

The Enterprise generation process in Florence

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The province of Florence is one of the Italian areas that has the highest rate of entrepreneurial natality and a strong tradition of small and medium companies.

A recent survey carried out under the project Innov'azione funded by the Province of Florence has helped to understand the characteristics of this entrepreneurial natality phenomenon.

The research, specifically run by the institutes Genesis and Eurema, was based on interviews with a sample of privileged observers, on the one hand, and a sample of 500 companies (at three years from birth), on the other.

The strong points of Florentine reality arising from the interviews reside in the presence of qualified suppliers, the availability of advanced services (data processing, marketing, etc.), in proximity to other production areas and more generally in the quality of life, both residential and socio-cultural, in environmental terms.

The province of Florence is increasingly turning into an area that focuses on tertiary activities, commerce and services. This process should continue, so that in the coming years, according to opinion leaders, development in terms of new businesses will be greater in the fields of environment, tourism, social and art and culture, while development will not be very significant in industry and in the building sector.

In Florence, the share of female entrepreneurship is relatively high, while one of the most interesting phenomena of recent years is the emergence of widespread enterprises headed by immigrants (one out of ten new enterprises created), which also facilitates the social integration of new residents.

As highlighted by the research, while the enterprise generation process is intense, the mortality of new businesses is equally high, reflecting both the difficulties that businesses face in the first years of life, and the fact that often the new firm is the fruit of a transformation of pre-existing businesses.

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For 62% of respondents the entrepreneur started the business from scratch. Of the remaining 38%, some have purchased previously existing activities (15.8%), some have inherited the family firms (10.2%), some went through filiation or take overs (8.6%).

Significantly the percentage of those who see some form of innovation in their company is 32,2%.

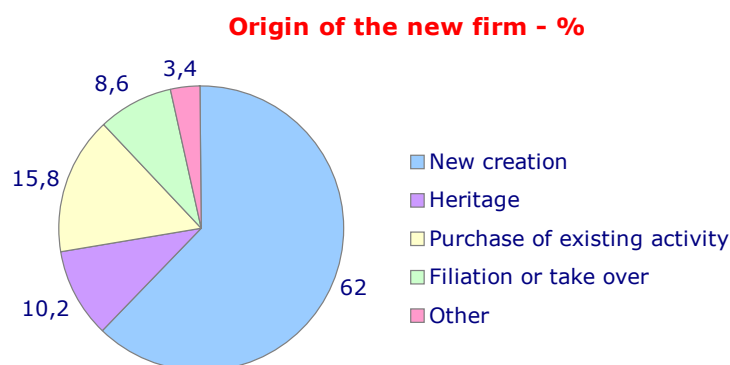
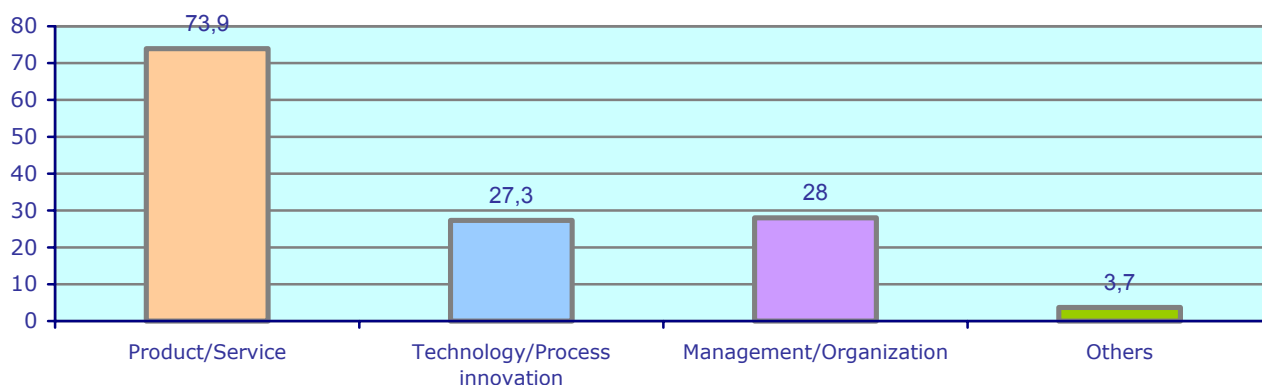


Table 1. Innovative Enterprises

	Number	%
1. Yes	161	32,2
2. No	339	67,8
Total	500	100

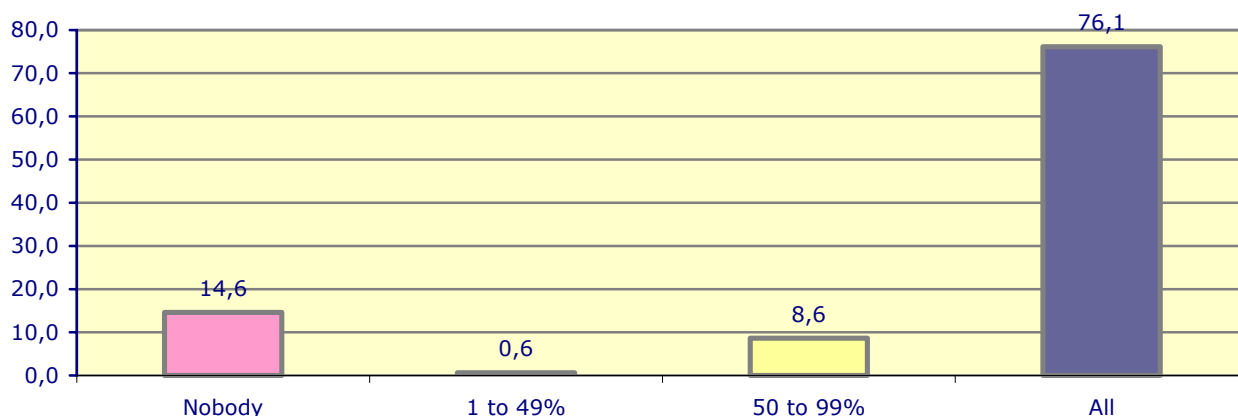
The innovations mainly refer to the product/service (50.8%), followed by similar percentages in terms of innovations in the management or at an organizational level (28%) and by technological or process innovations (27.3%).

Type of innovation



The large majority (76,1%) of the interviewed entrepreneurs come from other work experiences; only in the 14,6% of the new firms the entrepreneurs are at their first work experience.

% of owners or members with a previous employment



Among the entrepreneurs with a previous employment, 66,3% worked in the same sector.

The phenomenon of entrepreneurs with a previous experience in the same sector is more common in the industry (81,3% versus 66,3% of total sample), while less pronounced in other services (67,0%), in other sectors (58,8%) and especially in trade, where the value drops to 54,9%, approaching that of inexperienced entrepreneurs (45,1%).

Table 2. New entrepreneurs previously employed in the same sector, by sector

	Industry	Wholesale And retail	Other services	Other	Total
Yes	81,3	54,9	67,0	58,8	66,3
No	18,7	45,1	33,0	41,2	33,7
Total	100	100	100	100	100

Entrepreneurs have mainly used their own financial resources (personal money) to start the company: 64,4% has personally invested an amount ranging between 80 and 100% of the total.

Family members/friends and public funds were used for a share of between zero and 20% of the total.

The use of bank credit is more significant than the latter.

Table 3. Financial resources used for starting activities, by type

	0-20%	21-79%	80-100%	Total
Personal money	18,9	16,7	64,4	100
Family and friends	93,9	4,7	1,4	100
Bank	76,6	13,8	9,6	100
Public bodies	96,5	2,2	1,2	100
Other	95,7	1,2	3,1	100

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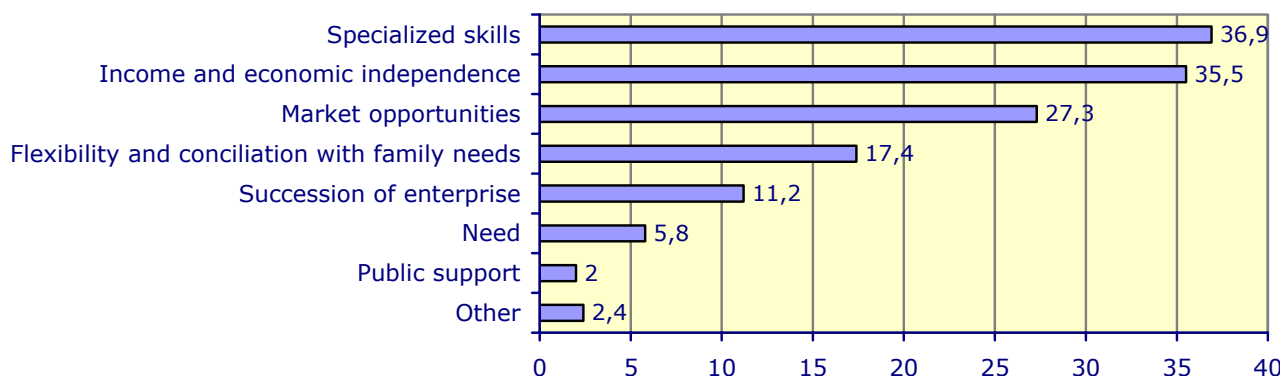
Why starting up a business?

The motivations that led entrepreneurs to start their own business are to be found first of all in the will of using special talents and skills (36,9%), together with the search for higher incomes and improvement of their economic independence (35,5%), as well as the desire to exploit specific market opportunities (27,3%).

17,4% of interviewed decided to start their own business for the desire for greater flexibility and sustainable conciliation between family and work.

It deals with in maximum part of motivations "positive", those "negative" related to the necessity don't overcome in fact 2,4%.

Reasons related to/behind the choice of starting their own business, by sector



Some differences emerge among the different sectors. If 100 is the total, it emerged that:

- in industry sector (which includes the manufacturing and building activities), the motivation linked to the exploitation of market opportunities is weaker than in the average of the sample (16,8% versus 19,7%), but the one linked to the improvement of income and economic independence is clearly higher (31,3% versus 25,6%).
- In the trade sector the desire for flexibility and to combine business with family needs is stronger (16,0% versus 12,6%), while motivation linked to possession of specific skills (24,0 % versus 26,5%) is weaker.
- In non-commercial services the most powerful motivation is linked to processes of specialized skills (28,8% versus 26,5%), while the motivation based on the improvement of income and economic independence is weaker (22,8% versus 25,6%).
- Finally, in the section 'Other', which also includes agriculture, the motivations related to the possession of specific skills (33,3% versus 26,5%) and those linked to the exploitation of certain market opportunities (23,1% versus 19,7%) are stronger than the sample average, while conversely the ones linked to the improvement of income are weaker (23,1% versus 25,6%).

Table 4. Reasons behind the choice of starting their own business, by sector

	Industry	Trade	Other services	Other	Total
1. Market opportunities	16,8	20,0	20,7	23,1	19,7
2. Specialized skills	25,2	24,0	28,8	33,3	26,5
3. Income and economic independence	31,3	25,0	22,8	23,1	25,6
4. Public support	1,5	1,0	2,2	0,0	1,4
5. Enterprise succession	9,9	8,0	6,0	12,8	8,1
6. Flexibility and conciliation with family needs	9,9	16,0	12,5	5,1	12,6
7. Need	2,3	2,0	1,6	0,0	1,8
8. Other	3,1	4,0	5,4	2,6	4,2
Total	100	100	100	100	100

Among the innovative enterprises, the possession of specific skills and competence (33,9% versus 22,9%) is far more important, while the aspiration to improve the income and economic independence (21,9 % versus 25,6%), the fact that the company arises from an enterprise succession and the desire for flexibility and conciliation with family needs are somewhat less important factors.

Less innovative companies, however, appear to be more attracted by the objectives of income and economic independence (27,5% versus 25,6%) and less attracted by the possession of specific skills and competence (22,9% versus 26,5%).

Table 5. Reasons behind the choice of starting their own business, by innovative or not innovative enterprise

	Innovative	Not	Total
1. Market opportunities	20,2	19,4	19,7
2. Specialized skills	33,9	22,9	26,5
3. Income and economic independence	21,9	27,5	25,6
4. Public support	1,1	1,6	1,4
5. Enterprise succession	6,6	8,9	8,1
6. Flexibility and conciliation with family needs	12,0	12,9	12,6
7. Need	0,5	2,4	1,8
8. Other	3,8	4,3	4,2
Total	100	100	100

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Own capital (Equity), compared to other forms of financing, is not very important.

As shown below, it is not a coincidence that the difficulty in finding capital (liquidity problems) is one of the most powerful obstacles to the start-ups and take-off of new businesses.

The difficulty in acquiring customers (37,8%) and finding capital (37,4%) are the main problems encountered by entrepreneurs interviewed in the start-up phase.

If these are to be considered as crucial elements in doing business, we must reflect on the high percentage (33,3%) of those who claim to have found difficulties relating to the complexity of complying with management and bureaucratic regulations.

It must be mentioned that a significant percentage (20%) of respondents said they did not face obstacles in starting their business.

The problems encountered in the start-up phase appear to be partly related to the sector.

- The difficulty in obtaining the capital (liquidity problems) are most felt in enterprises dealing with industrial production (23,6% versus 21,0% of the total sample).
- The difficulty in finding customers is mainly felt by enterprises in the non-commercial services (23,6% versus 21,3%) and other sectors (24,5%).

- The complexity of complying with management and bureaucratic regulations primarily concerns firms of other sectors (20,2% versus 18,7%).
- The lack or scarcity/scarcity of expertise and know how concerns primarily the trade sector.
- The problem of availability of suitable sites is especially present in industrial companies (8,2%) and those of other sectors (12,2%).
- The difficulty in finding qualified staff is stronger in the field of other services (9,9% versus 7,5%).
- The problems of matching working time with family (Conciliation between family and work) needs are strongest among companies in the trade sector (8,2%) and among those of other services (8,3%).
- Finally, the percentage of firms who say they have not encountered any obstacle in the start-up phase is the highest in the industry sector (13,7% versus 11,2%).

Table 6. Main difficulties in the start-up phase, by sector

	Industry	Trade	Other services	Other	Total
Liquidity problems	23,6	21,6	19,0	18,4	21,0
Difficulty in finding qualified staff	6,6	6,5	9,9	4,1	7,5
Conciliation between family and work	5,5	8,2	8,3	4,1	7,2
Difficulty in finding customers	20,3	19,0	23,6	24,5	21,3
Expertise and know how	3,3	6,5	5,0	6,1	5,1
Availability of suitable sites	8,2	5,2	6,2	12,2	6,8
Bureaucracy	17,6	17,7	20,2	20,4	18,7
No difficulties	13,7	13,4	7,4	10,2	11,2
Other	1,1	2,2	0,4	0,0	1,1
Total	100	100	100	100	100

Other interesting differences emerge when distinguishing between entrepreneurs who have already had experience in the same sector, and those who did not have any.

The entrepreneurs who had already worked in the field, in fact:

- suffered less liquidity problems (19,1% versus 21,0%);
- had less difficulty in acquiring customers (16,6% versus 23,7%);
- suffered more the consequences of the complexity of bureaucracy (22,4% versus 16,8%);
- feel slightly more the problem of expertise and know how (5,4% versus 5,1%);
- feel more the difficulty in finding qualified staff (10,0% versus 7,5%);
- feel more the problem of availability of suitable sites (8,3% versus 6,8%);
- conversely, feel less the problem of matching times of family and work (7, 0% versus 7,3%).

Finally, the proportion of those who declare that they have not faced particular difficulty is higher among those with experience in the same sector (9,1% versus 11,2%).

Table 7. Main difficulties in the start-up phase, by previous experience in the same sector or not

	Yes	No	Total
Liquidity problems	19,1	22,0	21,0
Difficulty in finding qualified staff	10,0	6,3	7,5
Conciliation between family and work	7,1	7,3	7,2
Difficulty in finding customers	16,6	23,7	21,3
Expertise and know how	5,4	5,0	5,1
Availability of suitable sites	8,3	6,0	6,8
Bureaucracy	22,4	16,8	18,7
No difficulties	9,1	12,3	11,2
Other	2,1	0,6	1,1
Total	100	100	100

Often, new-entrepreneurs appear unprepared, or inadequately organized to manage the more and more complex innovative factors.

As shown by the following figure, the data on the use of external services show how strictly required markedly services, such as those relating to the administrative aspects, prevail.

In contrast, the services that go beyond compliance with the law, such as business plans, feasibility studies (feasibility studies), information on public and private financing, are rarely used.

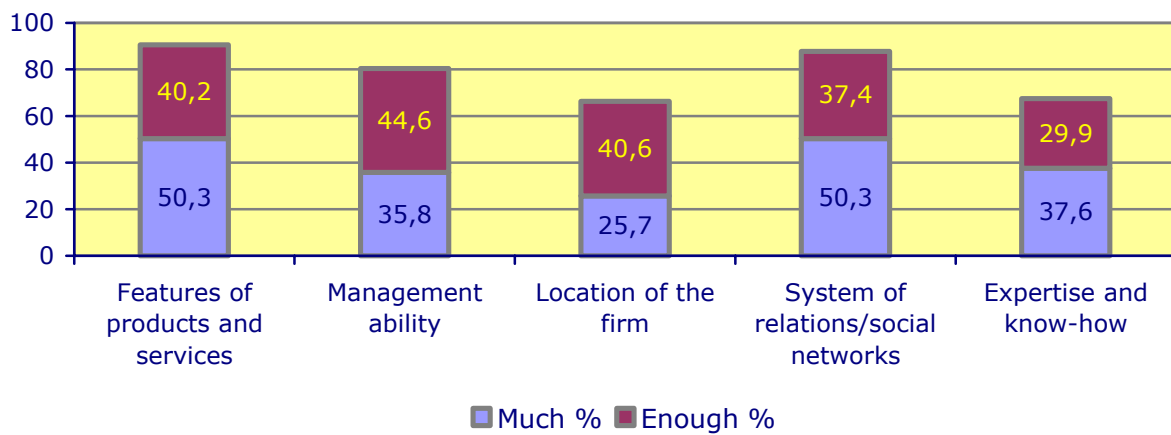
By analyzing the elements pointed out by interviewees, the specifications of products / services are considered to be the fundamental aspects contributing to the success of the firm.

As a matter of fact, 90,5% believes that this element has contributed in a positive way to the entrepreneurial success.

The system of relations/social networks (87.7%) and business management (81.4%) follow.

Much less significant is considered the contribution made by knowledge and personnel know-how (67,5%) and the location of the firm (66.3%).

Factors that have contributed to entrepreneurial success



Activities for which some form of assistance has been received (%)

