

## ABSTRACT

### Start-ups and successions as economic drivers

This study examines how the South Tyrolean economy positions itself in relation to entrepreneurship: How high, for example, is the intensity of start-ups and closures in comparison to national and European regions? What should be considered when interpreting these key figures? What other forms of entrepreneurship need to be examined to obtain a comprehensive overview? To answer these questions, the official statistics on start-up activity (e.g. start-up rate) are processed. In addition, the new entries in the commercial register of the Chamber of Commerce of Bolzano are classified according to a uniform methodological framework developed by Eurostat. Finally, the characteristics and challenges of start-ups and successions, the two most common forms of entrepreneurship, are surveyed in a representative manner.

With an average rate of 5 start-ups per 100 active companies, South Tyrol is at the bottom of the league in Italy. On the other hand, South Tyrol has the lowest closure rate in Italy and is also below the European average. In addition, more than half of the start-ups in South Tyrol survive the first 5 years, significantly more than in national and European comparison. At first glance, the low start-up dynamics in South Tyrol therefore provide little information about the economic development or competitiveness. One reason for this is that all forms of entrepreneurial initiative must be taken into account. For example, not all entries in the commercial register of the Chamber of Commerce of Bolzano are start-ups. Although the

majority (nearly 60 percent) are start-ups, 17 percent are successions. A further 5 percent result from corporate demographic events such as joint ventures or mergers. The remaining registrations (18.9 percent), on the other hand, are mainly changes in the legal form of existing companies.

The two most common forms of entrepreneurship, start-ups and successions, have some similarities, but also many differences. For example, two thirds of start-ups are active in 'Other services' and trade, while two thirds of the successions are in the tourism industry. In gastronomy, the successions outside the family predominate, whereas in hospitality, the successions within the family prevail.

Start-ups start small, often even as part-time activities, while successors continue the business of already existing and hence larger companies. While only one out of five active companies in 2012 was run predominantly by women, this proportion rises to 40 percent in successions. In the case of start-ups, on the other hand, the proportion of women-led companies is only one fifth. In addition, a quarter of all new start-ups and successions from outside the family are mainly managed by persons born abroad. This share is only 2 percent for intra-family successions.

The vast majority (65 per cent) of intra-family successors name the maintenance of the family tradition as the most important motive. Since personal abilities and interests are put in the

background here, this is to be evaluated quite critically. It is also worrying that a relatively high proportion of new founders and successors from outside the family (about 15 percent) have chosen self-employment because of the threat of unemployment.

Start-ups and successions are associated with bureaucratic barriers. The effort involved in reporting to the public administration is often underestimated during the preparation phase, especially by family successors, and is therefore regarded as a major challenge. Furthermore, new founders and in some cases also successors from outside the family must build up a customer base and reach the critical sales volume of the break-even point.

Both groups are mainly financed by their own resources. Comparatively few new founders and successors can finance themselves through bank loans, whereby the financial requirements are highest in the family internal successions. In addition, 90 percent of the recipients of public subsidies consider these subsidies to be an important or very important part of the financing.

The following conclusions can be drawn from the special features and characteristics of the newly founded companies and successions.

#### **Better adapt advice to needs**

Often, new founders and successors do neither focus on personal skills nor personal interests. Initial consultations must try to get to the bottom of the potential new founders' and successors' motivation and advise against the step into the independence when critical motivations are present. The currently high proportion of companies founded by foreigners suggests that a separate consulting concept should be developed for this group.

#### **Facilitate debt financing**

Family successors often have considerable difficulties financing their business due to high financial requirements. Access to debt capital must therefore be further simplified and promoted. Public funding plays a very important role for new founders and successors. For this reason, they should be maintained as an important component of support.

#### **Strengthening female entrepreneurship**

Female entrepreneurs still play a subordinate role in the South Tyrolean economy. This study clearly shows that although female entrepreneurship is strongly represented in successions, there is still a lot of catching up to do in start-ups.