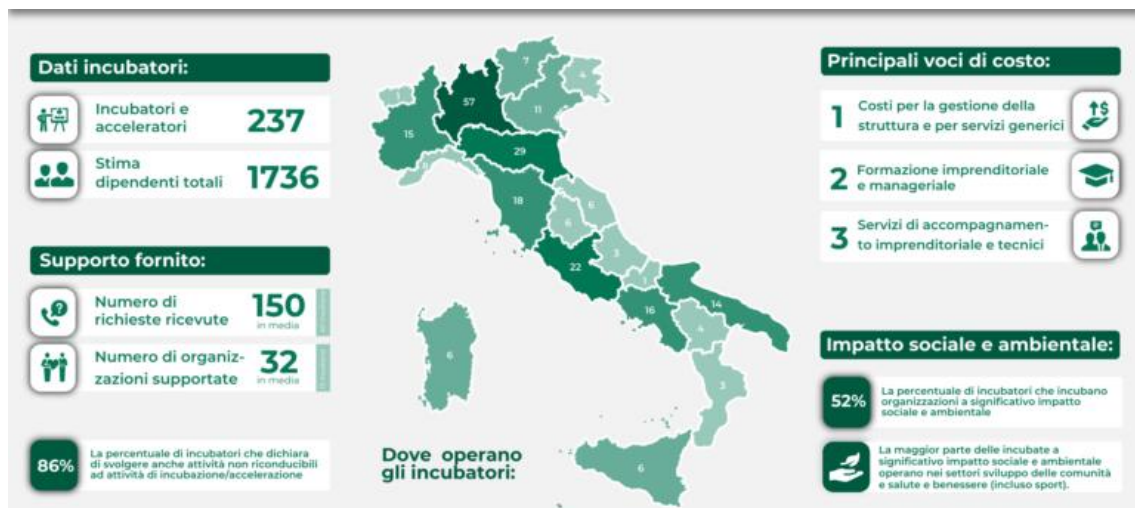


Figure 18: Incubator and Accelerator in Italy.
Source: Social Innovator Monitor (2022).

There are 237 incubators and accelerators employing 1,736 employees, with 86% stating that they also engage in various activities, including venture capital support. It is possible to notice that the majority of them are located in Lombardy (57) and, in general, there is a strong concentration in Northern Italy (55%). 65% of them are run by private organizations, while the remaining ones are split into public and public-private incubator. They are solely run by government agencies or other public organizations and frequently do so by forming "in-house" businesses, or both private and public organizations are shareholders. The average revenue is around 2.5 million euros, although it is strongly influenced by a small number of large-sized incubators/accelerators. The median, in fact, stands at 600 thousand euros²⁸. The consolidation of this ecosystem is a trend that has emerged in recent years:

²⁸ **Source 18:** Social Innovation Monitor (2022). Report sugli Incubatori/ acceleratori italiani. https://s3.eu-central-1.amazonaws.com/wps-socialinnovationmonitor.com/wp-content/uploads/2023/03/SIM-Report-Pubblico-Incubatori_Acceleratori-2022.pdf

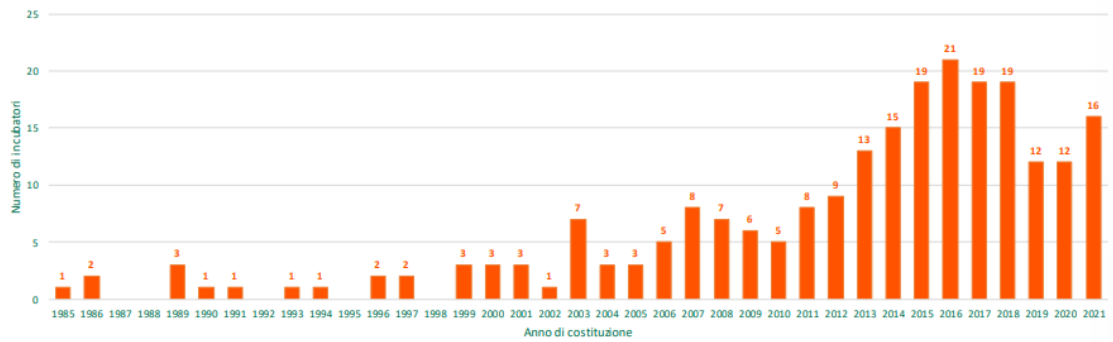


Figure 19: Year of establishment of the incubators/accelerators.
 Source: Social Innovator Monitor (2022).

The growth of the number of incubators/accelerators has followed that of investments: as the entrepreneurial structure expands, the confidence of investors financing startups also increases.

The picture that emerges from this analysis is quite clear: the Italian ecosystem has shown significant growth but has not yet reached European levels. The improvements are easily recognizable, from the increase in investments to the quality of startups emerging from the Italian system. At this point, it is necessary to ask what further issues hinder Italy from excelling and achieving prominent positions in the global ranking of the most innovative nations. Is it easy to do business in Italy? Has the ecosystem improved? What do the startups themselves think? What is missing to reach the level of foreign nations?

2.3. Analysis of public policies supporting Italian startups

The Italian government has understood the potential of startups and over the years has issued a series of acts aimed at promoting the development of the ecosystem. The fields that have been touched by the reforms are:

- Startup ecosystem (startup act 2012).
- Crowdfunding (DL n.31).
- Not-repayable funding.

In general, a focused framework benefits innovative firms in areas like:

- Administrative streamlining.
- Work market.
- Tax advantages.
- Insolvency law.

Numerous of these policies also apply to innovative SMEs, which are all small and medium-sized businesses engaged in technology innovation, regardless of the time since their founding or the nature of their business²⁹.

The Italian legal system provides a preliminary definition of startups, identifying them as young companies with high technological content and strong growth potential. Therefore, startups represent one of the key points of the Italian industrial policy. Businesses that meet the requirements can register in the exclusive innovative startups section of the Companies Register of their province's Chamber of Commerce to receive benefits and access the status of an innovative startup by submitting a self-certification that has been approved by the legal representative. From the *DL 179/2012, art. 25, comma 2*:

“An innovative startup is a capital company, also constituted in cooperative form, that meets the following objective requirements:

1. It is a new enterprise or has been established for no more than 5 years.
2. It has its residence in Italy, or in another country within the European Economic Area but has a production base or branch in Italy.
3. Its annual turnover is less than 5 million euros.

²⁹ **Source 19:** Ministero delle Imprese e del Made In Italy (2012). Startup Act – Normativa. <https://www.mimit.gov.it/index.php/it/impresa/competitivita-e-nuove-impese/start-up-innovative/start-up-act-normativa>.

4. It is not listed on a regulated market or on a multilateral trading facility.
5. It does not distribute, and has not distributed, profits.
6. Its exclusive or prevailing corporate purpose is the development, production, and marketing of a product or service with high technological value.
7. It has not resulted from a merger, spin-off, or transfer of a business unit.

Additionally, a startup is considered innovative if it meets at least one of the following three subjective requirements:

1. It incurs R&D expenses equal to at least 15% of the higher value between production cost and total value.
2. It employs highly qualified personnel (at least 1/3 of which are PhDs, PhD candidates, or researchers, or at least 2/3 with a master's degree).
3. It is the holder, depositor, or licensee of at least one patent or the holder of a registered software.”

The Startup Act was first presented in 2012 and has since undergone numerous revisions. The law aims to "simplify" the process of startup creation, development, and realization after providing a preliminary definition of startups with the intention of making it easier to identify businesses covered by the regulation³⁰:

- 1) *Tax Incentives*: Innovative companies can take use of a number of tax breaks, including the first three tax periods' exemption from corporate income tax (IRPEG), the elimination of the regional tax on productive activities (IRAP), and tax credits for R&D expenditures.
- 2) *Administrative Simplifications*: To make it easier to launch and run creative enterprises, the Startup Act offers administrative simplifications. For instance, the Business Register's registration procedure may be streamlined and made to move more quickly, which would cut down on red tape: the registration is completed electronically (through Single Communication) and submitted to the relevant Chamber of Commerce.
- 3) *Access to Credit*: The law makes it easier for creative startups to get credit, with help from venture capital funds, crowdsourcing, and not-repayable grants. The SME Guarantee Fund, which covers up to 80% of each transaction, up to a

³⁰ **Source 20**: Source 19: Ministero delle Imprese e del Made In Italy (2012). Startup Act – Normative. https://www.mimit.gov.it/images/stories/documenti/Scheda_di_sintesi_ITA-ott2020.pdf.

maximum of €2.5 million, is another way that the government backs bank lending. The following is how the guarantee is given:

- Automatic: The Fund relies on the credit institution managing the transaction's due diligence and makes no review of the startup's financial data.
 - Priority: Innovative startups or accredited incubators' applications are examined more swiftly than those from other applicants.
 - Free: There are no fees associated with using the Fund.
- 4) *Support for Innovation and Research*: The subjective requirements imply that innovative startups that invest in R&D can gain from tax advantages.
- 5) *Incentives for Investors*: Tax incentives are available to investors that fund inventive firms to promote investment in the industry. In particular, the investment incentive is set up as follows and is contingent on participation being maintained for at least three years:
- A deduction from gross personal income tax (IRPEF) for people equal to 30% of the invested amount, up to a maximum of 1 million euros.
 - A deduction from taxable income (IRES) for legal companies equal to 30% of the invested amount, up to a maximum of 1.8 million euros.

Despite the evident advantages, this reform has made the startup context quite complicated³¹. Some of the most relevant issues concern the documentation supporting the tax deduction for the investor. It has happened, in fact, that even after years, unpleasant surprises have occurred when the Financial Administration, in the exercise of its powers of documentary control, contested the quality and/or completeness of the justifications received, leading to taxation with penalties and interest on the sums previously benefited.

Through the reform of crowdfunding, another significant step was done to promote the ecosystem. The recent implementation of the Italian legislative decree aims to align the legal system with the European Regulation, particularly EU Law 2020/1503. The European Union has introduced this set of rules to increase the efficiency and diversification of the capital market within the community, creating a single European crowdfunding market. The decree aims to amend Legislative Decree No. 58/1998, Consolidated Law on Financial Intermediation (TUF), by introducing some additions:

³¹ **Source 21:** https://www.mimit.gov.it/images/stories/documenti/Scheda_di_sintesi_ITA-ott2020.pdf.

- It defines *crowdfunding services* as instruments that allow for a match between "the interests of investors and project owners to finance economic activities through the use of a crowdfunding platform." In particular, the activities that these platforms can carry out are: - intermediation in granting loans; - placement without irrevocable commitment of securities and instruments eligible for crowdfunding purposes, issued by project owners or special-purpose vehicles, and receipt and transmission of customer orders, regarding such securities; - definition of instruments eligible for crowdfunding purposes.
- *Consob* and *Banca d'Italia* are identified as "competent national authorities under the European Regulation, with a detailed outline of their respective supervisory prerogatives". *Consob* will be responsible for granting/revoke licenses to crowdfunding service providers. Its task is to ensure compliance with the transparency and fairness obligations of the regulation. On the other hand, *Banca d'Italia* is entrusted with ensuring compliance with the capital adequacy, risk containment, and allowable participation obligations imposed by the regulation, as well as providing public disclosure on these matters.
- The most generic *Limited Liability Companies* (Srl) will be subject to fundraising rather than *Small and Medium-sized Enterprises* (PMI) and innovative startups. The truly significant change concerns the object of the public offering, which is now extended to include shares and participations in companies. In addition to that, it will also be possible to include loans, securities (stocks, bonds), and other "admissible instruments" as objects of the offering.
- Administrative and pecuniary sanctions have been outlined for intermediaries in order to define the punish ability and the corresponding financial penalty for those who provide crowdfunding services without authorization.

The biggest advantage of this reform is a significant boost to both investment and advisory services for businesses. Firstly, it allows crowdfunding platforms to offer many more services to companies. Additionally, it creates the opportunity to diversify investments through a single portal that offers opportunities with varying levels of risk and potential returns. Currently, the country with the highest number of granted licenses is the Netherlands, with 7 authorized platforms, followed by Spain and France tied for the third position with 4 authorizations. In Italy, there are currently 48 platforms that

potentially can proceed with the license request, although a phenomenon of polarization towards 2 leading platforms, Mamacrowd and CrowdFundMe, has been observed.

Indeed, another crucial aspect for the development of the startup ecosystem in Italy is the provision of not-repayable grants or funding. Despite the challenges mentioned in the previous paragraph, it is important to acknowledge the significant financial support that the Italian government has put in place to promote the startup sector.

"*Smart&Start Italia*" is the primary national program of subsidized financing for innovative companies, offering zero-interest funding for business growth initiatives with a spending plan between 100,000 and 1.5 million euros. The financing covers up to 80% of eligible expenses without any guarantees; this percentage can increase to 90% if the startup is entirely composed of women and/or young people under 35 years of age, or if among the partners there is an expert with a title of Italian doctorate (or equivalent) working abroad and intending to return to Italy. Startups based in some regions (Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardegna, and Sicily) can benefit from a not-repayable grant equal to 30% of the loan, thus only having to repay 75% of the loan.

In conclusion, the government has shown interest in the startup sector and has strongly attempted to incentivize its development. Despite initial challenges, the data seems encouraging, and there has indeed been growth. The Startup Act has undoubtedly injected momentum into the ecosystem, significantly fostering growth. What remains to be explored is the founders' perspective, the market opportunities that arise, and their considerations regarding the entire journey undertaken in Italy. What is still lacking to achieve a competitive level? Are there further obstacles to growth? Are citizens aware of the ecosystem's development?

III. Research

3.1. Research methodology

The study approach utilized to investigate the Italian startup ecosystem will be explained in this chapter. The details of the questionnaire and interviews that were done as research instruments to acquire a thorough grasp of the dynamics and difficulties of the startup environment in our nation will be revealed. The results from these tools will also be provided, followed by an examination and interpretation of the information gathered. The purpose of the research is to answer these questions: do *Italian Startupper*s want to go abroad? What is their perception of the startup ecosystem in Italy? What is still missing that we can learn from other countries?

This study's methodology combined qualitative interviews with a quantitative questionnaire for a mixed-methods approach. This decision was made in order to gather a thorough and impartial assessment of the viewpoints and impressions of startup founders and sector specialists. Through the use of both interviews and a questionnaire, the mixed approach allowed researchers to examine both the more intricate and in-depth components of the startup environment.

In terms of the quantitative method, getting a good sample was difficult. *Startupper*s' *aggregation points* are still many and modest in scope. Additionally, lines of communication that make it easier to locate and get in touch with startup groups have not been built. Relationships with accelerators and incubators have been developed in order to be able to obtain responses from a sample that is primarily reputable, consequently made up of founders, and contains a sizeable number of respondents. This tactic made it possible to ensure a preliminary verification of the "authority" of the questionnaire responders. Specifically, the incubators and accelerators that were involved in this research are:

- ***Startup Geeks***,³² Italy's largest online incubator. Its track called Startup Builder has incubated more than 848 startups, supported 1750 founders and enabled them to raise 8.4 million euros. Their incubator is complemented by the community they run called "*Innoplace*," made up of innovators, *Startupper*s and technology enthusiasts.

³² Source 22: <https://www.startupgeeks.it/>.

- **Dock3 – The Startup Lab**³³, the training and incubation program for businesses, is a partner of CTE - Roma Capitale's House of Emerging Technologies and has been acknowledged as a national model for cutting-edge entrepreneurship education by the Ministry of Economic Development. The program has trained more than 700 students from 75 universities, it has distributed over 175k euros in prizes and raised over 1 million euros in investment.
- **I3P**³⁴, Incubator of “Politecnico di Torino”. In its website, it is described as: “The Turin Polytechnic Incubator supports the birth and development of innovative startups with high technology intensity and growth potential”. In 2020, it was recognized as the world's best public incubator in the *World Rankings of Business Incubators and Accelerators 2019-2020* compiled by *Ubi Global*. The latter is the most important international organization active in benchmarking incubation and acceleration programs linked to university institutions. Over the years, they have raised over 997 ideas and raised over 27.4 million in fundraising for startup.
- **Luiss EnLabs**³⁵, the first example of an accelerator and incubator in Italy born from a collaboration between a University (*Luiss*) and a venture capital fund (*LVenture Group*) in 2012.

Such partnerships have directly reached out to startups who have undertaken mentorship to develop their businesses. As can be deduced from the previous brief descriptions, the entities considered all meet well-defined criteria of *respectability*, *experience* and *prestige*:

- *Respectability* comes from collaborations with universities, investors, honorary mentions and awards won.
- *Experience* is given by the number of startups they have had relationships with.
- *Prestige* is given by the amount of investment raised.

The questionnaire was structured into three paragraphs to best distinguish responses into different topics, facilitate understanding of any data links, and draw different conclusions and reflections depending on the data collected by topic:

- *The opening sentence* enables us to sketch out the characteristics of a startup entrepreneur. This is helpful to understand the respondent's occupation, history, and educational attainment. These details help us understand who in Italy is

³³ Source 23: <https://www.dock3.it/chi-siamo-nuova/>.

³⁴ Source 24: <https://www.i3p.it/>.

³⁵ Source 25: <https://www.luiss.it/vetrina-start-up>.

capable of developing a startup and bringing it to market. The work of building a founder profile for an Italian startup is difficult but essential. Knowing the qualities of the 'founding subject' enables us to enquire further and conduct in-depth research on subjects that have the potential to include social issues.

- The startup's profile is the subject of the *second paragraph*. Questions are specifically given to understand the startup's stage of development, membership, industry of operation, business model, and target market. Understanding the most advanced sorts of startups in Italy, examining how closely their traits match up with worldwide trends, and identifying any "models" that are more likely to go global are the main objectives.
- *The third paragraph* digs into the research's specifics, examining how founders see the Italian ecosystem and determining whether there is a propensity to relocate abroad. The early inquiries center on their understanding of Italian legal principles, the major players in the ecosystem, and startups' confidence in the Italian legal framework. The objective is to comprehend their viewpoint and awareness of changes in the Italian startup scene. Their readiness to travel abroad and the most popular destinations are the final two questions.

Because of this, the entire questionnaire seeks to address the study question "Do Italian startup founders desire to go abroad?" and, to a lesser extent, "What is their impression of the startup environment in Italy? The objective is to collect enough data to build a useful dataset and offer quantitative answers to these issues. This methodology also allows for a deeper exploration of some of the previously outlined themes, thus providing valuable insights and points for further consideration.

Interviewing some startup founders allowed for qualitative study in addition to quantitative data. This testimony made clear details that were alluded to but not directly addressed in the questionnaire. In this instance as well, extensive study was done to identify viable firms that had taken an intriguing course. Two early-stage startups with international expertise and two seed-stage entrepreneurs who have just closed their first round of investment and launched their businesses were chosen. The intention is to compare the viewpoints of founders who are new to the Italian startup scene with those who have previously experienced the foreign startup environment. Each of the four firms is Italian and has successfully completed an acceleration or incubation program. The chance to interact with people with startup experience has made it possible to get useful information on their opinions of the Italian ecosystem and their long-term plans.

The interviewees are the founders of the startups:

- **Beaware** is a Roman greentech startup that began its journey in 2021. *Beaware*, which stands for Bin Eco-Analysis for Waste Management Renewal, utilizes a highly technological sensor system to develop an IoT network for monitoring and optimizing urban waste collection services. The startup is currently in the early stage and has participated in various incubation programs, including *the Startup Builder* by *Startup Geeks* and the *Enel Sustainability Startup Program*. It was selected as an innovative startup in the *ClimateLaunchpad*, the world's largest green business idea competition. In 2022, it was recognized as the best female-led startup in the *FoundHer* program by *Plug and Play*. In the same year, it also took part in the pre-acceleration program *Bocconi 4 Innovation*. One of the most significant events for the startup was its participation in the prestigious *Techstars Sustainability Paris Accelerator Program* in 2023, where it was among the top 12 startups. This is a crucial element for the research as it signifies the international experience of the team. *Giorgia Leonardi*, the CEO and Co-founder, was interviewed, and she dedicated a valuable portion of her time to provide a highly meaningful contribution to the research.
- **Movopack**, a Milan-based greentech startup founded in 2021. *Movopack* “offers reusable packaging solutions and circular economy systems to eliminate single-use packaging”. The startup boasts strategic collaborations with industry giants such as the *RAJA Group* and important clients like *Yamamay*. In 2023, the startup, along with the previous one, participated in the *Techstars* acceleration program, the *Techstars Sustainability Paris Accelerator Program*. CEO and founder *Tomaso Torriani* was interviewed, and his insights have contributed significantly to the research.
- **Digimaker3D**, a startup that has just completed an incubation program, the *Startup Builder*. Being still in a seed stage, the founder is gradually entering the startup world, creating a network of contacts that are helping in the growth. Initially, the startup wanted to introduce innovative 3D printers to the market. Later, it decided to pivot, focusing on creating a single innovative, patented piece that integrates with 3D printers. The startup quickly attracted the attention of numerous investors, managing to complete a first round of financing from angel investors. Founder *Michele Soldi*, the inventor of the innovative 3D device, was interviewed and is considered one of the most interesting innovators of 2023.

- **Handy Signs**, a seed-stage startup founded in 2023. *Handy Signs* aims to improve communication between the deaf and hearing. The startup has developed an AI capable of instantly recognizing Italian Sign Language (LIS) and reproducing its meaning through audio. *Handy Signs* has completed its incubation program in *Dpixel* and is currently undergoing the mentorship program by *Get It!*, promoted by the *Giordano Dell'Amore Social Venture Foundation*. Engaged in the research was engineer *Emanuele Chiusaroli*, Founder of the startup and developer of the AI.

Indeed, it's evident that all four startups have completed at least one incubation program, which adds to their credibility. Furthermore, to emphasize the concept of international experience, both early-stage startups are supported by one of the world's largest accelerators, Techstars. All four founders were asked 5 questions:

- 1) *What is your opinion on the startup ecosystem in Italy? Do you consider it favorable or unfavorable for entrepreneurial development?* The first question aims to understand their view of the Italian ecosystem, their knowledge of the industry, and gather their thoughts on this topic. This is necessary to create an image of how startups perceive the Italian system.
- 2) *In your opinion, what is the level of support and assistance that startups receive from government institutions and investors in Italy?* The legislative system in the startup field is indeed quite complex. It's important to find out if startups are aware of the benefits that the law offers to those who want to start a business, if they have benefited from support and incentives, and what complications they have encountered.
- 3) *Have you ever considered the idea of expanding your startup abroad? Why or why not?* It's the fundamental question to understand the founders' intentions.
- 4) *What are the main factors that could drive you to develop your startup abroad instead of staying in Italy?* "This question delves deeper into the previous one. If the individual expresses an intention to go abroad, it's crucial to understand the motivations and factors driving this decision. The gathered information will be a source of numerous insights and ideas for improving the ecosystem."
- 5) *What do you expect to achieve or learn through the international expansion of your startup? Do you have specific expectations regarding foreign markets or connections with international partners? (optional)*

3.2. Data analysis and interpretation

To start, we look at the first section of the questionnaire to identify similar traits among Italian business founders. The objective is to establish a common profile. 63 responses were collected, and after processing and checking them before proceeding with the analysis, a sample of 48 startups was obtained.

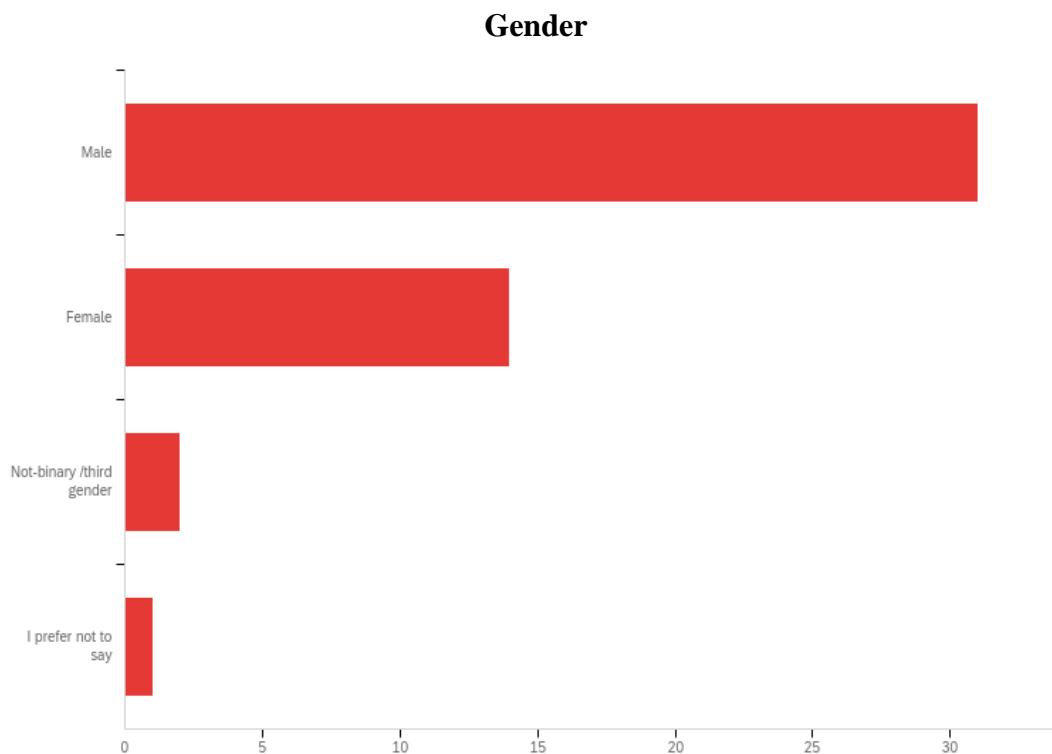


Figure 18: Gender

The majority of the sample turns out to be male, 31 out of 48 responses (64,58 percent). Only the 29,17% are women. Below is a summary table of the data.

#	Answer	%	Count
1	Male	64.58%	31
2	Female	29.17%	14
3	Not-binary/third gender	4.17%	2
4	I prefer not to say	2.08%	1
	Total	100%	48

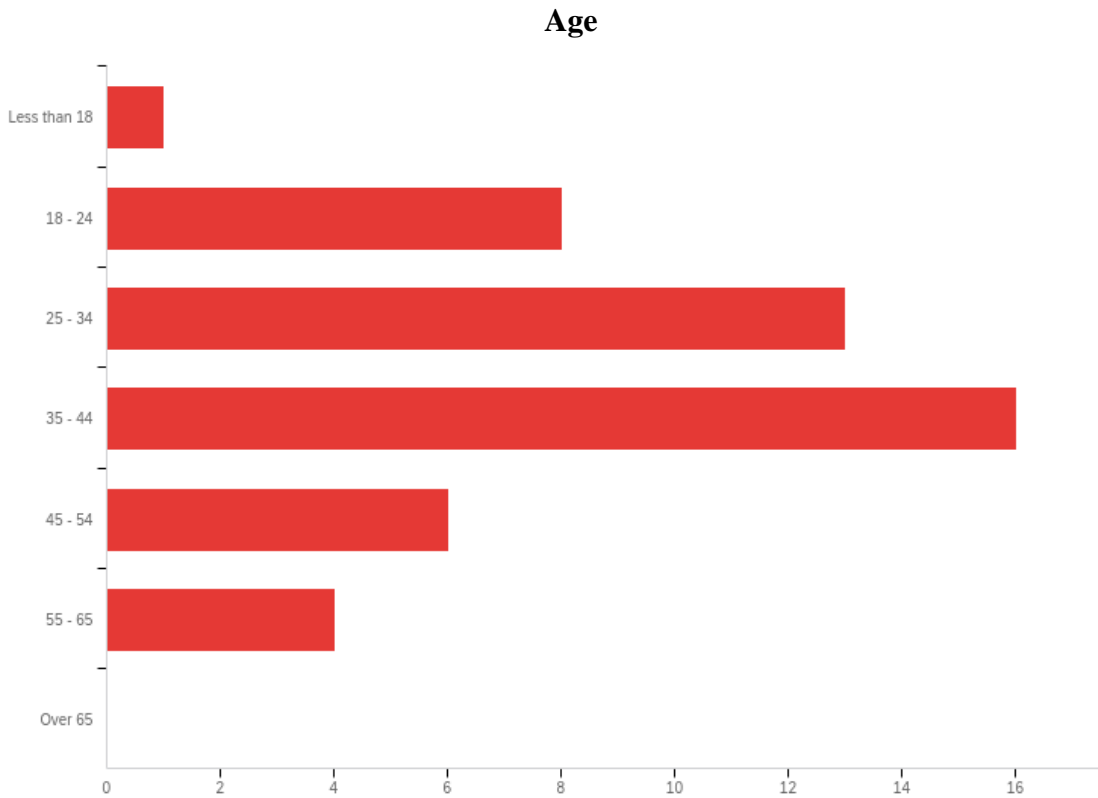


Figure 19: Age

The age range with greatest results is 35-44, an advanced age if one considers the startup theme as youth. Below is a summary table of the data:

#	Answer	%	Count
1	Less than 18	2.08%	1
2	18 - 24	16.67%	8
3	25 - 34	27.08%	13
4	35 - 44	33.33%	16
5	45 - 54	12.50%	6
6	55 - 65	8.33%	4
10	Over 65	0.00%	0
	Total	100%	48

Provenance

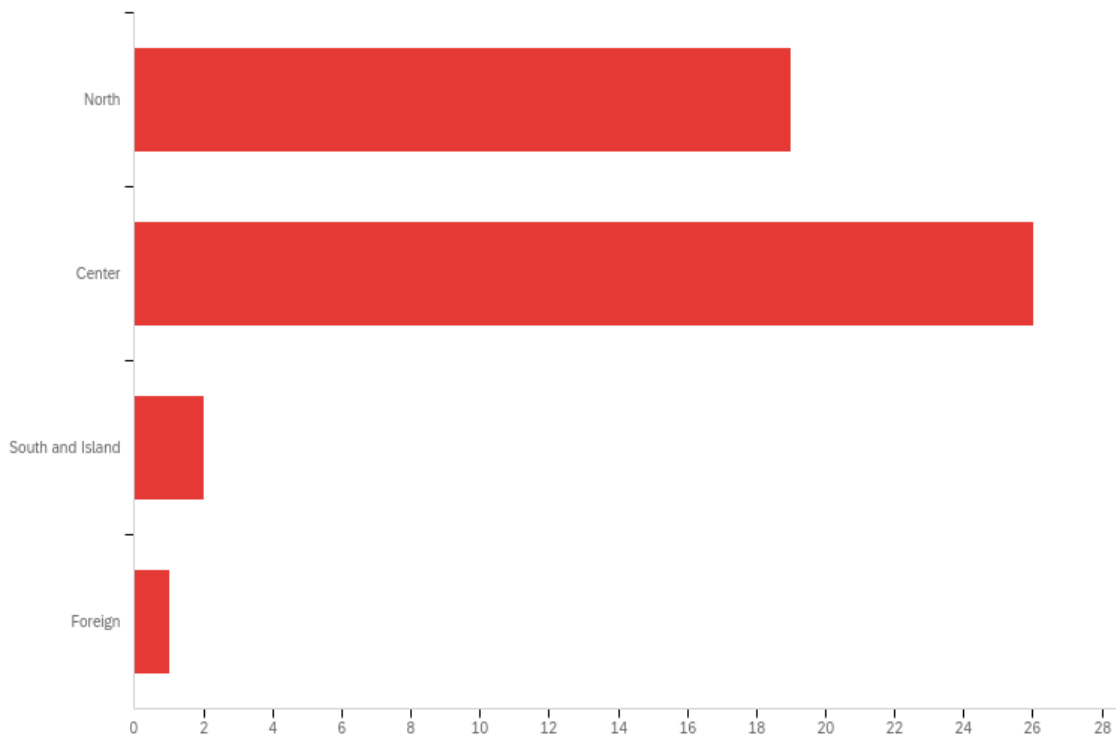


Figure 20: Provenance

Most of the sample is distributed between northern and central Italy. The results from the center are affected by the presence of 2 of the 4 incubators surveyed. Below is a summary table of the data:

#	Answer	%	Count
1	North	39.58%	19
2	Center	54.17%	26
3	South and Island	4.17%	2
4	Foreign	2.08%	1
	Total	100%	48

Level of education

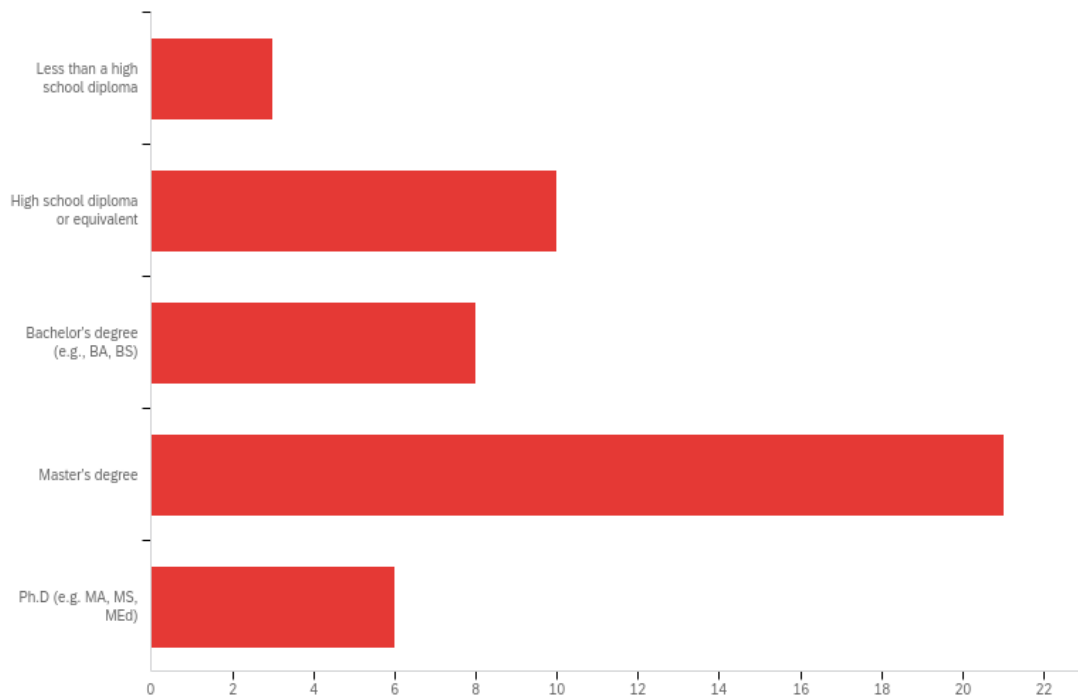


Figure 21: Level of Education

The data show that the education level of a startup founder is very high, even beyond a master's degree (there are as many as 6 doctoral students). Below is a summary table of the data:

#	Answer	%	Count
1	Less than a high school diploma	6.25%	3
2	High school diploma or equivalent	20.83%	10
5	Bachelor's degree (e.g., BA, BS)	16.67%	8
6	Master's degree	43.75%	21
7	Ph.D. (e.g. MA, MS, MEd)	12.50%	6
	Total	100%	48

Job position

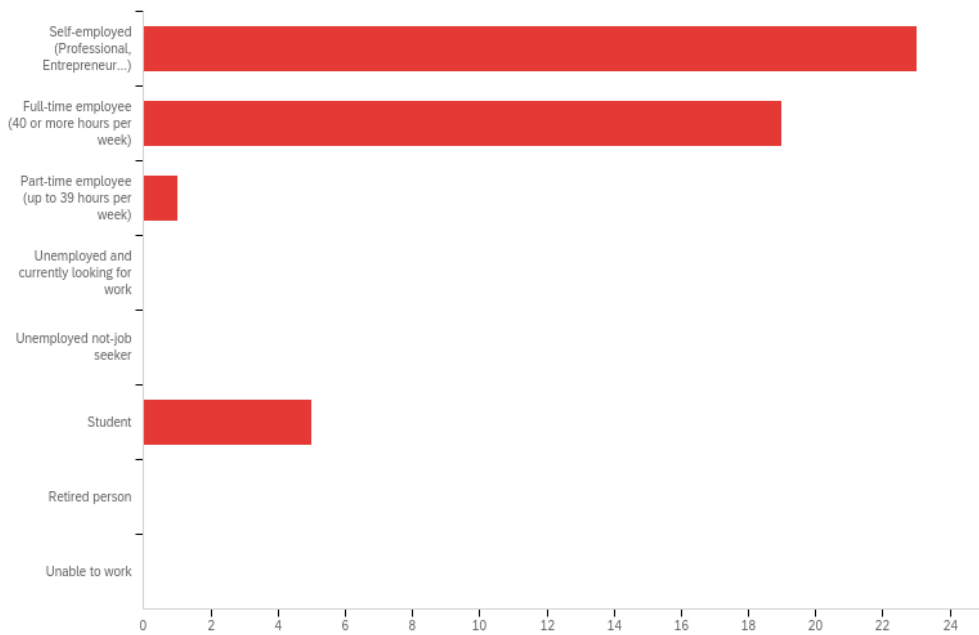


Figure 22: Job Position

Despite the presence of a university incubator, the sample is predominantly self-employed and full-time employees. This may be due to entrepreneurs' consideration of themselves as founders. Below is a summary table of the data:

#	Answer	%	Count
1	Self-employed (Professional, Entrepreneur...)	47.92%	23
2	Full-time employee (40 or more hours per week)	39.58%	19
3	Part-time employee (up to 39 hours per week)	2.08%	1
4	Unemployed and currently looking for work	0.00%	0
5	Unemployed not-job seeker	0.00%	0
6	Student	10.42%	5
7	Retired person	0.00%	0
8	Unable to work	0.00%	0
	Total	100%	48

What stage is your startup at?

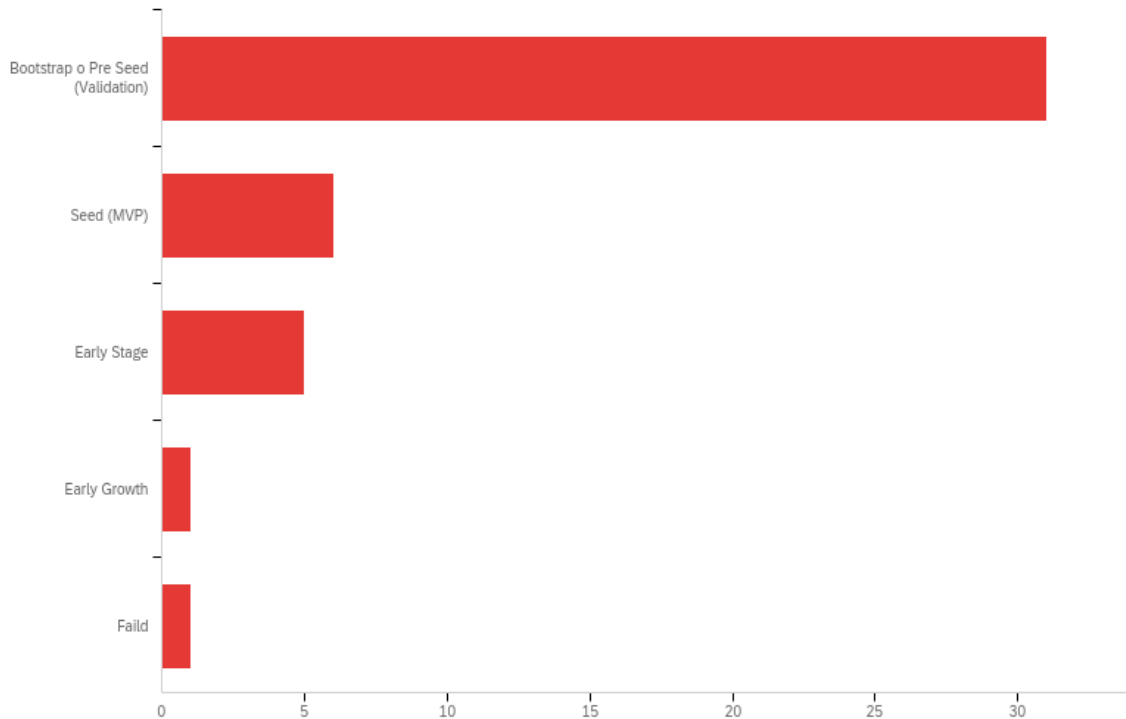


Figure 23: Startup Cycle of Life

The sample consists mainly of pre-seed startups, both because the responses come mainly from incubators and because it is more complex to receive attention from early-stage startups. Below is a summary table of the data:

#	Answer	%	Count
1	Bootstrap or Pre Seed (Validation)	70.83%	34
2	Seed (MVP)	14.58%	7
3	Early Stage	10.42%	5
4	Early Growth	2.08%	1
5	Failed	2.08%	1
	Total	100%	48

How many people does the team consist of?

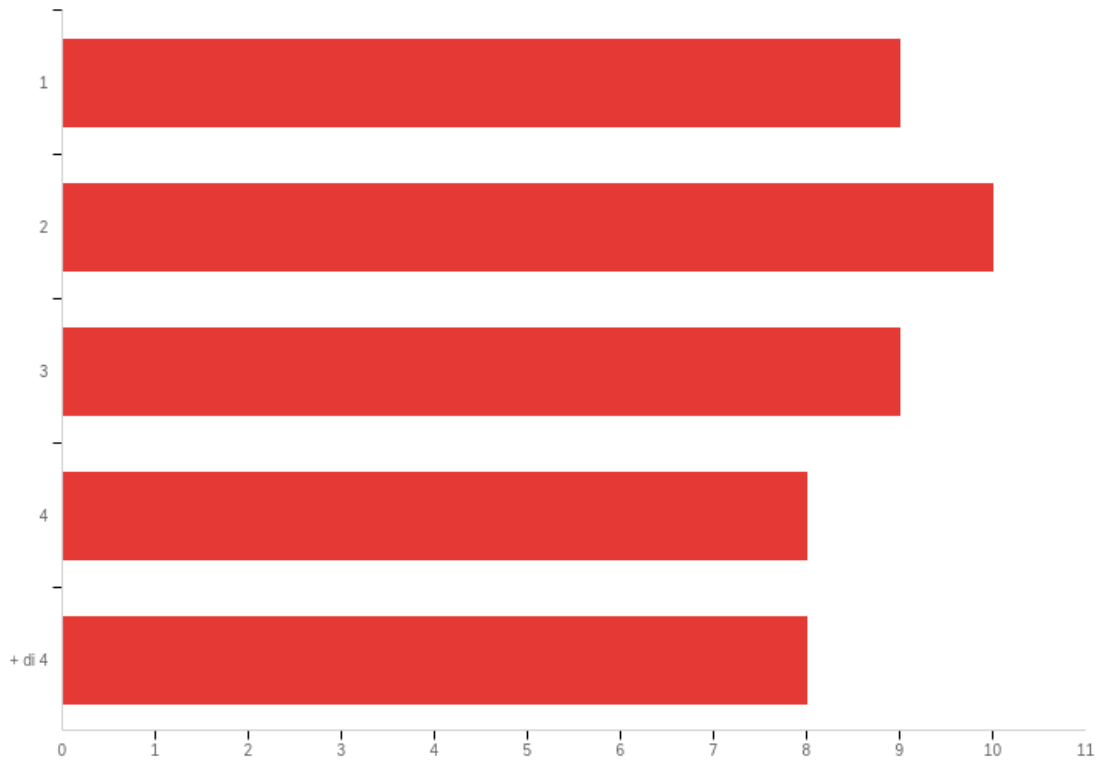


Figure 24: Team Member

The presence of a diverse and ambitious team is critical to the development of a promising startup. The role of the co-founder is often underestimated in Italy. Below is a summary table of the data:

#	Answer	%	Count
1	1	20.83%	10
2	2	22.92%	11
3	3	20.83%	10
4	4	18.75%	9
5	+ 4	16.67%	8
	Total	100%	48

What Sector does your start-up operate in?

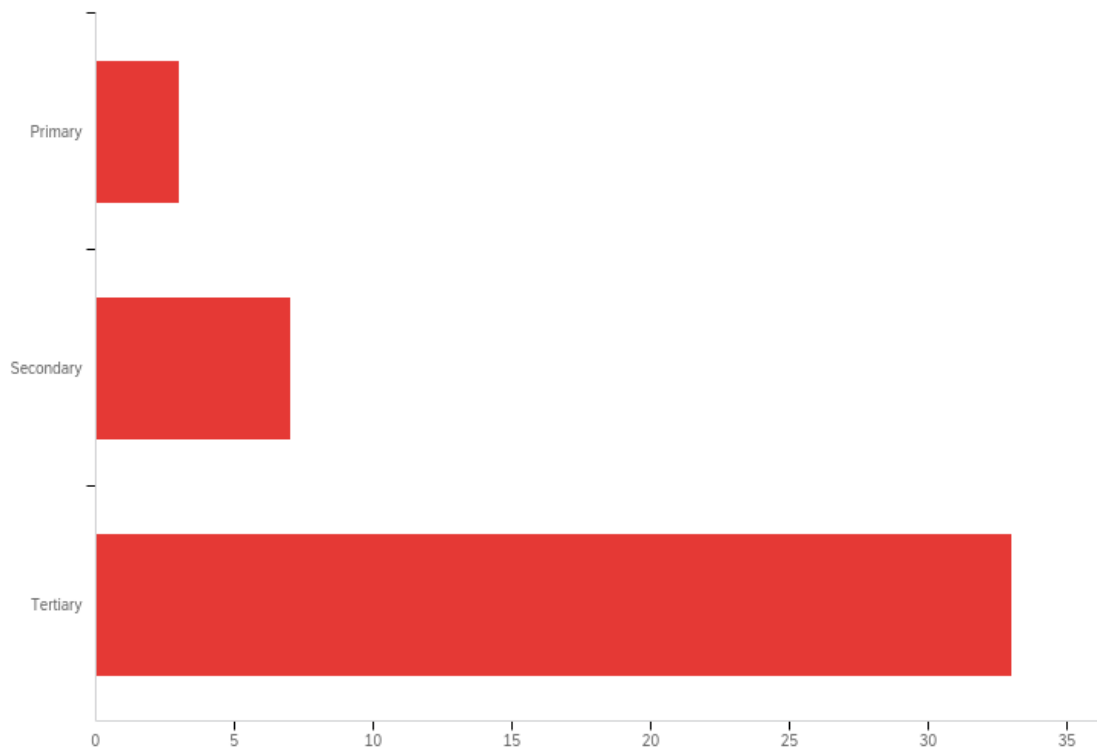


Figure 25: Sector

The tertiary sector is the one most chosen by the sample. Secondary requires a large amount of capital and engineering skills that discourage most founders. Primary is similarly complex. Below is a summary table of the data:

#	Answer	%	Count
1	Primary	6,25%	3
2	Secondary	16,67%	8
3	Tertiary	77,08%	37
	Total	100%	48

Specify the field to which it belongs.

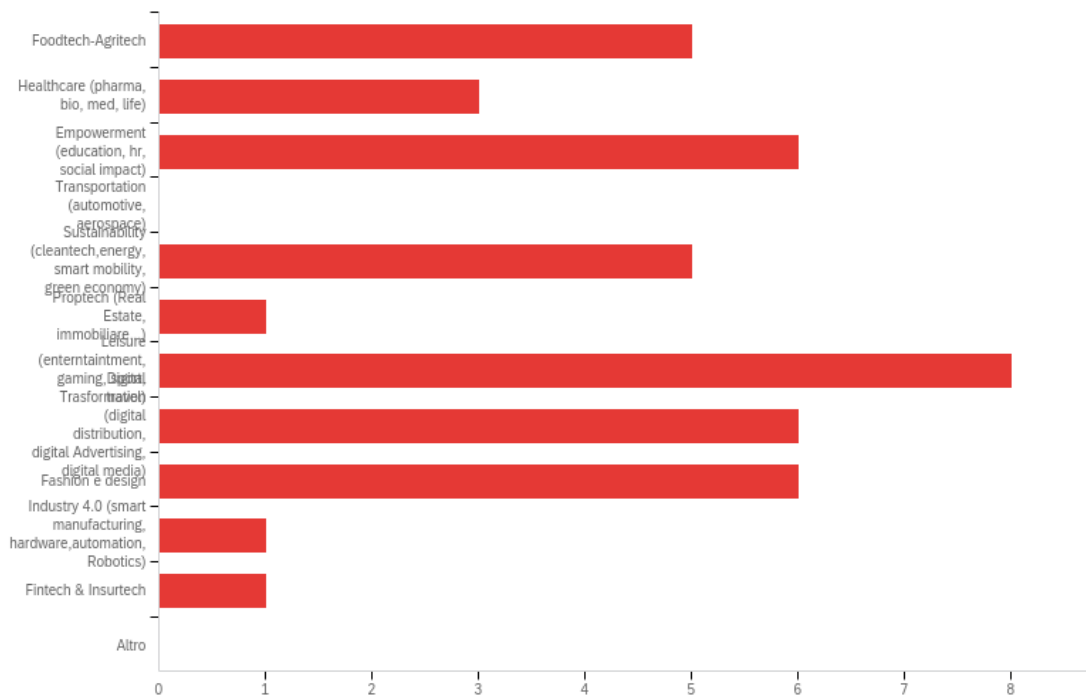


Figure 26: Field of the startup

This question provides insight into whether Italian startups are aligning with the foreign trend. Below is a summary table of the data:

#	Answer	%	Count
1	Foodtech-Agritech	10.41%	5
2	Healthcare (pharma, bio, med, life)	8.33%	4
3	Empowerment (education, hr, social impact)	14.58%	7
4	Transportation (automotive, aerospace)	0.00%	0
5	Sustainability (cleantech, energy, smart mobility, green economy)	10.42%	5
6	Proptech (Real Estate...)	2.08%	1
7	Leisure (entertainment, gaming, sport, travel)	20.83%	10

8	Digital Trasformation (digital distribution, digital Advertising, digital media)	14.58%	7
9	Fashion e design	14.58%	7
10	Industry 4.0 (smart manufacturing, hardware,automation, Robotics)	2.08%	1
11	Fintech & Insurtech	2.08%	1
12	Other	2.08%	1
	Total	100%	48

Business model

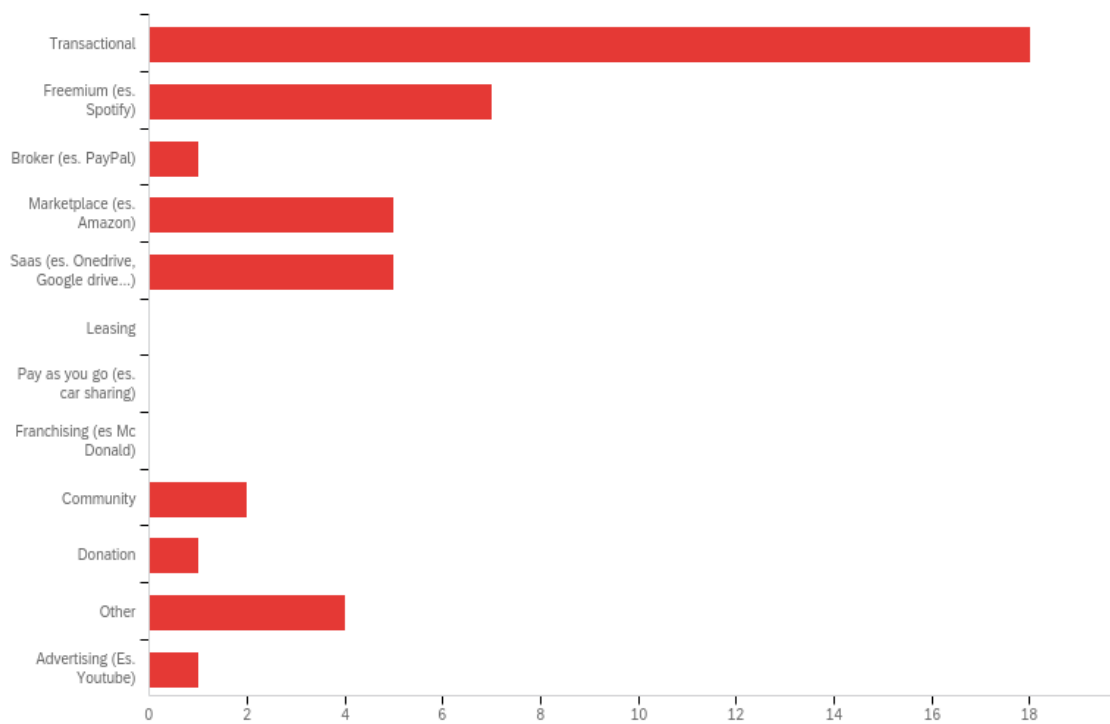


Figure 27: Business Model

Understanding the business model allows you to understand how startups bill. Below is a summary table of the data:

#	Answer	%	Count
1	Transactional	41.67%	20
2	Freemium (es. Spotify)	14.58%	7
3	Broker (es. PayPal)	2.08%	1
4	Marketplace (es. Amazon)	12.5%	6
5	Saas (es. Onedrive, Google drive...)	10.42%	5
7	Leasing	0.00%	0
8	Pay as you go (es. car sharing)	0.00%	0
9	Franchising (es. Mc Donald)	0.00%	0
10	Community	4.17%	2
11	Donation	2.08%	1
12	Other	8.33%	4
13	Advertising (Es. Youtube)	2.08%	1
	Total	100%	48

Market

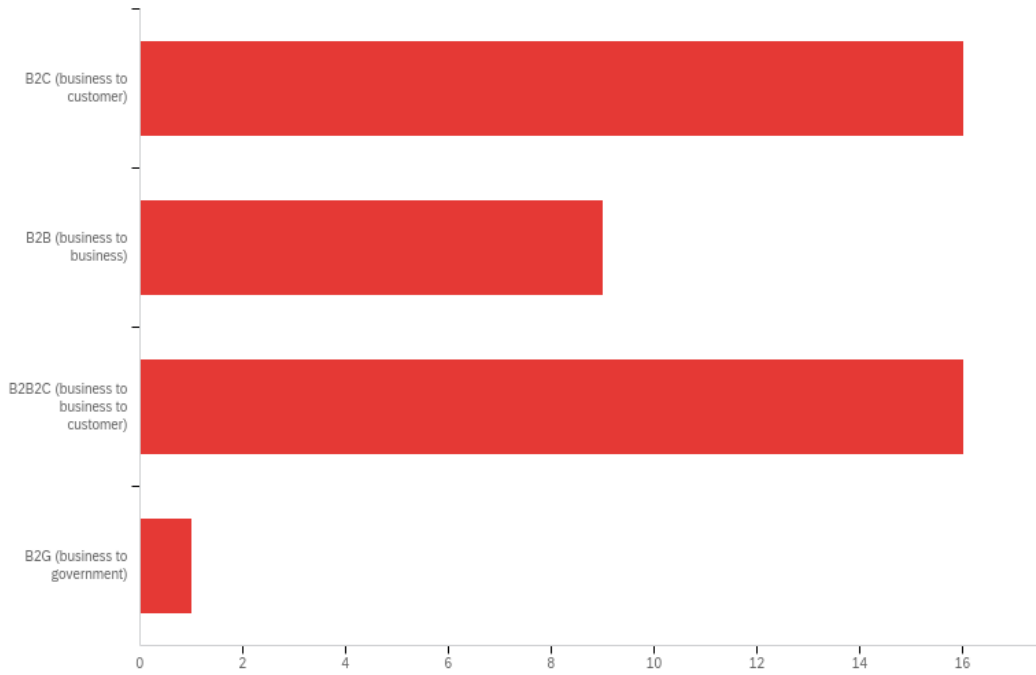


Figure 28: Market

Below is a summary table of the data:

#	Answer	%	Count
1	B2C (business to customer)	39.58%	19
2	B2B (business to business)	20.83%	10
3	B2B2C (business to business to customer)	37.5%	18
4	B2G (business to government)	2.05%	1
	Total	100%	48

Do you think Italy is a state where it is possible to emerge with a Start Up?

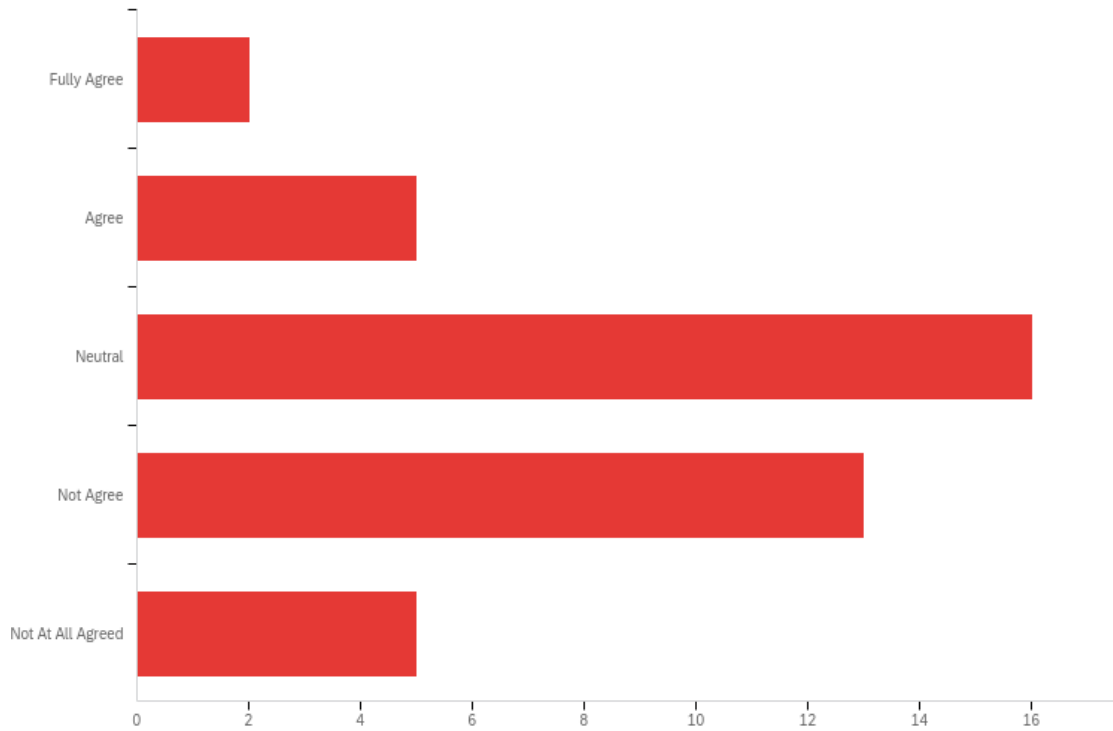


Figure 29: First question of the research

Very important question to understand whether *Startuppers* consider Italy a "fertile ground" for doing business. Below is a summary table of the data:

#	Answer	%	Count
1	Fully Agree	4.17%	2
2	Agree	12.5%	6
3	Neutral	39.58%	19
4	Not Agree	31.25%	15
5	Not at all Agreed	12.5%	6
	Total	100%	48

Are you aware of the Italian legislation about Innovative Start Up?

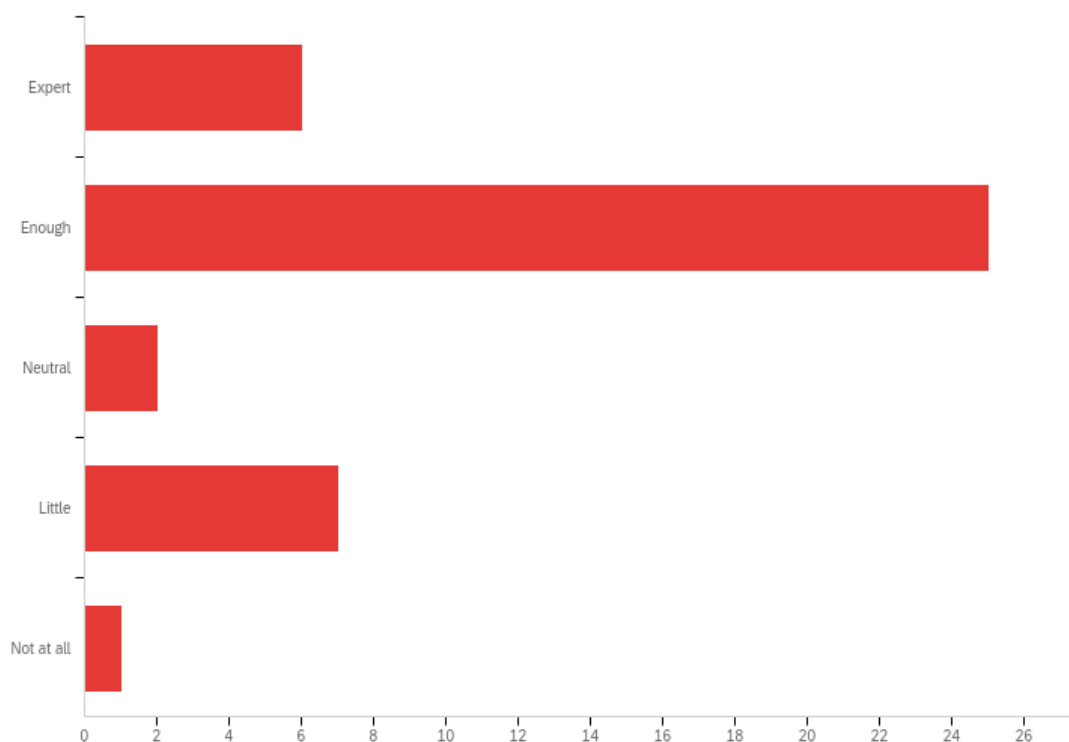


Figure 30: Second question of the research

Another key question to understand if they have at least an idea of the legislation. Below is a summary table of the data:

#	Answer	%	Count
1	Expert	14.58%	7
2	Enough	60.41%	29
3	Neutral	4.17%	2
4	Little	18.75%	9
5	Not at all	2.08%	1
	Total	100%	48

Do you think that, in Italy, the Start Up theme is important for public administration?

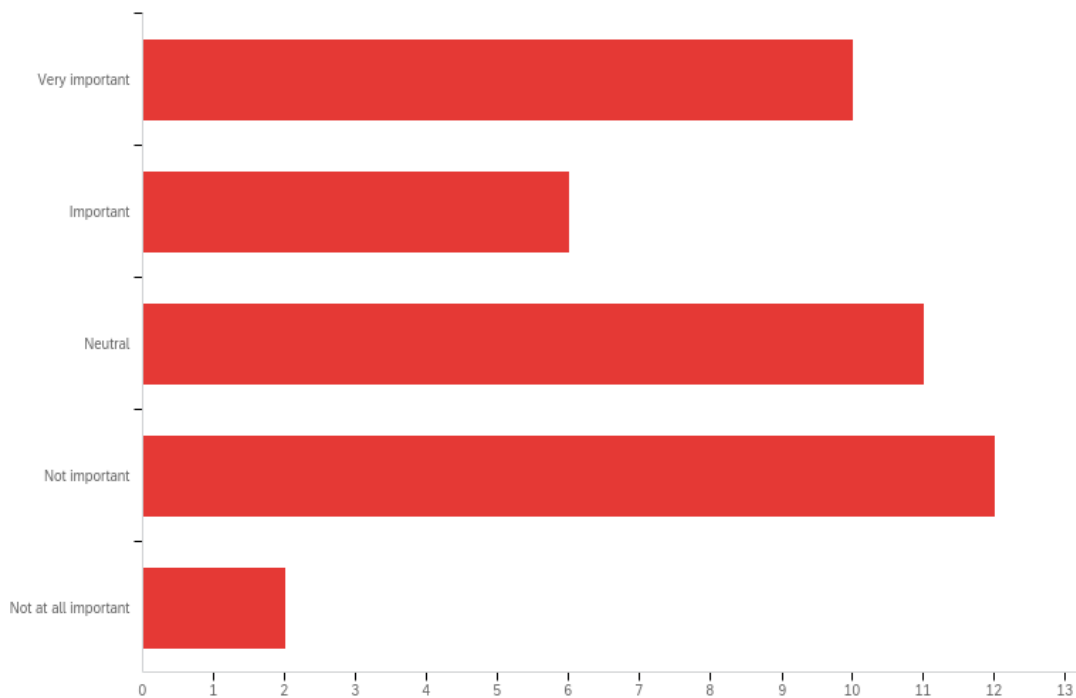


Figure 101: Third question of the research

It is useful to understand how the degree of public support toward startups is perceived. Below is a summary table of the data:

#	Answer	%	Count
1	Very important	25%	12
2	Important	14.58%	7
3	Neutral	27.08%	13
4	Not important	29.16%	14
5	Not at all important	4.17%	2
	Total	100%	48

Do you think that, in Italy, *Startupper*s and emerging entrepreneurs are supported by the public administration?

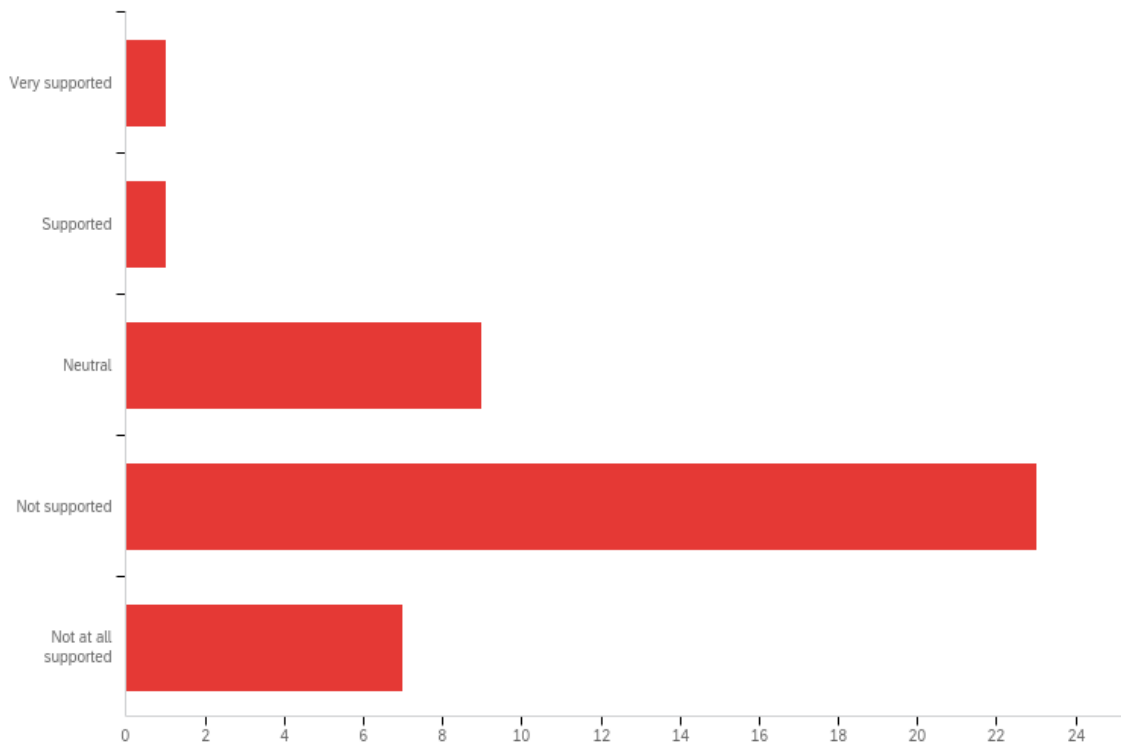


Figure 32: Fourth question of the research

Below is a summary table of the data:

#	Answer	%	Count
1	Very supported	2.08%	1
2	Supported	2.08%	1
3	Neutral	22.92%	11
4	Not supported	56.25%	27
5	Not at all supported	16.67%	8
	Total	100%	48

Do you think that, in Italy, institutions, Incubators, Accelerators, Venture capital and Private equity firms are effective in their task of supporting Startups?

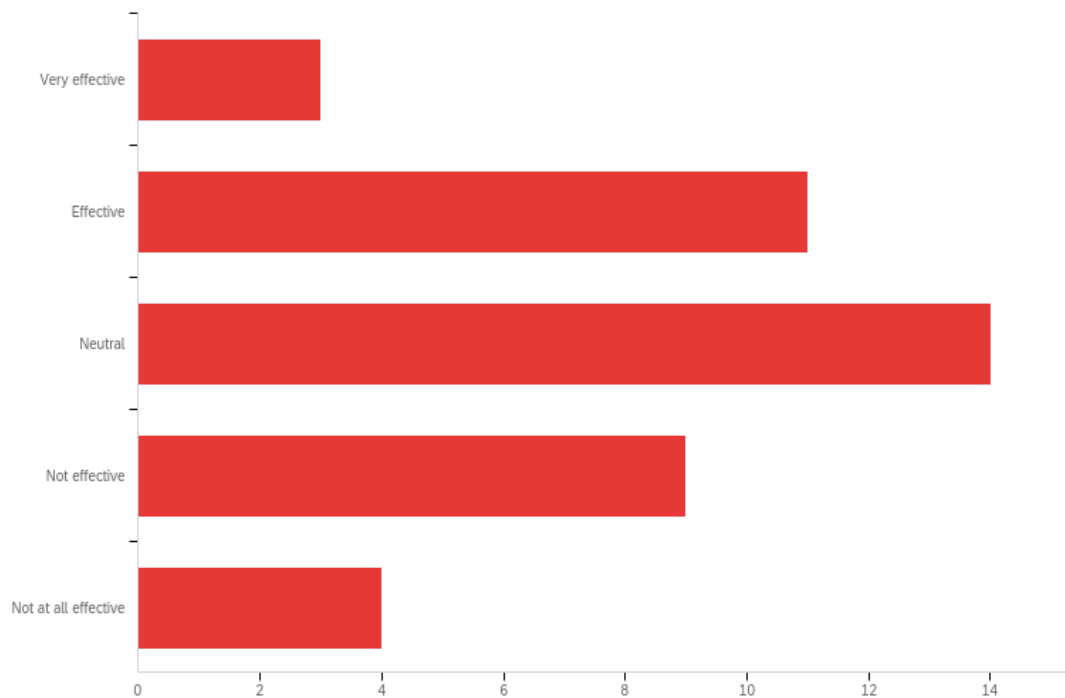


Figure 33: Fifth question of the research

It is important to understand whether founders find the Italian ecosystem favorable and supportive of the entrepreneurial initiative. Below is a summary table of the data:

#	Answer	%	Count
1	Very effective	6.25%	3
2	Effective	27.08%	13
3	Neutral	33.33%	16
4	Not effective	22.91%	11
5	Not at all effective	10.42%	5
	Total	100%	48

How much do you agree with that statement, "I plan to take my business abroad to be able to develop it and grow"?

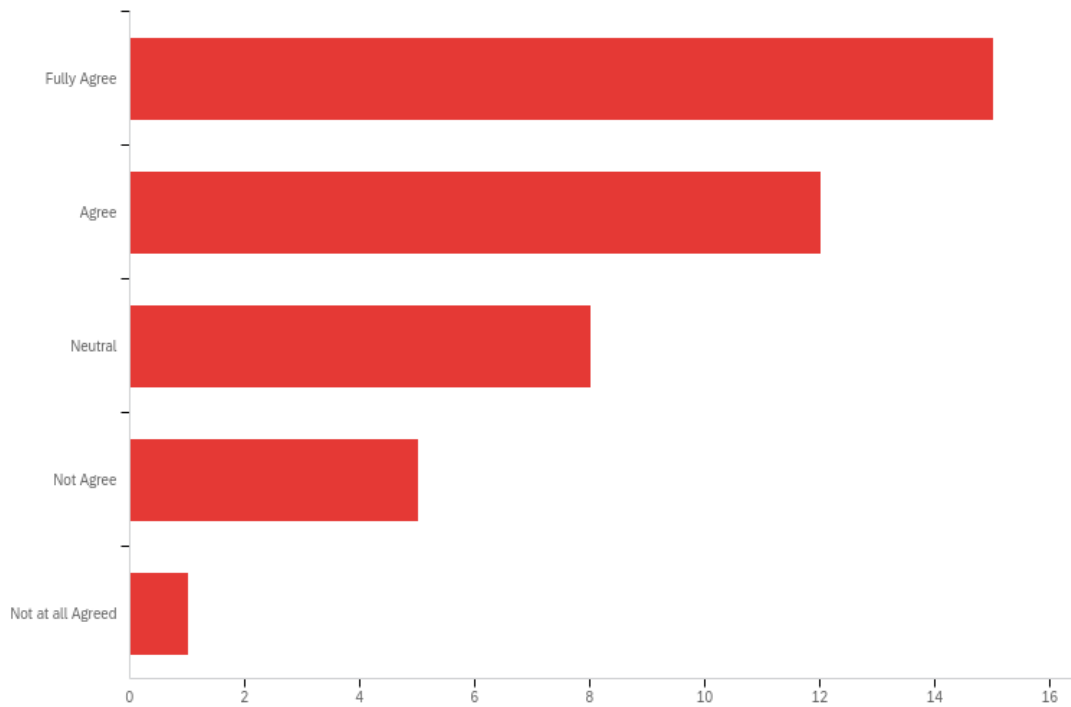


Figure 34: Sixth question of the research

With this question we get into one of the most important issues in research: the tendency to go abroad. Below is a summary table of the data:

#	Answer	%	Count
1	Fully Agree	37.5%	18
2	Agree	29.17%	14
3	Neutral	18.75%	9
4	Not Agree	12.50%	6
5	Not at all Agreed	2.08%	1
	Total	100%	48

If you plan to take your business abroad, what would be your favorite destination?

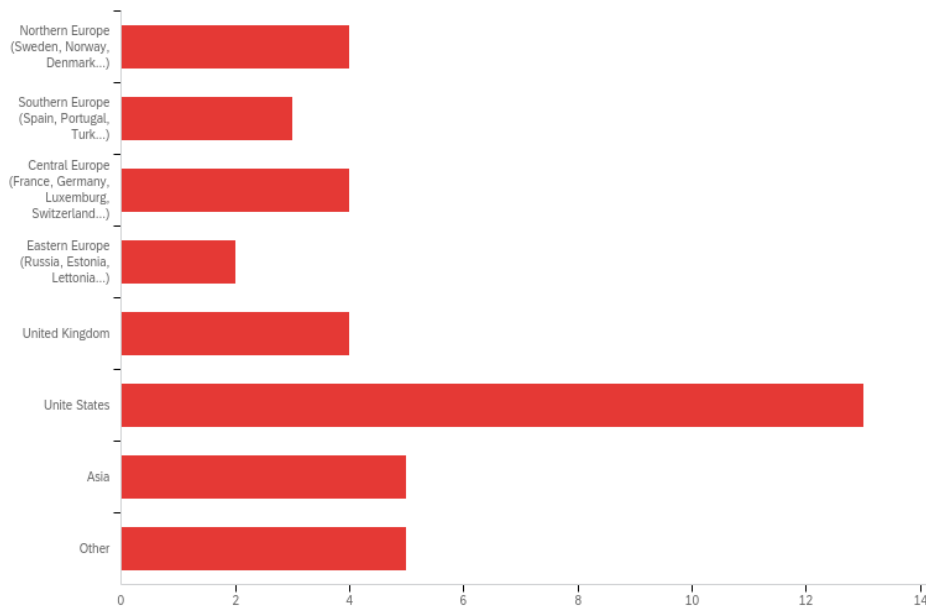


Figure 35: Seventh question of the research

Understanding which destination is most desirable is important to draw examples for improving the ecosystem. Below is a summary table of the data:

#	Answer	%	Count
1	Northern Europe (Sweden, Norway, Denmark...)	10.42%	5
2	Southern Europe (Spain, Portugal, Turk...)	6.25%	3
3	Central Europe (France, Germany, Luxemburg, Switzerland...)	10.42%	5
4	Eastern Europe (Russia, Estonia, Latva...)	4.17%	2
5	United Kingdom	10.42%	5
6	Unite States	33.33%	16
7	Asia	12.50%	6
8	Other	12.50%	6
	Total	100%	48

What issues do you think you face when you want to create a startup in Italy?

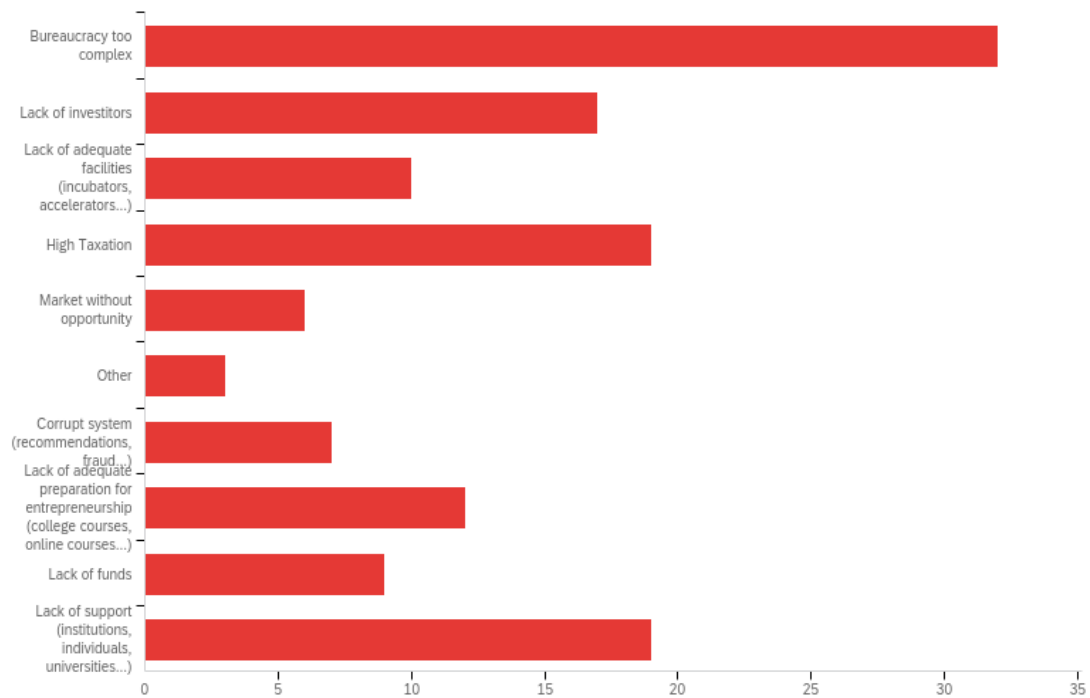


Figure 36: Eight question of the research

In this case, founders have the option of marking multiple responses. These issues were also addressed and explored in the interviews. Below is a summary table of the data:

#	Answer	%	Count
1	Bureaucracy too complex	23.88%	32
2	Lack of investors	12.69%	17
3	Lack of adequate facilities (incubators, accelerators...)	7.46%	10
4	High taxation	14.18%	19
5	Market without opportunity	4.48%	6
6	other	2.24%	3
7	Corrupt system (recommendations, fraud...)	5.22%	7

8	Lack of adequate preparation for entrepreneurship (college courses, online courses...)	8.96%	12
9	Lack of funds	6.72%	9
10	Lack of support (institutions, individuals, universities...)	14.18%	19
	Total	100%	134

The data that follows was gleaned from conversations with the four startup founders that were previously mentioned. The interviews shed more light on several subjects, including, for instance, how people perceive the ecology and the reasons they frequently travel overseas.

GIORGIA LEONARDI, BEAWARE, EARLY STAGE

- 1) *What is your opinion on the startup ecosystem in Italy? Do you consider it favorable or unfavorable for entrepreneurial development?*

It is not easy to call the Italian startup ecosystem favorable or unfavorable: it is growing but still has many gaps. First, an overly complex and cumbersome bureaucracy that greatly lengthens the time to do business. There is a high labor cost in Italy that makes it difficult to grow the startup in the intermediate stage between founding and the first 1 million round of funding. Because of this, you cannot provide a decent work situation for the first members of the startup. In France, for example, there are many tax breaks, and the government guarantees funds to pay salaries to the first employees. The biggest problem in the ecosystem is the lack of proper methodology for doing business. For example, *go-to-market* strategies are outdated: people still use B2C tools to promote a B2B campaign. ES. for lead generation people still use *Facebook* or *LinkedIn* to contact companies even though it is still an undigitized target in Italy. The b2c is not a relevant market abroad; all accelerators and incubators promote startups that serve a B2B market. In Italy, unfortunately, there is a misconception of the relationship between very large corporate companies and startups. Abroad, corporations are targeted only when the startup is in a stable period where its

business is "healthy." If this were not the case, the startup would be at risk of failure due to the many demands of corporations and the large requirements for the product. A startup, which does not yet have the necessary resources, does not need a "big name" to grow but a considerable number of customers suitable for its offering. In Italy, startups, also pushed by accelerators, become "slaves" to corporations. These companies have a "monopolist" approach, they create a bond of dependence of the startup towards them to exploit it to the fullest with unprofitable contracts that prevent the startup from having a healthy business. This problem is mainly found in *Pricing Strategy*. In Italy, the tendency is to choose the price of one's service/product based on that of competitors. There is a tendency to depreciate one's offerings, partly due to a cultural factor, without even taking costs into account. Abroad, price is based on value. This value comes from long *Customer Discovery*, which is not used enough in Italy, which allows for quantity-based data. *Customer Discovery* is fundamental and must be established from day 1: it allows for constant contact with the customer, receiving feedback, studying the customer as best as possible and, if well managed, also being able to grow the need. In Italy it is qualitative and stops as soon as the existence of the problem has been confirmed. Unless you can best target early adopters, you cannot understand how much they are willing to spend to get that surplus that your startup offers them. All of this, of course, must consider the resources available to the startup, not only cash but also personnel, time...

- 2) *In your opinion, what is the level of support and assistance that startups receive from government institutions and investors in Italy?*

The ecosystem is well-supported, with many accelerators and incubators. However, not all of them are effective; there are many who are not worth much. Moreover, many funds have been established, including state grants. For example, in the Lazio region, there are *SMAU and Lazio Innova*, which even promote their own startups in international events. Another 'institution' that is greatly assisting the startup ecosystem is *Cassa Depositi e Prestiti*: they had the brilliant idea of relying on industry experts to create a network of accelerators throughout Italy to support researchers who want to start a business. When it comes to investments, in Italy, we have a trend that initially went against the grain compared to foreign trends. Culturally, we are very conservative and thrifty, and this approach saved us from the Silicon Bank bubble. Initially, it was very easy

to secure funding abroad, and often in large amounts. Now, after this crisis, even abroad, funds have reduced their investments. The substantial difference between Italian and foreign investments is not the number but the scale: a startup in Italy struggles to reach 100k, whereas abroad, if it asks for 100K, it receives 1 million. Furthermore, in Italy, a startup that has received funding from many angel investors is often viewed negatively because the common belief is to maintain control. A startup with many shareholders has fragmented control, which is not appreciated in Italy.

- 3) *Have you ever considered the idea of expanding your startup abroad? Why or why not?*

Regarding moving the headquarters abroad, the decision is postponed. In Italy, as long as you're an innovative startup, you have few costs, but as you grow, it becomes more challenging. So, to survive, it's necessary to go abroad. We are ready to internationalize. Firstly, the product is standard and doesn't require specific adjustments to fit foreign markets. Secondly, we already have experiences like participating in the *Techstars accelerator* in Paris.

- 4) *What are the main factors that could drive you to develop your startup abroad instead of staying in Italy?*

All startups should internationalize; that's why it's necessary for them to be '*Born Global*.' Products, right from day one, should be developed to an international standard. This is essential for survival because the Italian market is too small to support a startup's growth with its demand. Moreover, the Italian market is not very responsive to technological change. As for funding, if you manage to attract a foreign investor, it automatically opens many financing opportunities, even in Italy.

- 5) *What do you expect to achieve or learn through the international expansion of your startup? Do you have specific expectations regarding foreign markets or connections with international partners?*

Having completed an acceleration program abroad, I had the opportunity to learn many things and significantly enhance my knowledge. Having an international perspective is crucial and necessary for building a successful business. Connections with international partners enable rapid growth. As for funding, if you manage to attract a foreign investor, it automatically opens many financing opportunities, even in Italy.

TOMASO TORRIANI, MOVOPACK, EARLY STAGE

- 1) *What is your opinion on the startup ecosystem in Italy? Do you consider it favorable or unfavorable for entrepreneurial development?*

The ecosystem is not unfavorable because there are no limiters preventing people from starting startups. The concrete answer to the question is relative because, for example, when making comparisons with other ecosystems, complexities emerge. For instance, culturally in Italy, we are risk-averse, which narrows the scope of action for individuals. Typically, in Italy, there is a tendency to be very cautious and to ask many questions before embarking on something, thus blocking the drive that leads a person to try to start a startup. Additionally, in our country, it is very challenging to start from scratch. There are not enough university organizations that provide services to students and young aspiring entrepreneurs. Venture capital firms, for example, require many skills from founders, who are often young managers with several years of work experience. It is necessary to provide many more guarantees compared to abroad to even receive a minimum of entrepreneurial credibility. Italy has potential that struggles to emerge; there is a lack of funding, organization, and methodologies. The latter is quite primitive and lags far behind the international trend. If you gain experience in foreign accelerators, you acquire many insights that are undervalued or not even considered in Italy. This gap with foreign ecosystems is particularly noticeable with B2B startups.

- 2) *In your opinion, what is the level of support and assistance that startups receive from government institutions and investors in Italy?*

The foreign investment system is much stronger compared to the Italian one. In addition to the previously mentioned concept where venture capital firms require many more guarantees and skills, there are many more tools abroad for raising equity. Abroad, there is a 'multiplier' that allows you to grow much faster with the same efforts. Structurally, investments are very different: they happen more easily because they require less bureaucracy and have a much higher value. In Italy, given that it is a culturally thrifty country, investments are quantitatively lower. Nevertheless, it is true that the conservative Italian mindset protected us from the Silicon Bank bubble. Today, abroad, the number of investments issued has decreased, but the amounts are much larger compared to those in Italy. For an Italian founder, unfortunately, it is very difficult to secure foreign funding if

their startup doesn't serve the market of the country where the investors are based.

- 3) *Have you ever considered the idea of expanding your startup abroad? Why or why not?*

Yes, in my sector, e-commerce, the English market is much more profitable and developed. However, it's just a matter of internationalization, so the headquarters must remain in Italy. Partly out of patriotism, because it's nice to think that an Italian startup has impacted the European market, partly for social reasons. Furthermore, once you've achieved success in Italy, starting a new startup becomes much easier.

- 4) *What are the main factors that could drive you to develop your startup abroad instead of staying in Italy?*

The startup must be born with a European, not Italian, mindset. This is necessary to overcome internal barriers and to encourage foreign investment. Startups, therefore, need to be 'Born Global' because the Italian market is too small and unresponsive to innovation. Moreover, there is much more capital available: an Italian startup struggles to raise capital from abroad, but it's necessary.

- 5) *What do you expect to achieve or learn through the international expansion of your startup? Do you have specific expectations regarding foreign markets or connections with international partners?*

My startup has already had the opportunity to gain experience abroad. The goal is to enter the English e-commerce market to expand the offerings and increase profits.

MICHELE SOLDI, DIGIMAKER3D, SEED

- 1) *What is your opinion on the startup ecosystem in Italy? Do you consider it favorable or unfavorable for entrepreneurial development?*

The ecosystem is highly unfavorable. A startup looking to grow in Italy has access to many services (banks, support organizations, accelerators...), but they all come at a cost or require guarantees. Some organizations, for instance, set such high demands that they become hardly usable. For example, some coworking spaces ask for a monthly fee and a share of the company's equity. This approach is absurd and counterproductive because these institutions should assist startups at a stage when they don't have much money and need to be very cost-conscious. In France, for instance, there are hubs that don't require an upfront

payment but heavily support startups and take equity later. The services offered are of high quality but quite generic; they help a lot with the legal and bureaucratic aspects but less so with the entrepreneurial side. Additionally, in Italy, there is an excessively burdensome bureaucracy. It's not that it's wrong; it's just too much: every time, all the procedures completed never seem to be enough. For example, in my case, I had to open a chemical laboratory, and I had to spend a lot of time and effort sending applications to both the municipality and the region because these two entities don't communicate with each other. There is also a factor that is partly subjective and partly systemic, which doesn't favor entrepreneurship in Italy. While there are many accelerators and incubators offering mentoring programs, they are not always enough. Many founders, after completing the initial program, seem to remain "lost". This appears almost like indefinite procrastination; many founders continue to be perpetual "students" because they rely on programs that refine what they already partially know. So, there is both a subjective factor, as many founders may not have the right entrepreneurial mindset, and a gap in the system where startups don't know what to do after completing a program and are left to fend for themselves.

- 2) *In your opinion, what is the level of support and assistance that startups receive from government institutions and investors in Italy?*

Investors provide money based on the project. Angel Investors always ask to see the product and test it; simply convincing them verbally is not enough. The investor, therefore, wants concrete evidence; they are very empirical. If it is proven that the offered solution is functional and truly has an impact on the market, then a favorable environment is created. It is easier to obtain funding from long-experienced investors with significant capital to diversify. Beyond just money, these individuals can introduce you to a valuable network for the startup and bring essential knowledge. A beta version of the product is much more appreciated than market validation. Despite all the efforts required to secure investment, in Italy, we are much more hesitant: if you ask for 100, they give you 10. Abroad, if you ask for 100, they give you a million.

- 3) *Have you ever considered the idea of expanding your startup abroad? Why or why not?*

Yes, as soon as possible. I am evaluating the country in which to relocate the headquarters of the startup, considering both the level of taxation and where the

market for my product is more attractive.

- 4) *What are the main factors that could drive you to develop your startup abroad instead of staying in Italy?*

Beyond the overly complex bureaucracy, the Italian market lags significantly behind, making it difficult to achieve substantial results in innovation. There is curiosity, but it doesn't go much further; there isn't a strong drive for innovation. Italy is not the first to adopt technology; we're probably among the first to invent it, but then we sell it abroad. In Italy, we tend to follow rather than lead. Markets originate in foreign contexts, and they only arrive in Italy after years of success elsewhere.

- 5) *What do you expect to achieve or learn through the international expansion of your startup? Do you have specific expectations regarding foreign markets or connections with international partners?*

I would like to find a fertile environment for my startup that recognizes my technology.

EMANUELE CHIUSAROLI, HANDY SIGNS, SEED

- 1) *What is your opinion on the startup ecosystem in Italy? Do you consider it favorable or unfavorable for entrepreneurial development?*

Topics related to the development of the startup ecosystem in Italy are very complex and should be approached with an analytical mindset and without prejudice in order not to risk focusing only on the problems and overlooking the opportunities. First and foremost, in my opinion, it's necessary to clarify that the development of an ecosystem depends on numerous dimensions, including perhaps the most important ones:

- Legislation
- Development of platforms and incubation/acceleration hubs
- The role of Large Corporations
- The Venture Capital system

I intentionally placed the latter dimension at the end because it is generally the first thing that comes to mind when discussing this topic, which may indicate an approach to the problem that is not entirely correct. Let's proceed in order.

Legislation: In Italy, the law regulating startups has been active since 2012 and has certainly contributed to the growth of the movement, thanks to both tax benefits and the definition of the regulatory system. However, there are some aspects that could certainly be improved, including in my opinion:

- Regulations governing equity crowdfunding, which are still too rigid compared to the Anglo-Saxon system, and where the roles of certain institutional entities such as platforms and banks are not entirely clear.
- The costs of establishing and managing startups, which have been equated with those of ordinary companies and, in the case of online registration, have even reverted to traditional Notary activities.
- In general, bureaucracy and the maze of tax and procedural requirements that require the support of more than one professional firm, driving up management costs without adding any value to the business.

Incubators/Accelerators: In this regard, Italy has made significant progress, and today we can observe many qualified institutional incubators and accelerators supporting startups in their growth. From my limited experience so far, the limit I see in the interesting incubator system is the limited ability to bring startups to market, facilitating that crucial step “from zero to one”, which is the start of commercialization and, therefore, the production of metrics of interest to investors. In this regard, it would be important for incubators to enter into co-investment agreements with major players to allow the development of pilot projects, *PoCs*, and similar initiatives to bring startups to market in a protected, monitored, and simpler way compared to the current situation.

This brings me to the role of Large Corporations: Italy has an economic fabric historically based mainly on SMEs and family-run micro-enterprises; many Large Corporations have been acquired by foreign giants over time (see, for example, the case of the Large Food Retail) and therefore no longer have the inclination to invest in the 'Italy' ecosystem. The few remaining Large Corporations, such as ENI, ENEL, FIAT, TIM, and so on, have the task of supporting the startup ecosystem not only with their corporate Venture Capital (e.g., TIM Ventures) but above all with investment programs in innovative vertical solutions that can boost the development of startups in that segment and, consequently, the company itself. Initiatives like ENI Joule and others in the same vein are important, but the impression is that they are still few and especially with

funding that does not match the explosion of ideas, creativity, and entrepreneurship that characterizes the fabric of Italian startups from the ground up.

Finally, Italian Venture Capital, i.e., the availability of financial resources. Unfortunately, the impression is that many startups primarily seek funding through public tenders, which have lately also been funded within the framework of the *National Recovery and Resilience Plan (PNRR)* and for this reason, provide many more resources than in the past. Unfortunately, the disadvantages of public finance remain the same as always, namely, disbursement times that are too slow compared to the speed of Go to Market required by startups and the management of final accounts that are too complicated and costly. Why does this happen? In my opinion, based on my personal experience, the problem stems from the fact that the so-called 'Wannabe Ventures' (quote.) require startups in the pre-seed and seed stage to provide metrics that startups at that stage often cannot collect.

It's a bit like asking someone who is planting a tomato field for the metrics of harvested tomatoes: the number, size, quality, and so on. To obtain this information, it will be necessary to wait for the first harvest, but if no one is willing to invest in the planting stage, there is a risk that the harvest will never come. Without metaphor, I subscribe to the current of thought that in the pre-seed and seed stages, the primary criteria for evaluation should be the team, the market segment, the innovativeness of the solution, and execution capabilities, rather than market metrics. Especially because when a startup is already in the market and collects favorable metrics, it can certainly access a capital market that goes far beyond national borders, where the funds available for startups with good ideas and good metrics have one or two additional zeros. This unfortunately is the reason why some Italian startups have ultimately been funded by European or American Venture Capital firms: Italian VCs do not have that risk appetite that allows them to invest small stakes in pre-seed and seed startups that can later.

- 2) *In your opinion, what is the level of support and assistance that startups receive from government institutions and investors in Italy?*

In this case, it is necessary to evaluate in depth what is meant by “government institutions”. On one hand, in Italy, one encounters the fragmentation of institutions among the central government, regions, provinces, municipalities, and entities. On the other hand, the relationship with institutions is always

influenced by politics, which unfortunately has not always performed at its best over the years. While, as mentioned in the previous response, a significant portion of funding for Italian startups comes from regions that act as intermediaries for European funds, it is also very challenging to reach agreements, for example, for the development of a primary service for Local Health Authorities (ASL) because the intersection of competencies on specific issues can sometimes be destructive. In my experience, to authorize a trial of an online Video-Interpreting service for Italian Sign Language (LIS) for Deaf citizens in a hospital, it was necessary to engage with the Regional Health Department, the relevant ASL, the hospital management, and the relevant Hospital Department. We have yet to see progress in this regard. It's a different story when it comes to institutional investors: setting aside the banking system, for which we know that the criteria for granting credit to startups do not differ significantly from those for any other company, there is the interesting case of *Invitalia*. *Invitalia* is responsible for providing publicly funded financing at favorable rates (with a grant component for companies in the South) to companies that present innovation initiatives with growth and international expansion prospects. Personally, I hope that transparency regarding the criteria and, most importantly, the results of the allocation of these funds will be provided as soon as possible, because sometimes it is difficult to understand the logic followed by the Technical Committee when looking at the winning projects and the rejected ones. Finally, it must be emphasized loudly by *S.r.l.* companies, which make up most of the startup ecosystem, that even in the 2022 Budget Law, the Microcredit tool had been extended to *S.r.l.* companies, with financing of up to 100,000 euros. However, this law has not yet been incorporated into the implementing regulations to be issued by the Bank of Italy. Consequently, two years after its enactment, this law is still not operational to provide its benefits to the startup ecosystem.

- 3) *Have you ever considered the idea of expanding your startup abroad? Why or why not?*

The startup of which I am the CEO is called *Handy Signs*, and it specializes in developing an Artificial Intelligence-based *Italian Sign Language (LIS) Interpreter*. This is a project inherently intended for international expansion because there are over 144 Sign Languages in the world, and only considering *American Sign Language (ASL) and Chinese Sign Language (CSL)*, we are

talking about several million Deaf individuals who sign in their own respective sign languages. *Handy Signs* already has an international expansion strategy based on validating the technology and business model in Italy to create a replicable model for any other Sign Language in the world.

- 4) *What are the main factors that could drive you to develop your startup abroad instead of staying in Italy?*

Handy Signs was founded to develop an LIS Interpreter, specifically focused on Italian Sign Language (LIS) and aimed at Italian Deaf citizens. As mentioned in the previous point, the validation of the 'Italy case' serves as a foundation for international expansion, which, however, does not preclude maintaining operations in Italy and, consequently, the company's headquarters here. The decision to permanently relocate abroad, potentially closing operations in Italy, could only occur in conjunction with two fundamental factors: the failure of the go-to-market strategy targeting the B2B segment of Italian companies that offer counter services, and simultaneously securing funding from a UK or USA-based fund for business development in those respective countries.

- 5) *What do you expect to achieve or learn through the international expansion of your startup? Do you have specific expectations regarding foreign markets or connections with international partners?*

The international expansion of *Handy Signs* will definitely allow us to scale vertically because we are moving from an Italian market consisting of approximately 100,000 sign language users in LIS (Italian Sign Language) and around 70,000 service points to citizens, to a market, for example, the USA, consisting of at least 1 million sign language users in ASL (American Sign Language) and probably ten times the number of service points and private activities potentially interested in the service. In terms of learning, there will obviously be the entire phase of creating the dataset (a database of images and videos of signs in the language of the foreign country, e.g., USA) and, consequently, the phase of learning the specific Sign Language (e.g., ASL), which will be exciting, as well as connecting with the Deaf community that in the USA identifies with its own 'Deaf' pride, living deafness as a characteristic rather than a disability. Regarding foreign markets, I have no specific expectations, in the sense that I anticipate different challenges compared to the Italian market but certainly greater difficulties in entering as an outsider.

Regarding international partners, however, I am more optimistic because in some environments, especially in the UK, which I have had the opportunity to get to know in the past, I have found more 'vision' and ambition compared to Italian companies, which, from my point of view, appear to have a more short-term-focused vision and are therefore less inclined to projects with a long-term perspective.

3.3. Research findings

The sample consists of 64.58% male startup founders. Thus, the gender gap is confirmed, although the percentage of female entrepreneurs (29.17%) in the sample is higher than the national average. According to the *InfoCamere* report on innovative startups in Italy, published by the *Ministry of Economic Development* in January 2019, out of 9,758 startups, only 13.3% were founded by women.

As for age, over 50% are above 35 years old. This is a highly significant data point, raising the question: why is it so high? One answer comes from the interviewees, who explained that in Italy, the following factors are necessary:

- Capital to start, and students are less likely to have it readily available.
- Venture capitalists require many skills, which means they have more confidence in individuals with more work experience.
- There are not enough university structures supporting students.

This data is also confirmed by a study conducted by *Italia Startup*, the association that brings together operators, including investors, accelerators, and startups, in the innovation world in Italy. It was also reported in the *Sole 24 Ore*. In the research conducted on a sample of over 400 startups, startup founders in Italy predominantly fall within the age range of 30 to 49 years (66%).

The region with the most results is the central area. This data may partly be influenced by the fact that two accelerators/incubators in Rome were consulted. Nevertheless, the presence of an online incubator and one in Turin balanced the sources from which responses were obtained. The most relevant information that emerges is the presence of over 90% of startups from the central/northern regions.

Over 50% of the sample has an education level higher than a master's degree. The presence of approximately 6 researchers who have ventured into entrepreneurship is very important. This data confirms the trend reported in the previous chapter. These pieces of information are crucial because they also confirm what was mentioned in the interviews: many skills are required to start a business.

The employment status is certainly influenced by the perception that startup founders have of themselves: if they consider their startup as their primary job, it is obvious that they view themselves as self-employed. This explains why approximately 48% responded as 'self-employed'. Two other relevant pieces of data are:

- Around 40% are full-time employees, which is consistent with what was previously expressed (the capital, the skills).
- Only 10% are students. This is a concerning data point, especially considering that 2 of the incubators are associated with universities (*I3p and Dock3*). Do students struggle to start a business? Why?

To summarize, the profile of the startup founder that emerges is that of a self-employed individual between the ages of 35 and 50, holding a master's degree, residing in central Italy. The first consideration pertains to the consistency between the figure outlined in the questionnaire and the skills required by the Italian ecosystem. Secondly, as confirmed by *Italia Startup's* research, having years of work experience fosters the desire not to entirely innovate a sector but to improve it. Here, a typically Italian cultural factor comes into play: prudence. Startup founders prefer to operate in a field they already know, given their experience in it, to identify gaps that need filling.

As for the startup profile, the sample prominently features startups in the pre-seed stage, accounting for approximately 70%. This result is primarily attributed to two factors:

- Three out of four sources engage in incubation programs.
- It is much more challenging to approach founders of startups in the early stage, although the 11% figure is still quite significant.

Indeed, such a large sample of startups in the pre-seed stage is very interesting, as these types of startups tend to 'die' almost immediately. Obtaining data from novice founders helps understand whether the trend of “fleeing” abroad originates from the early stages, as if it were instinctive, or from a greater awareness.

Another very important piece of information is that over 50% of startups consist of 3 members or more. This data is significant because it implies that startups in the pre-seed stage (given their significance in the sample) tend to form with groups of people already. Regarding the sector, the prevalence of the tertiary sector is overwhelming. In general, such a data point was easily predictable given the greater entrepreneurial complexity of the primary and secondary sectors. Without a strong technical background (agricultural and industrial), innovating in these sectors is indeed very challenging.

No field of belonging prevails: The “*Leisure (entertainment, gaming, sport, travel)*” category is prominent, but only with 20%. An interesting fact pertains to Fintech, a sector previously highlighted as a major source of unicorns. Only 1 startup identifies itself within this area. This is consistent with the Italian trend outlined in the previous chapter, as Italy has the lowest number of fintech companies in the world.

The transactional business model emerges as the most common one, being the simplest and most intuitive. The four responses categorized as “other” likely originate from startups that are still defining their revenue model. However, the statistic mode is divided between B2B and B2C.

The profile of the emerging startup in the sample is as follows: it operates in the tertiary sector, specifically in leisure, with a transactional business model. It's in the pre-seed stage, has at least 3 team members, and serves both B2B and B2C. Considerations regarding this startup relate to the level of innovation it can bring. Firstly, the tertiary sector, which encompasses services, is almost saturated. Additionally, the leisure sector is not known for having a wide margin for innovation. It is therefore likely that, considering the profile that has emerged from this sample, there are few unicorns in Italy because startups are born in saturated sectors and with traditional business models that do not facilitate innovation.

Now we have reached the third paragraph of the questionnaire, related to the research. The first question, very direct, provides some very interesting responses. About 43% disagree or strongly disagree with the statement “*In Italy it's possible to emerge with a startup*”. It's clear, therefore, that there is strong skepticism toward the Italian ecosystem. The most peculiar aspect is that approximately 40% of the responses are neutral. This is the highest percentage among the responses, probably because many startups are in the pre-seed stage. With limited experience in the startup field, founders likely didn't want to express an opinion on an issue they haven't yet encountered. This thesis is confirmed when analyzing the data, which reveal that 13 out of 19 responses come from startups in the pre-seed stage, and the rest are from 2 seed and 4 in the early stage. It's possible to conclude, therefore, that there is a tendency to underestimate the Italian ecosystem in the very early stages of a startup's life, but this is counterbalanced by a cautious attitude. Startup founders prefer to wait before passing judgment. One factor that may partially explain this neutrality comes from the interview with *Tomaso*, the founder of *Movopack*: patriotism. Being Italian, startup founders probably don't feel it's right to strongly criticize their own country.

The next question aims to understand the level of knowledge about startup legislation: About 60% believe they are 'quite' knowledgeable, to which we can add approximately 14% who consider themselves experts. These are crucial pieces of information because being aware of all the tax breaks, available funds, and bureaucratic facilitations makes one's judgment on the startup topic more authoritative. If this were not the case, with little

knowledge, the negative perception of the ecosystem would be influenced by this gap, thus making the consideration less valid.

The responses to the question “*Do you think that, in Italy, the Start Up theme is important for public administration?*” show a rather uniform distribution. The statistical mode is “*not important*”, hovering around 29%. It doesn't deviate much from “*very important*”, which stops at 25%. Around 27% declared themselves neutral. It's a delicate balance that slightly leans towards the positive note, meaning “*important*”, as another 14.58% can be added to the 25% to reach approximately 40%. Giving an absolute answer is difficult, but it can be said that founders still believe the startup theme has become important for public administration. The turning point for Italy would be to convert the 27% of neutrals to positive positions. Thus, the issue remains very much open, with positions that are not clear-cut.

The position is clear in the question “*Do you think that, in Italy, Startups and emerging entrepreneurs are supported by the public administration?*”: 56.25% claim not to be supported, to which you can add 16.67% who believe they are not supported at all. In this case, there is also a decent percentage of neutrals, 22.92%. Therefore, it is possible to affirm that, according to founders, the State does not provide enough support to startups, both in the early stages and in the more advanced stages of the business. As for the role of accelerators, incubators, funds, and venture capital, once again, there isn't a clear position:

- Neutrals make up 33.33%, which is statistically the most common response.
- About 22.92% believe they are not effective, to which you can add 10.42% who find them not effective at all, for a total of about 33%.
- The same percentage results from the sum of those who consider them effective, 27.08%, and those who find them very effective, 6.25%.

It's evident that there's no clear position since in all three cases (neutral, positive, and negative), the percentages are around 33%. Therefore, it is crucial to convert the neutrals to a positive stance. In general, it can be said that these ecosystem players need to make additional efforts to provide services that further support startups.

We come to a crucial question for the research: “*How much do you agree with that statement, "I plan to take my business abroad to be able to develop it and grow?"*” Considering the previous responses, which aimed to provide information on the perception of Italian startups' ecosystem, thus giving reasons for the likely answers to this question, the result is clear: 66.67% of founders want to go abroad. The difference from

those who want to stay, which is 14%, is substantial. It is possible, therefore, to conclude that there is a strong tendency to “escape abroad”, which manifests itself already in the early stages of a startup's life.

The next question is, "*If you plan to take your business abroad, what would be your favorite destination?*" With 33.33%, the United States is the most coveted destination for startup founders. It has a lead of approximately 21 percentage points over the second-place options, which are Asia and "*Other*." The responses in this "*Other*" category include two founders who haven't yet considered expansion, one founder who has no intention of going abroad, and the rest who mentioned the Middle East. Europe is still a desirable destination: with the combined percentages of European countries totaling 41.68%.

Finally, we investigate the motivations that drive founders to go abroad. The question allows for multiple responses, and a total of 134 responses were collected. The highest percentage, 23.88%, believes that there is too much bureaucracy. This is followed by high taxes and lack of support, both at 14.18%. Another significant percentage relates to the lack of investors, at 12.69%.

Here is the translation of your previous message into English:

From the data collected in the questionnaire and the analyses performed, several conclusions can be drawn:

- a. **Skepticism Towards the Italian Ecosystem:** There is a significant skepticism among startup founders toward the Italian ecosystem. A notable 43% do not believe it's possible to succeed with a startup in Italy. This critical attitude might influence the decision of many to take their business abroad.
- b. **Knowledge of Startup Legislation:** Most respondents believe they have a good understanding of the legislation related to startups in Italy. This suggests that entrepreneurs are informed about the fiscal and financial opportunities offered by the Italian government.
- c. **Perception of the Importance of the Startup Theme:** Despite uncertainty about the Italian ecosystem, founders believe that the theme of startups is important for the public administration. This indicates recognition of the economic and social value of startups in Italy.
- d. **Lack of Support:** Most respondents believe that the public administration does not adequately support startups, both in their early stages and in more advanced phases. This suggests that there is room for improvement in government support

for emerging businesses.

- e. **Neutral towards Ecosystem Actors:** Accelerators, incubators, funds, and venture capital do not receive clear judgments from respondents. A significant percentage declares neutrality regarding their effectiveness. This may indicate that these ecosystem actors need to make a greater effort to demonstrate their value to startups.
- f. **Tendency to Expand Abroad:** Most founders intend to take their business abroad to develop and grow it. This trend seems to manifest itself from the early stages of a startup's life.
- g. **Preferred Destinations for Internationalization:** The United States is the preferred destination for international expansion, followed by Asia. Europe is still an attractive destination, suggesting that entrepreneurs' interest extends beyond Italian borders.
- h. **Motivations for Internationalization:** The main motivations for international expansion include the perception of excessive bureaucracy, high taxes, lack of support, and a shortage of investors in Italy. These factors highlight some of the challenges that Italian startup founders perceive in their home country.

Overall, these data indicate an environment in which Italian startup founders see opportunities abroad due to the challenges and uncertainties they perceive in Italy. However, while they are critical of the Italian ecosystem, they seem to recognize the importance of startups for the country, suggesting potential for the future.

The interviews have allowed us to delve further into the vision of the startup founders. Thanks to the input from the four interviewees, some very interesting themes have emerged, providing a more specific picture of the Italian ecosystem. Let's proceed step by step:

Only one interviewee explicitly stated that the Italian startup ecosystem is unfavorable. Their assessment is based on three fundamental elements: paid support services, the lack of a defined path to support startups, and excessive bureaucracy. This last factor was also heavily criticized by two other interviewees, who stated: "*there is overly complex and cumbersome bureaucracy that greatly lengthens the time to do business*" and "*In general, bureaucracy and the maze of tax and procedural requirements that require the support of more than one professional firm, driving up management costs without adding any value to the business*". Bureaucracy, which was also highly disapproved of in the

questionnaire, is therefore a limiting factor that absolutely needs reform. Regarding the other interviews, no one provided a clear definition of "favorable" or "unfavorable," but many criticisms did emerge. It's very interesting how the two early-stage startups, which have had experience abroad, strongly criticize the Italian entrepreneurship methodology: it is considered primitive and outdated, with inadequate tools and anchored to trends that are now obsolete (such as the B2B case). The CEO of *Beaware*, the first interviewee, harshly criticized Italian strategies for pricing, customer discovery, and go-to-market. Additionally, a common point with her colleague from *Movopack* is the limited consideration that the Italian system places on B2B market opportunities. Abroad, B2B is the most important trend, with only B2B startups emerging, while in Italy, it is not yet fully exploited, and inappropriate methodologies are still being used: *"people still use B2C tools to promote a B2B campaign. For example, for lead generation, people still use Facebook or LinkedIn to contact companies, even though it is still an undigitized target in Italy."* It's very interesting how the two entrepreneurs who have experience abroad criticize the Italian business methodology, while their two colleagues in the Seed stage did not explicitly comment on this issue. Even their two colleagues in the Seed stage have explicitly criticized this issue, bringing out some interesting details. In particular, the CEO of *Handy Signs* aligns with his colleague from *Beaware* on the inadequate methodologies of the Italian go-to-market approach: *"the limit I see in the interesting incubator system is the limited ability to bring startups to market, facilitating that crucial step "from zero to one", which is the start of commercialization and, therefore, the production of metrics of interest to investors"*. Therefore, a turning point for the Italian ecosystem should be the adoption of foreign methods to support startups. This is in line with what was mentioned in the 2017 research paper titled *"Italy and Startups: harnessing a country of innovators"* by Professor Luca de Angelis:

"Italians don't have mentors with significant prior experience or cannot reach them. Moreover, the funding they receive (mostly insufficient) doesn't come with appropriate constraints and lessons. Accelerators and incubators do not seem as effective as their international counterparts in solving this dilemma."

It's remarkable how, five years later, all these perspectives still align negatively on this issue. Probably, Italy has not yet reached a level of mentorship and methodology that meets international standards.

Other criticisms are directed at the Italian venture capital system, particularly by the two startups in the seed stage, supported by their colleague from *Movopack*. In general, they

have criticized the excessive demands placed on startups in the early stages of their development. The perspective on this issue is perfectly expressed by the CEO of *Handy Signs* through this allegory: "It's a bit like asking someone who is planting a tomato field for the metrics of harvested tomatoes: the number, size, quality, and so on. To obtain this information, it will be necessary to wait for the first harvest, but if no one is willing to invest in the planting stage, there is a risk that the harvest will never come." It is futile to ask for traction and guarantees very early in a startup's life. These criticisms align with the concerns raised by the CEOs of *Movopack* and *Digimaker3D*, who stated that startups are often required, if not explicitly, to have very high and complex skills and guarantees to gain trust from venture capitalists. For example, VCs often prefer startups with team members who have over 10 years of work experience or sufficient capital to protect them in case of failure. All of this creates a barrier that prevents a certain category of potential startup founders, such as students, from attempting to create a company from scratch. This issue was also highlighted during the analysis of the questionnaire, where the sample generally had a rather advanced age. All this essentially stems from the deeply conservative culture in Italy, which was later criticized in the interviews as well. Regarding the next question, which is about the support provided by government institutions and investors, everyone agrees that the startup ecosystem has developed a lot in recent years. In particular, the contribution of *Cassa Depositi e Prestiti* in creating a network of accelerators throughout Italy is mentioned. In general, everyone agrees that investors are there, but obtaining funds is complicated. However, numerous criticisms have also emerged in this regard. Concerning government institutions, the fragmentation of responsibilities between regions, provinces, municipalities, and entities, coupled with high bureaucracy, is one of the biggest limitations in obtaining funds. Additionally, there's the influence of politics, which, due to frequent changes in government, constantly alters conditions, rules, and other variables necessary to obtain support and funding. As for the banking system, extreme rigidity is criticized, which makes it difficult for startups to access financing. In fact, it is the least appreciated source of financing by the founders. Regarding angel investors, an interesting insight comes from the CEO of *Digimaker3d*, who explains that Italian investors tend to be very empirical. When someone is interested in investing in startups, they always ask to see the product, try it out, and assess the actual value of the innovation themselves. Customer discovery alone, as mentioned by the CEO of *Beaware*, along with representative numbers and other business documents, are not sufficient to convince potential investors.

A common theme among all four founders is that there is much more investment abroad. In other countries, there's a kind of multiplier that helps startups emerge more quickly by providing substantial capital. Initially, the foreign trend was to provide large-scale funding. Currently, with the crisis of the Silicon Bank, the number of investments has decreased, but the scale remains significant: even if you ask for just 10,000 euros, you might receive as much as a million. In Italy, it's the exact opposite; if you ask for a sum, you're likely to receive a much smaller amount.

In response to the question, "*Have you ever considered the idea of expanding your startup abroad? Why or why not?*" all four founders answered affirmatively. However, the decision is postponed to a later moment when they subjectively feel ready. The common factor is the choice of the country for international expansion, namely the presence of a favorable market: all four founders intend to go to the country where there is the largest market for their product. The reasons for this "migration" were described in the following question. All four founders consider internationalization necessary because the Italian market has too many limitations, including:

1. It's not responsive to innovation, as mentioned in the interview, "*we're probably among the first to invent it, but then we sell it abroad.*"
2. It's too "small" and doesn't allow for scaling up, both in terms of B2C and B2B, given that Italy primarily consists of non-digitized SMEs.

The founders of early-stage startups agree that every startup should be "*Born global,*" with a product already prepared or easily adaptable for foreign markets. Another very interesting consideration concerns funding: once an investment is obtained from a foreign entity, it opens many opportunities for receiving investments in Italy.

The interviews reveal several significant insights about the startup ecosystem in Italy:

- 1) **Excessive Bureaucracy and Regulations Improvements:** Bureaucracy is seen as one of the major challenges that entrepreneurs face in Italy. Strict regulations, complex tax requirements, and high operating costs are viewed as significant obstacles. Simplifying regulations and reducing bureaucracy are necessary to create a more favorable environment for startups.
- 2) **Business Methodologies:** Entrepreneurs, particularly those with international experience, criticize Italian business methodologies as outdated and unsuitable for startups. There is a clear demand for adopting more modern and market-oriented approaches.
- 3) **Access to Funding:** While there are investors in Italy, entrepreneurs find it

challenging to secure funding, especially in the early stages of development. Italian investors seem to be more demanding and reliant on empirical experience compared to international counterparts.

- 4) **Risk Culture:** The risk culture in Italy appears to be less developed than in other countries. This influences both investors, who are more cautious, and entrepreneurs, who often shy away from risky ventures.
- 5) **Necessity of Internationalization:** All interviewees consider international expansion a necessity. The Italian market is seen as too small and unresponsive to innovation, prompting startups to seek opportunities abroad.
- 6) **Born Global:** There is consensus among early-stage startup founders that every startup should be "Born Global," meaning ready to compete internationally from the outset.
- 7) **Collaboration with Large Companies:** Italian large companies are encouraged to play a more active role in helping startup development. This could occur through investment programs and strategic collaborations.
- 8) **Government Support:** While positive remarks have been made about government support through *Cassa Depositi e Prestiti* and accelerators, there is still room for improvement in terms of consistency and effectiveness of such programs.

In summary, the interviews indicate that the startup ecosystem in Italy has unique complexities and challenges, but there are significant opportunities for improvement through regulatory simplification, greater involvement of large companies, and a bolder entrepreneurial culture.

IV. Conclusions and recommendations

4.1. Summary of research findings

The work presented is the result of months of research that have finally led to the possibility of providing answers to questions that many people have been asking but have never officially found a both quantitative and qualitative response to. After analyzing all the collected data, reflecting on the findings, and considering the emerging themes, the research has yielded its results:

Do Italian Startupper want to go abroad?

Yes, Italian startups want to go abroad: over 60% of the sample and all the interviewees responded positively. Therefore, it is possible to affirm that in Italy, there is a tendency for "going abroad," which is already evident in the early stages of a startup's life. The motivations that drive founders to seek alternative solutions outside Italy include:

1. Restrictive bureaucracy.
2. High taxation from the early stages of the business.
3. Complications in obtaining public funding and private investments.
4. Lack of adequate support, both from public institutions and private entities.
5. Limited and unresponsive domestic market to innovation.
6. Inadequate and primitive business methodologies that do not promote entrepreneurial education.

Nevertheless, the choice to internationalize is postponed until a later stage in the startup's life. As emerges from the interviews, every startup must be "born global" to go abroad only at a mature stage.

What is their perception of the startup ecosystem in Italy?

There is strong skepticism towards the Italian ecosystem. While its growth is recognized, it is still not deemed sufficient. The questionnaires reveal a very negative view of the role of the State, whereas regarding venture capital, accelerators, and incubators, the perception is somewhat milder. An important issue is the overly conservative culture that limits not the ecosystem (in terms of institutions, funds, laws, etc.) but rather the propensity of individuals to engage in entrepreneurship. What is needed, therefore, is financial and entrepreneurial education that shapes young minds and drives them towards

entrepreneurship. Alongside this, as also expressed by one of the interviewees, it is important to develop a system of university incubators and accelerators that assist students in their entrepreneurial journey. Italy is not a country for young, capital-less startups: It's absurd to think that most Italian startups are founded by individuals over 30 when the major former startups (e.g., Facebook) were founded by students barely in their twenties.

What is still missing that we can learn from other countries?

What is lacking compared to foreign ecosystems is the method. This concept should not be limited to the mere operational support of accelerators and incubators, which still have a lot to learn and grow. What is missing is entrepreneurial education: you can have adequate support, but if people are not inclined to take risks and don't have a good foundation of business knowledge, nothing will flourish. In this case, universities need to increase their role within the ecosystem. University campuses are fertile ground for students with inventiveness and entrepreneurship who can "*change something*". It is necessary to revise study methodologies and implement much more of the "*practical*" aspect to give students more freedom to undertake. Even if young people cannot create a startup, they have the skills and knowledge necessary to strengthen support entities (accelerators, incubators, or state institutions). What emerges from the research is a sort of entrepreneurial stagnation: Startups ask the government for support to grow, and the government limits itself to providing inadequate funds and support. To do business, it is necessary to break down barriers that do not only concern fundraising but also excessive bureaucracy, unfair corporate behaviors, and the knowledge limits of the founders themselves. In conclusion, by methodology, we do not mean only "*supporting*" businesses but "*doing*" business, with all the actors and variables that it entails.

4.2 Implications for the Italian startup market and public policies

The startups' Ecosystem in Italy as well as public policies are significantly impacted by the startup migration from the country. Data gathered through questionnaires and interviews make it abundantly evident that the Italian entrepreneurial climate is ill-equipped to foster the growth of creative firms. The following are the main effects of this exodus:

- **Loss of Talent and Innovation:** Talent and new ideas are lost because of startup migration to international markets, which would otherwise benefit the Italian ecosystem. The nation's capacity to maintain competitiveness in the world economy driven by innovation is weakened as a result.
- **Fewer Job chances:** Startups' growth generates a lot of job chances. Italy loses potential employment opportunities as a result of the exit of startups, particularly for young professionals.
- **Reduced Global Competitiveness:** If Italy doesn't keep and encourage creative entrepreneurs, it risks losing its ability to compete globally. The nation's standing as an innovation hub may suffer as a result.
- **Public policy challenges:** The Italian government must handle the issues raised by startups, such as bureaucracy, taxes, and a lack of proper assistance. To address these difficulties and create a more inviting climate for entrepreneurs, structural adjustments are necessary.
- **Need for entrepreneurial education:** It is critical if Italian colleges are to adequately prepare their students for starting and running their own firms. This may be able to stop the outflow of startups.
- **Collaboration between the public and private sectors:** It should be encouraged through public policy in order to improve the climate for entrepreneurs. This might include of funding subsidies, tax incentives, and accelerated plans.
- **Reduced Investments:** Venture capitalists and private investors may invest less in new Italian enterprises as a result of the startups' departure. As a result, there might be less financing available for startup companies, which would slow the ecosystem's expansion.
- **Loss of Local awareness:** When startups relocate abroad, they bring not only their business ideas but also their local expertise and awareness of the needs of

the Italian market. It may be difficult for new enterprises to succeed in the local market if this information is lost.

- **Reputation Challenge:** Startup exodus could damage Italy's reputation as a business and innovation-friendly location. Investors and talents may perceive the country as unfriendly to startups, discouraging further investments and migrations.
- **Opportunities for Return:** Once the business climate improves, however, this circumstance also presents a chance for startups to return to Italy. Utilizing their expertise from outside, the government and institutions might develop incentives to lure these enterprises back.
- **Learning from International Experiences:** Startups that depart frequently launch their operations in extremely competitive international marketplaces. Rapid skill acquisition and learning may result from this. These startups can bring this knowledge back to Italy and strengthen the ecosystem when they return.
- **Pressure for Change:** Startup exodus can put pressure on institutions and the government to significantly improve the climate for entrepreneurs. Authorities may act in a more proactive manner when they become aware of the loss of creative enterprises.

As a result, the market and governmental policies in Italy face several obstacles and opportunities as a result of the flight of Italian startups. To build a more innovative and business-friendly climate, addressing these concerns demands a strategic response and commitment from both the public and private sectors.

4.3 Limitations of the research and suggestions for future research

The conducted study has brought to light many intriguing themes. Delving deeper into these topics could be the cornerstone for new research in the field of startups. One study that could yield stimulating discoveries concerns the relationship between students and startups. As revealed by the research, most startup founders are over the age of 35 because it is challenging to start a business in Italy without capital and work experience. From the interviews, the need to increase university support for innovation, which is currently nearly absent or managed ineffectively, has emerged. The new research should specifically investigate the relationship between students and the Italian startup ecosystem, exploring their perception of the startup environment and their inclination toward entrepreneurship. Unlike the research discussed in this paper, where the research subjects are already startup founders, the new study should sample business students, engineering students, doctoral candidates, or any other category inclined toward innovation. An element that could be crucial for this new research is the cultural factor. Even in the presented study, it emerged how the conservative culture slows down the development of the startup ecosystem. It would be interesting to discover whether this 'culture' is also present among young people, thereby hindering their willingness to start a business, or if it is one of the reasons that encourages them to seek opportunities abroad. Another interesting topic that emerged from the research is the view of the Italian market. Future studies should delve into this theme: is it so limited? Why is it not inclined toward innovation? What is the perception of Italian SMEs regarding the startups that approach them? Being that the market is a fundamental variable for seeking opportunities abroad, it can be the key to effectively improving the Italian startup ecosystem. So far, institutions, accelerators, incubators, and investment entities have always focused on the supply side and not on the demand side. In other words, it's necessary to increase the demand for innovation and encourage the market to adopt new solutions. As revealed, those who support startups don't help founders to find their customers; they merely profile them, perhaps through unscientific and approximate customer discovery methods. What is needed, and what needs to be demonstrated through research, is working on the demand for innovation. Startups always struggle with the lack of a sales figure who can introduce them to companies. In Italy, word of mouth and referrals are still valid tools for promoting one's business. Actors in the startup support ecosystem must do this: provide credibility to startups by personally introducing them to potential customers.

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Attachments

GIORGIA LEONARDI, BEAWARE, EARLY STAGE

What is your opinion on the startup ecosystem in Italy? Do you consider it favorable or unfavorable for entrepreneurial development?

It is not easy to call the Italian startup ecosystem favorable or unfavorable: it is growing but still has many gaps. First, an overly complex and cumbersome bureaucracy that greatly lengthens the time to do business. There is a high labor cost in Italy that makes it difficult to grow the startup in the intermediate stage between founding and the first 1 million round of funding. Because of this, you cannot provide a decent work situation for the first members of the startup. In France, for example, there are many tax breaks, and the government guarantees funds to pay salaries to the first employees. The biggest problem in the ecosystem is the lack of proper methodology for doing business. For example, *go-to-market* strategies are outdated: people still use B2C tools to promote a B2B campaign. ES. for lead generation people still use *Facebook* or *LinkedIn* to contact companies even though it is still an undigitized target in Italy. The b2c is not a relevant market abroad; all accelerators and incubators promote startups that serve a B2B market. In Italy, unfortunately, there is a misconception of the relationship between very large corporate companies and startups. Abroad, corporations are targeted only when the startup is in a stable period where its business is "healthy." If this were not the case, the startup would be at risk of failure due to the many demands of corporations and the large requirements for the product. A startup, which does not yet have the necessary resources, does not need a "big name" to grow but a considerable number of customers suitable for its offering. In Italy, startups, also pushed by accelerators, become "slaves" to corporations. These companies have a "monopolist" approach, they create a bond of dependence of the startup towards them to exploit it to the fullest with unprofitable contracts that prevent the startup from having a healthy business. This problem is mainly found in *Pricing Strategy*. In Italy, the tendency is to choose the price of one's service/product based on that of competitors. There is a tendency to depreciate one's offerings, partly due to a cultural factor, without even taking costs into account. Abroad, price is based on value. This value comes from long *Customer Discovery*, which is not used enough in Italy, which allows for quantity-based data. *Customer Discovery* is

fundamental and must be established from day 1: it allows for constant contact with the customer, receiving feedback, studying the customer as best as possible and, if well managed, also being able to grow the need. In Italy it is qualitative and stops as soon as the existence of the problem has been confirmed. Unless you can best target early adopters, you cannot understand how much they are willing to spend to get that surplus that your startup offers them. All of this, of course, must consider the resources available to the startup, not only cash but also personnel, time...

In your opinion, what is the level of support and assistance that startups receive from government institutions and investors in Italy?

The ecosystem is well-supported, with many accelerators and incubators. However, not all of them are effective; there are many who are not worth much. Moreover, many funds have been established, including state grants. For example, in the Lazio region, there are *SMAU and Lazio Innova*, which even promote their own startups in international events. Another 'institution' that is greatly assisting the startup ecosystem is *Cassa Depositi e Prestiti*: they had the brilliant idea of relying on industry experts to create a network of accelerators throughout Italy to support researchers who want to start a business. When it comes to investments, in Italy, we have a trend that initially went against the grain compared to foreign trends. Culturally, we are very conservative and thrifty, and this approach saved us from the Silicon Bank bubble. Initially, it was very easy to secure funding abroad, and often in large amounts. Now, after this crisis, even abroad, funds have reduced their investments. The substantial difference between Italian and foreign investments is not the number but the scale: a startup in Italy struggles to reach 100k, whereas abroad, if it asks for 100K, it receives 1 million.

Furthermore, in Italy, a startup that has received funding from many angel investors is often viewed negatively because the common belief is to maintain control. A startup with many shareholders has fragmented control, which is not appreciated in Italy.

Have you ever considered the idea of expanding your startup abroad? Why or why not?

Regarding moving the headquarters abroad, the decision is postponed. In Italy, as long as you're an innovative startup, you have few costs, but as you grow, it becomes more challenging. So, to survive, it's necessary to go abroad. We are ready to internationalize. Firstly, the product is standard and doesn't require specific adjustments to fit foreign markets. Secondly, we already have experiences like participating in the *Techstars*

accelerator in Paris.

What are the main factors that could drive you to develop your startup abroad instead of staying in Italy?

All startups should internationalize; that's why it's necessary for them to be *'Born Global.'* Products, right from day one, should be developed to an international standard. This is essential for survival because the Italian market is too small to support a startup's growth with its demand. Moreover, the Italian market is not very responsive to technological change. As for funding, if you manage to attract a foreign investor, it automatically opens many financing opportunities, even in Italy.

What do you expect to achieve or learn through the international expansion of your startup? Do you have specific expectations regarding foreign markets or connections with international partners?

Having completed an acceleration program abroad, I had the opportunity to learn many things and significantly enhance my knowledge. Having an international perspective is crucial and necessary for building a successful business. Connections with international partners enable rapid growth. As for funding, if you manage to attract a foreign investor, it automatically opens many financing opportunities, even in Italy.

TOMASO TORRIANI, MOVOPACK, EARLY STAGE

What is your opinion on the startup ecosystem in Italy? Do you consider it favorable or unfavorable for entrepreneurial development?

The ecosystem is not unfavorable because there are no limiters preventing people from starting startups. The concrete answer to the question is relative because, for example, when making comparisons with other ecosystems, complexities emerge. For instance, culturally in Italy, we are risk-averse, which narrows the scope of action for individuals. Typically, in Italy, there is a tendency to be very cautious and to ask many questions before embarking on something, thus blocking the drive that leads a person to try to start a startup. Additionally, in our country, it is very challenging to start from scratch. There are not enough university organizations that provide services to students and young aspiring entrepreneurs. Venture capital firms, for example, require many skills from founders, who are often young managers with several years of work experience. It is necessary to provide many more guarantees compared to abroad to even receive a

minimum of entrepreneurial credibility. Italy has potential that struggles to emerge; there is a lack of funding, organization, and methodologies. The latter is quite primitive and lags far behind the international trend. If you gain experience in foreign accelerators, you acquire many insights that are undervalued or not even considered in Italy. This gap with foreign ecosystems is particularly noticeable with B2B startups.

In your opinion, what is the level of support and assistance that startups receive from government institutions and investors in Italy?

The foreign investment system is much stronger compared to the Italian one. In addition to the previously mentioned concept where venture capital firms require many more guarantees and skills, there are many more tools abroad for raising equity. Abroad, there is a 'multiplier' that allows you to grow much faster with the same efforts. Structurally, investments are very different: they happen more easily because they require less bureaucracy and have a much higher value. In Italy, given that it is a culturally thrifty country, investments are quantitatively lower. Nevertheless, it is true that the conservative Italian mindset protected us from the Silicon Bank bubble. Today, abroad, the number of investments issued has decreased, but the amounts are much larger compared to those in Italy. For an Italian founder, unfortunately, it is very difficult to secure foreign funding if their startup doesn't serve the market of the country where the investors are based.

Have you ever considered the idea of expanding your startup abroad? Why or why not?

Yes, in my sector, e-commerce, the English market is much more profitable and developed. However, it's just a matter of internationalization, so the headquarters must remain in Italy. Partly out of patriotism, because it's nice to think that an Italian startup has impacted the European market, partly for social reasons. Furthermore, once you've achieved success in Italy, starting a new startup becomes much easier.

What are the main factors that could drive you to develop your startup abroad instead of staying in Italy?

The startup must be born with a European, not Italian, mindset. This is necessary to overcome internal barriers and to encourage foreign investment. Startups, therefore, need to be 'Born Global' because the Italian market is too small and unresponsive to innovation. Moreover, there is much more capital available: an Italian startup struggles to raise capital from abroad, but it's necessary.

What do you expect to achieve or learn through the international expansion of your startup? Do you have specific expectations regarding foreign markets or connections with international partners?

My startup has already had the opportunity to gain experience abroad. The goal is to enter the English e-commerce market to expand the offerings and increase profits.

MICHELE SOLDI, DIGIMAKER3D, SEED

What is your opinion on the startup ecosystem in Italy? Do you consider it favorable or unfavorable for entrepreneurial development?

The ecosystem is highly unfavorable. A startup looking to grow in Italy has access to many services (banks, support organizations, accelerators...), but they all come at a cost or require guarantees. Some organizations, for instance, set such high demands that they become hardly usable. For example, some coworking spaces ask for a monthly fee and a share of the company's equity. This approach is absurd and counterproductive because these institutions should assist startups at a stage when they don't have much money and need to be very cost-conscious. In France, for instance, there are hubs that don't require an upfront payment but heavily support startups and take equity later. The services offered are of high quality but quite generic; they help a lot with the legal and bureaucratic aspects but less so with the entrepreneurial side. Additionally, in Italy, there is an excessively burdensome bureaucracy. It's not that it's wrong; it's just too much: every time, all the procedures completed never seem to be enough. For example, in my case, I had to open a chemical laboratory, and I had to spend a lot of time and effort sending applications to both the municipality and the region because these two entities don't communicate with each other. There is also a factor that is partly subjective and partly systemic, which doesn't favor entrepreneurship in Italy. While there are many accelerators and incubators offering mentoring programs, they are not always enough. Many founders, after completing the initial program, seem to remain "lost". This appears almost like indefinite procrastination; many founders continue to be perpetual "students" because they rely on programs that refine what they already partially know. So, there is both a subjective factor, as many founders may not have the right entrepreneurial mindset, and a gap in the system where startups don't know what to do after completing a program and are left to fend for themselves.

In your opinion, what is the level of support and assistance that startups receive from government institutions and investors in Italy?

Investors provide money based on the project. Angel Investors always ask to see the product and test it; simply convincing them verbally is not enough. The investor, therefore, wants concrete evidence; they are very empirical. If it is proven that the offered solution is functional and truly has an impact on the market, then a favorable environment is created. It is easier to obtain funding from long-experienced investors with significant capital to diversify. Beyond just money, these individuals can introduce you to a valuable network for the startup and bring essential knowledge. A beta version of the product is much more appreciated than market validation. Despite all the efforts required to secure investment, in Italy, we are much more hesitant: if you ask for 100, they give you 10. Abroad, if you ask for 100, they give you a million.

Have you ever considered the idea of expanding your startup abroad? Why or why not?

Yes, as soon as possible. I am evaluating the country in which to relocate the headquarters of the startup, considering both the level of taxation and where the market for my product is more attractive.

What are the main factors that could drive you to develop your startup abroad instead of staying in Italy?

Beyond the overly complex bureaucracy, the Italian market lags significantly behind, making it difficult to achieve substantial results in innovation. There is curiosity, but it doesn't go much further; there isn't a strong drive for innovation. Italy is not the first to adopt technology; we're probably among the first to invent it, but then we sell it abroad. In Italy, we tend to follow rather than lead. Markets originate in foreign contexts, and they only arrive in Italy after years of success elsewhere.

What do you expect to achieve or learn through the international expansion of your startup? Do you have specific expectations regarding foreign markets or connections with international partners?

I would like to find a fertile environment for my startup that recognizes my technology.

EMANUELE CHIUSAROLI, HANDY SIGNS, SEED

What is your opinion on the startup ecosystem in Italy? Do you consider it favorable or unfavorable for entrepreneurial development?

Topics related to the development of the startup ecosystem in Italy are very complex and should be approached with an analytical mindset and without prejudice in order not to risk focusing only on the problems and overlooking the opportunities. First and foremost, in my opinion, it's necessary to clarify that the development of an ecosystem depends on numerous dimensions, including perhaps the most important ones:

- Legislation
- Development of platforms and incubation/acceleration hubs
- The role of Large Corporations
- The Venture Capital system

I intentionally placed the latter dimension at the end because it is generally the first thing that comes to mind when discussing this topic, which may indicate an approach to the problem that is not entirely correct. Let's proceed in order.

Legislation: In Italy, the law regulating startups has been active since 2012 and has certainly contributed to the growth of the movement, thanks to both tax benefits and the definition of the regulatory system. However, there are some aspects that could certainly be improved, including in my opinion:

Regulations governing equity crowdfunding, which are still too rigid compared to the Anglo-Saxon system, and where the roles of certain institutional entities such as platforms and banks are not entirely clear.

The costs of establishing and managing startups, which have been equated with those of ordinary companies and, in the case of online registration, have even reverted to traditional Notary activities.

In general, bureaucracy and the maze of tax and procedural requirements that require the support of more than one professional firm, driving up management costs without adding any value to the business.

Incubators/Accelerators: In this regard, Italy has made significant progress, and today we can observe many qualified institutional incubators and accelerators supporting startups in their growth. From my limited experience so far, the limit I see in the interesting

incubator system is the limited ability to bring startups to market, facilitating that crucial step “from zero to one”, which is the start of commercialization and, therefore, the production of metrics of interest to investors. In this regard, it would be important for incubators to enter into co-investment agreements with major players to allow the development of pilot projects, *PoCs*, and similar initiatives to bring startups to market in a protected, monitored, and simpler way compared to the current situation.

This brings me to the role of Large Corporations: Italy has an economic fabric historically based mainly on SMEs and family-run micro-enterprises; many Large Corporations have been acquired by foreign giants over time (see, for example, the case of the Large Food Retail) and therefore no longer have the inclination to invest in the 'Italy' ecosystem. The few remaining Large Corporations, such as ENI, ENEL, FIAT, TIM, and so on, have the task of supporting the startup ecosystem not only with their corporate Venture Capital (e.g., TIM Ventures) but above all with investment programs in innovative vertical solutions that can boost the development of startups in that segment and, consequently, the company itself. Initiatives like ENI Joule and others in the same vein are important, but the impression is that they are still few and especially with funding that does not match the explosion of ideas, creativity, and entrepreneurship that characterizes the fabric of Italian startups from the ground up.

Finally, Italian Venture Capital, i.e., the availability of financial resources. Unfortunately, the impression is that many startups primarily seek funding through public tenders, which have lately also been funded within the framework of the *National Recovery and Resilience Plan (PNRR)* and for this reason, provide many more resources than in the past. Unfortunately, the disadvantages of public finance remain the same as always, namely, disbursement times that are too slow compared to the speed of Go to Market required by startups and the management of final accounts that are too complicated and costly. Why does this happen? In my opinion, based on my personal experience, the problem stems from the fact that the so-called 'Wannabe Ventures' (quote.) require startups in the pre-seed and seed stage to provide metrics that startups at that stage often cannot collect.

It's a bit like asking someone who is planting a tomato field for the metrics of harvested tomatoes: the number, size, quality, and so on. To obtain this information, it will be necessary to wait for the first harvest, but if no one is willing to invest in the planting stage, there is a risk that the harvest will never come. Without metaphor, I subscribe to the current of thought that in the pre-seed and seed stages, the primary criteria for

evaluation should be the team, the market segment, the innovativeness of the solution, and execution capabilities, rather than market metrics. Especially because when a startup is already in the market and collects favorable metrics, it can certainly access a capital market that goes far beyond national borders, where the funds available for startups with good ideas and good metrics have one or two additional zeros. This unfortunately is the reason why some Italian startups have ultimately been funded by European or American Venture Capital firms: Italian VCs do not have that risk appetite that allows them to invest small stakes in pre-seed and seed startups that can later.

In your opinion, what is the level of support and assistance that startups receive from government institutions and investors in Italy?

In this case, it is necessary to evaluate in depth what is meant by “government institutions”. On one hand, in Italy, one encounters the fragmentation of institutions among the central government, regions, provinces, municipalities, and entities. On the other hand, the relationship with institutions is always influenced by politics, which unfortunately has not always performed at its best over the years. While, as mentioned in the previous response, a significant portion of funding for Italian startups comes from regions that act as intermediaries for European funds, it is also very challenging to reach agreements, for example, for the development of a primary service for Local Health Authorities (ASL) because the intersection of competencies on specific issues can sometimes be destructive. In my experience, to authorize a trial of an online Video-Interpreting service for Italian Sign Language (LIS) for Deaf citizens in a hospital, it was necessary to engage with the Regional Health Department, the relevant ASL, the hospital management, and the relevant Hospital Department. We have yet to see progress in this regard. It's a different story when it comes to institutional investors: setting aside the banking system, for which we know that the criteria for granting credit to startups do not differ significantly from those for any other company, there is the interesting case of *Invitalia*. *Invitalia* is responsible for providing publicly funded financing at favorable rates (with a grant component for companies in the South) to companies that present innovation initiatives with growth and international expansion prospects. Personally, I hope that transparency regarding the criteria and, most importantly, the results of the allocation of these funds will be provided as soon as possible, because sometimes it is difficult to understand the logic followed by the Technical Committee when looking at the winning projects and the rejected ones. Finally, it must be emphasized loudly by *S.r.l.*

companies, which make up most of the startup ecosystem, that even in the 2022 Budget Law, the Microcredit tool had been extended to *S.r.l.* companies, with financing of up to 100,000 euros. However, this law has not yet been incorporated into the implementing regulations to be issued by the Bank of Italy. Consequently, two years after its enactment, this law is still not operational to provide its benefits to the startup ecosystem.

Have you ever considered the idea of expanding your startup abroad? Why or why not?

The startup of which I am the CEO is called *Handy Signs*, and it specializes in developing an Artificial Intelligence-based *Italian Sign Language (LIS) Interpreter*. This is a project inherently intended for international expansion because there are over 144 Sign Languages in the world, and only considering *American Sign Language (ASL)* and *Chinese Sign Language (CSL)*, we are talking about several million Deaf individuals who sign in their own respective sign languages. *Handy Signs* already has an international expansion strategy based on validating the technology and business model in Italy to create a replicable model for any other Sign Language in the world.

What are the main factors that could drive you to develop your startup abroad instead of staying in Italy?

Handy Signs was founded to develop an LIS Interpreter, specifically focused on Italian Sign Language (LIS) and aimed at Italian Deaf citizens. As mentioned in the previous point, the validation of the 'Italy case' serves as a foundation for international expansion, which, however, does not preclude maintaining operations in Italy and, consequently, the company's headquarters here. The decision to permanently relocate abroad, potentially closing operations in Italy, could only occur in conjunction with two fundamental factors: the failure of the go-to-market strategy targeting the B2B segment of Italian companies that offer counter services, and simultaneously securing funding from a UK or USA-based fund for business development in those respective countries.

What do you expect to achieve or learn through the international expansion of your startup? Do you have specific expectations regarding foreign markets or connections with international partners?

The international expansion of *Handy Signs* will definitely allow us to scale vertically because we are moving from an Italian market consisting of approximately 100,000 sign language users in LIS (Italian Sign Language) and around 70,000 service points to

citizens, to a market, for example, the USA, consisting of at least 1 million sign language users in ASL (American Sign Language) and probably ten times the number of service points and private activities potentially interested in the service. In terms of learning, there will obviously be the entire phase of creating the dataset (a database of images and videos of signs in the language of the foreign country, e.g., USA) and, consequently, the phase of learning the specific Sign Language (e.g., ASL), which will be exciting, as well as connecting with the Deaf community that in the USA identifies with its own 'Deaf' pride, living deafness as a characteristic rather than a disability. Regarding foreign markets, I have no specific expectations, in the sense that I anticipate different challenges compared to the Italian market but certainly greater difficulties in entering as an outsider. Regarding international partners, however, I am more optimistic because in some environments, especially in the UK, which I have had the opportunity to get to know in the past, I have found more 'vision' and ambition compared to Italian companies, which, from my point of view, appear to have a more short-term-focused vision and are therefore less inclined to projects with a long-term perspective.