



Country Profile for Italy

Identification of Existing State of Business Incubation

SUPER – Start-Up Promotion for Entrepreneurial Resilience
Erasmus+ | Key Action 2 | Knowledge Alliances
Grant agreement number: 2015-1-SK01-KA203-008915
Project Duration: 36 months, 1/9/2015 – 31/8/2018

Output 2
Result 2.1.3



Table of Contents

Executive Summary and Main Findings.....	2
The State of Play of Business Incubation in Italy	4
Business Incubation in Italian Universities	11
References	14



Executive Summary and Main Findings

Italy has a long tradition of entrepreneurship support system and business incubation: Small and Medium Enterprises (SMEs) represent the bulk of the economy both in terms of GDP contribution and employment. Notwithstanding the experience in promoting SME development, when it comes to business incubation there seems to be a generalized lack of clarity in definitions and characterization of the various players of entrepreneurship support and infrastructure. This is particularly the case when it comes to distinguishing between accelerator, incubator, facilitator, Technology Park, business innovation center, technology transfer office (in a university).

In an effort to promote innovation and growth, and clear the ground from uncertainty, the Italian Government passed legislation in 2012 to provide for a universal definition of “innovative start-up” as a company primarily engaged in research and technological development, endowed with scientific human capital and IPRs. The same law provides for a mechanism of certification of business incubators. At present there are 32 certified incubators in Italy.

Within Italy, UNI Cube, the association of business incubator at university level, with some 39 university incubators operating in Italy, launches national competitions and awards to promote entrepreneurship at university level.

Despite the national association, there is a plethora of entrepreneurship support mechanism at university level, ranging from information to incubation, making it difficult to identify the exact role, structure, types of services, funding mechanisms, staffing, and other elements of the business incubation system at university level. There is not a single unified mapping of those entrepreneurship support systems at national level. It seems then that there may be some overlap at local level among the various actors involved in entrepreneurship promotion (i.e. Chamber of Commerce, incubators, business associations, business angels, tech parks, and then the University as a system).

A recent study from the Italian Central Bank captures the essence of the business incubation system in Italy. The overall picture depicts a relatively uneven scenario with pockets of excellence in the Northern part of the country and lower effectiveness in the South. Moreover, there is a generalized propensity to rely on public resources (either local, national or EU) to cover running costs. In sum, the following characterize business incubation in Italy:

Geographic differentiation: incubation appears to be more efficient and effective in the North, with a higher concentration than the South of private and/or for-profit incubators with higher success in terms of firm creation, survival rates, length of stay of tenants;

Sectorial bias: most of the business incubators seem to have a sectorial prevalence of services, ICT and technology, with lower intensity of other innovative sectors like cleantech and biotechnology;

Polarization: with a small number of incubators (mostly private) that attracts the majority of business ideas
Modest efficiency rates: compared to EU averages on performance and management indicators, Italian BICs lag behind: from “idea” to “enterprise”, German BICs have a 47% conversion rate, against the EU average of 10.6 and Italian 9.6%





The State of Play of Business Incubation in Italy

In Italy there are 24 Business Innovation Centers scattered across the national territory with a higher concentration in the North. Italian BICs provide the following services

- Feasibility Studies
- Firm Creation
- Business plan support

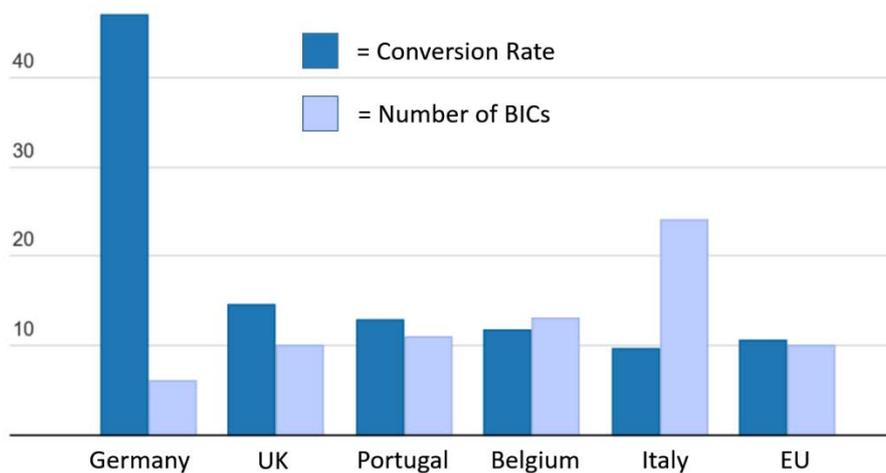
Compared to EU averages on performance and management indicators, Italian BICs lag behind: from “idea” to “enterprise”, German BICs have a 47% conversion rate, against the EU average of 10.6 and Italian 9.6%

Table 1. Conversion Rate and Number of BICs – Selected Countries and EU

Country	Conversion Rate	Number of BICs
Germany	47	6
UK	14,5	10
Portugal	12,8	11
Belgium	11,7	13
Italy	9,7	24
EU Average	10,6	10

Source: Gli incubatori d’impresa in Italia,2014, Bank of Italy

Exhibit 1. Conversion Rate and Number of BICs – Selected Countries and EU



Source: <http://www.wired.it/economia/start-up/2014/03/07/incubatori-startup/>

Italian BICs appear also to be significantly overstaffed compared to the rest of Europe: 50% of Italian BICs have between 15 and 25 staff members, while 72% of EU BICs have between 3 and 14 units of staff.



While at European level the BIC procures the money to finance its activities knocking on the door of several investors, in Italy *the business angels* and *venture capital* are the great absent. The major financing sources in Italy are the *seed* funds, the money invested in the testing phase of an innovative idea.

Table 2. Financing of BIC – Italy and Europe (%)

Seed		Business Angel		Venture capital		Public financing	
IT	EU	IT	EU	IT	EU	IT	EU
58.6	22.7	1.28	18.74	12.29	20.57	28.14	38.02

Source: Gli incubatori d'impresa in Italia, 2014, Bank of Italy

- There is fragmentation of the incubation system in Italy with diversity in organizational models, operational mechanisms, capacity and servicing
- The majority of incubators are public (or publicly funded)
- Management seems to be a considerable issue for most incubators that need to request financial contributions from the public sector (especially local authorities) to break even
- Service provision is focused mainly on logistical support (i.e. premises). Fewer incubators offer more sophisticated services, such as tutoring, mentoring and networking
- Regional disparities persist in the incubation system across the board: there seems to be a difference in capacity, servicing and management between the incubators in the North (more resilient) and the South (more reliant on public sector)
- There is a system strongly polarized, with a small number of incubators (mostly private) that attracts the majority of business ideas
- On average, the number of applications received from each incubator is low and significantly lower than their homologues in Europe (European BIC)
- Companies that have taken the path of incubation mainly act in areas that require low entrance investment (such as professional services and internet), or those in which business models are fairly easy to start and little risky, but have limited growth prospects (like in the *cleantech*)
- Italian incubators seem mainly involved in the preliminary stages of definition of the business idea, with decreasing involvement and servicing after “firm creation”
- About two thirds of incubators are public

Table 3. Geographic distribution of public and private incubators in Italy

Area	Public %	Private %
North West	50.0	50.0
North East	58.8	41.2
Centre	58.8	41.2
South	90.9	9.1
National Level	63.6	36.4

Source: Bank of Italy

- In the South there is a predominance of public / publicly funded incubators
- In the North East there is the highest presence of for-profit incubators



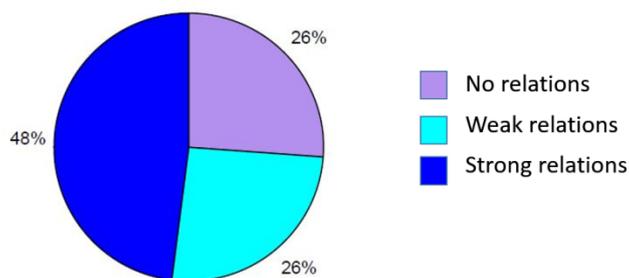
Table 4. Distribution of profit and not-for-profit incubators in Italy

Area	Not-for-Profit %	For Profit%
North West	71.4	28.6
North East	66.7	33.3
Centre	73.3	26.7
South	100.0	0.0
National Level	73.8	26.2

Source: Bank of Italy

- About three-quarters of the incubators have links with universities or research institutes
- 26% do not have any relation with universities and research institutes
- Generally the incubators with a profit orientation have no relation, or have weak relation with universities or research institutes

Exhibit 2. Degree of interaction/relation between BIC and universities or research institutes



Source: Bank of Italy

- The incubators have on average 16 employees
- Employees of the incubators are used prevalently in direct service of companies and only in small part i are in the incubator staff
- The institutional objectives pursued by incubators are mainly job creation in the geographical area and the creation or acceleration of industrial growth at the local level.
- The Creation of international partnerships is considered less important (Table 5)



Table 5. Institutional objectives of incubators

Objectives	Not important (%)	Important (%)	Very important (%)
Job creation	7.1	5.5	87.3
Creation or acceleration of industrial growth	10.9	5.5	83.7
Generate income for partner organizations	22.5	15.9	61.6
Generate additional benefits for partner organizations (e.g. academic spin-off)	27.8	20.4	51.8
Technology commercialization	29.7	24.1	46.3
Creation of international partnership	37.1	24.1	38.9

Source: Bank of Italy

Financial sustainability

- Considering 100 the total operating costs of the incubator, on average 47 % is attributable to the facilities (for example, property management, Internet, telephone, laboratory management), 22 % to business advice offered directly by the incubator and 7 % to business advice offered by external parties.
- For nearly three quarters of the incubators operating revenues do not cover administrative costs
- On average, the share of costs not covered by revenues is equal to 41%
- To cover the deficit, incubators usually address local or national public authorities or are aided by the direct intervention of the shareholders, or utilize EU funds

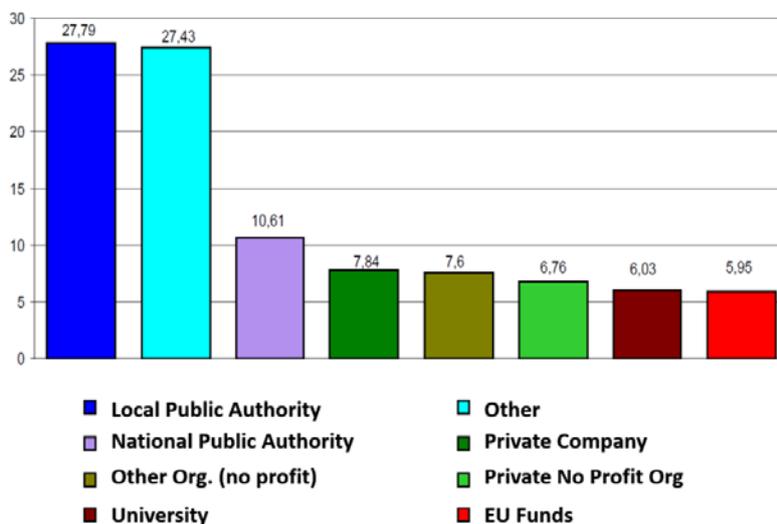
Table 6. Sustainability of BICs: share of costs not covered by revenues

Area	Value %
North West	15,8
North East	46,4
Centre	57,0
South	30,9
Italy	40,98

Source: Bank of Italy



Exhibit 3. Other sources of funding to cover costs



Source: Bank of Italy

- The first class of services offered by incubators is represented by the “base package”: Logistic services like office space or facility (including utilities and support, i.e. Internet, telephone, secretary) generally offered directly by the incubators and activity of tutoring and mentoring.
- The second class of service is represented by the management activity for external relations like networking with institutions research, networking with customers and suppliers and with consulting company.



Table 8. Services offered by incubators (as % of total service provision)

Services	Offered directly by incubator	Offered by third parties in agreement with incubator	Nor directly nor in agreement (Offer is already on the territory)	Service in which the incubator is more identified
Facilities	89.7	3.4	1.7	20.7
Activity of tutoring and mentorship	75.9	27.6	13.8	50.0
Activity of networking with research institutions	77.6	6.9	19.0	27.6
Activity of networking with customers and suppliers	51.7	13.8	31.0	6.9
Activity of networking with consulting company	46.6	15.5	31.0	3.4
Marketing assistance	55.2	25.9	29.3	10.3
Recruitment of key figures for the enterprises	20.7	24.1	46.6	1.7
Access to access to equity funding source	53.4	29.3	19.0	20.7
Access to the source of debt financing	37.9	22.4	32.8	10.3
Administrative services for enterprises	32.8	34.5	41.4	10.3
Services to support management of intellectual property	37.9	36.2	29.3	12.1
Legal services	21.1	37.9	48.3	0.0
Other	13.8	1.7	6.9	8.6

Source: Bank of Italy

Tutorship and mentorship activities are more important for large (hosting more than 20 start-up) incubators, as well as services, logistical and networking activities with research institutions. Access to finance appears more important for medium and small incubators. Small Incubators are really interested in networking activities of various kinds and in administrative and bureaucratic support

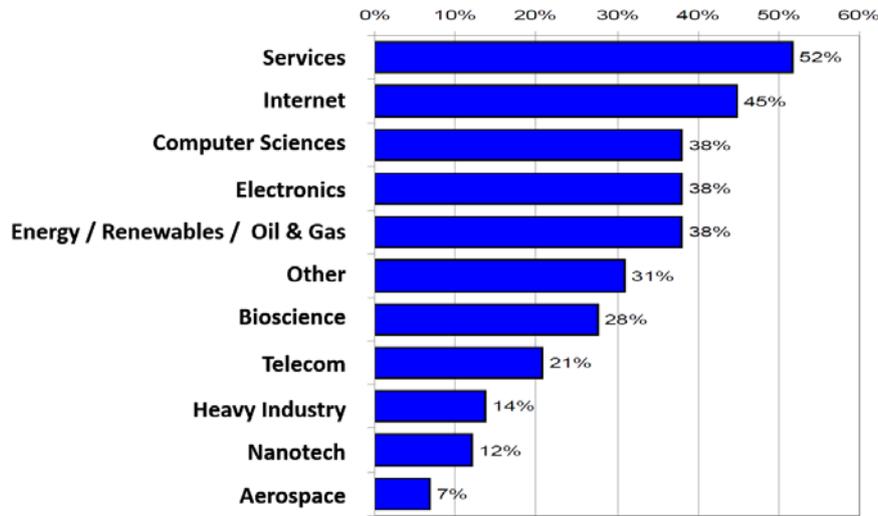
About half of the incubators claim to have received in average less than 10 business plan proposals in the last five years: 22% of incubators have received more than 50 business plan proposals. 14% more than 100 business plan proposals.

There is a system strongly polarized, in which a small number of incubators attracts most business ideas (about 80%), while the remaining receive on average a few proposals per year. The incubators that receive the highest number are private, profit and are not related to / associated with universities

The three main sectors represented in the incubators are; services, Internet and energy, with very small presence of aerospace, nanotechnology and bio-sciences. Incubated companies that have taken the course of Incubation seem to operate mainly in areas requiring relatively low entrance investment, as in the case of services and the Internet or low risk investment



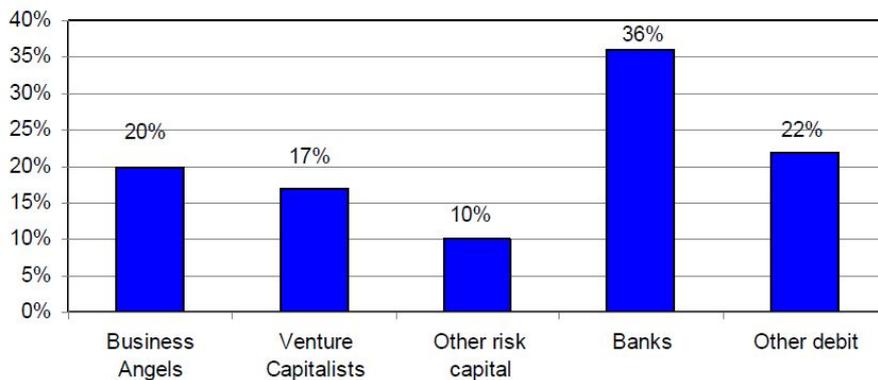
Exhibit 4. Sectoral distribution of companies (percentage)



Source: Bank of Italy

- The involvement level of the incubator is higher in the initial stages of inception in which the idea is transformed into business plan.
- The degree of involvement of the incubator seems to decrease in the later stages of implementation, in the phase of the commercial development of the startup and raising of capital.
- On average, enterprises remain in the incubator for about 39 months, longer than in European BIC.
- 72 % of incubators put a time limit on the stay of business within their own spaces that, on average, is equal to 48 months.
- On average, 32% of start-up receive external funding during the incubation period;
- Of these 20% received funding in venture capital from *Business Angels*, 17% from *Venture Capital* and 10% from other sources.
- 36% received financing in debt capital from banks and 21 percent contracted other debts.

Exhibit 5. External financing to businesses



Source: Bank of Italy

The median value of the share capital at the moment of the establishment of incubated companies amounted to 10.000 euro; only in 14 % of cases did this amount exceed 50,000 euros.



Business Incubation in Italian Universities

The idea behind the academic incubator is to bring together talent, technology, capital and know-how to enhance the entrepreneurial spirit within the academy, encourage the creation of new innovative companies and therefore accelerate the commercialization of technology.

Business incubators guest start-ups in their facilities for a relatively long period of time, as well as provide mentoring and tutoring, networking and access to finance related services. According to the National Business Incubation Association, 80% of incubated businesses survive their first three years of life compared to 35-40% of the average non-incubated start-up.

University incubators can typically also assist external clients and turn to entrepreneurial projects business ideas that do not necessarily come from the university; in this case, the incubator is a privileged platform of networking and collaboration with the academic environment.

Accelerators of enterprise can be considered as an evolution of the business model incubator. The accelerator programs generally have a very short duration, a few weeks or at most a few months, during which the selected projects receive the support and the sufficient funds to bring the project from a conceptual stage to a first stage of implementation.

While the specific mission of the incubators is to provide targeted support to keep the company alive in the early years of operation, reducing the failure rate, the accelerator model aims to increase the value of the start-up. Normally accelerators offer a seed or pre-seed capital in exchange of participation in the *equity*, this element is not always present in the incubators. The strengths of the accelerators can be identified in the speed (with short programs) and in *seed investment* for the initial launch of start-ups.

In addition to providing a definition of “innovative start-up”, the Italian Law no. 221 of 2012 introduced a further entrepreneurial concept of *Certified Incubator*. The qualification of certificate incubator is acquired through registration in a special section of the Business Registry (Registro delle Imprese). The Law 221/2012 defines certified incubators as capital companies (including cooperatives) that provide targeted incubation and acceleration services designed to support the creation or development of innovative start-ups¹. To obtain certification, these structures must meet certain requirements: for example, the incubator must have adequate buildings and equipment, and a technical and management structure of recognised competence. It must also be engaged in collaborative relationships with universities, research centres, public institutions and financial partners. Certified incubators must also have sufficient experience in supporting innovative start-ups.

¹ The Law provides a definition of “start-up” as those enterprises that:

- a) have been operating for at least four years;
- b) have its head office in Italy;
- c) have annual sales of less than 5 million euros;
- d) do not distribute profits;
- e) are engaged solely or primarily in technological innovation;
- f) do not have been created from a corporate merger or division or following the divestment of a company or line of business;
- g) meet at least one of the following additional criteria:
 1. devote at least 15% of its expenditure to Research and Development (R&D) activity;
 2. have at least one third of its team composed of PhD students or graduates, or of personnel who have been working in research for at least 3 years; alternatively, at least two thirds should hold a master’s degree;
 3. be the owner, filer or licensee of a patent, industrial property right, or original registered software.



- There are about 39 structures between incubators and accelerators promoted by Italian Universities, of which 6 requested and obtained certification as “Incubator Certificate of Innovative Start-Up”. The majority of these structures are incubators and only 3 have the characteristics of the accelerator (*Technogrowthof Università degli Studi di Udine; Luiss Enlabs dell’UniversitàLuiss; Acceleratore del Polo Tecnologico di Pavia*).
- A significant number of universities, even without an incubator, have formed partnerships with public or private structures already present in the territory, providing a significant contribution to the operation of these incubators.
- The High School Sant’Anna of Pisa has a partnership with two incubators of Peccioli e Pontedera, established within *the Local Development Programme of Research and Innovation* in Valdera (PRIV);
- The University of Pisa has a partnership with the technological incubator of Polo Tecnologico di Navacchio and University of Ferrara with the incubator of Polo Tecnologico di Ferrara.
- Other Universities have created partnership with private incubator.

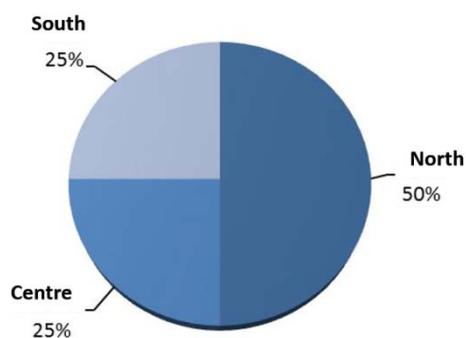
Table 9. List of Business Incubators in Universities

1. Almacube	21. Università della Calabria
2. Consorzio Sapienza Innovazione	22. Università del Salento
3. I3P – Incubatore di Imprese Innovative del Politecnico di Torino	23. Università degli Studi di Sassari
4. Innovation Factory	24. Università degli Studi di Palermo
5. Luiss Carlo Guidi	25. Università degli Studi di Messina
6. Politecnico di Milano	26. Università degli Studi di Ferrara
7. Scuola Superiore Sant’Anna Pisa	27. Università degli Studi di Camerino
8. Trentino Sviluppo	28. Università degli Studi di Cagliari
9. Università degli Studi di Udine	29. Università degli Studi di Bari
10. Università Federico II di Napoli	30. Università degli Studi dell’Aquila
11. Università degli Studi di Padova	31. Università degli Studi del Piemonte Orientale
12. Università degli Studi di Trieste	32. Università degli Studi del Molise
13. Università degli Studi di Perugia	33. Università Commerciale Luigi Bocconi di Milano
14. Università degli Studi di Torino	34. Università Ca’Foscari di Venezia
15. Università degli Studi di Milano	35. Università degli Studi di Modena e Reggio Emilia
16. Università Cattolica del Sacro Cuore di Milano	36. Università degli Studi di Macerata
17. Università degli Studi di Pisa	37. Università degli Studi di Roma Tor Vergata
18. Università degli Studi di Firenze	38. Università degli Studi Mediterranea di Reggio Calabria
19. Università degli Studi di Verona	39. Università degli Studi di Catania
20. Università Lum Jean Monnet della Puglia	

Of the 39 academic structures, it appears that most of the Italian academics incubators and accelerators are located to the north (Figure 6) although, looking at the number of structures for universities, in first place ranks the University of Salento which has three incubators, followed by the University of Udine, the University of Bologna, University of Pavia who have two. All other universities stop at one incubator or accelerator.



Fig. 6 Distribution of Italian academic incubators and accelerators



Source: Bank of Italy

Generally the recipients of Italian academics incubators and accelerators are new companies with high technological content, both from the academic world (academic spin-off) and external to the university (start-up).



References

- Banca d'Italia, *Gli incubatori d'impresa in Italia*, 2014, <http://www.bancaditalia.it/pubblicazioni/altri-atti-convegni/2014-innovazione-italia/Auricchio-Cantamessa-Colombelli-Cullino-Orame-Paolucci.pdf>
- ISFOL, *Indicazioni per la programmazione e la realizzazione di iniziative per l'educazione all'imprenditorialità* 2013, <http://www.fidae.it/news/21-12-15-isfol-educazione-all-imprenditorialita-2015.pdf>
- PNI CUBE, *Ricerca spin-off, incubatori, strategie ed opportunità per le università italiane*, 2007, <http://pnicube.it/wp-content/uploads/2015/04/Ricerca-PNICube-2007.pdf>
- WIRED, *Incubatori di startup: ecco cosa non funziona nel business dell'innovazione italiano*, 2014, <http://www.wired.it/economia/start-up/2014/03/07/incubatori-startup/>