

WeP UP!

■ ■ West Pomeranian
■ ICT Start UP Hub

Executive Summary

STUDY/MAPPING ON WEST POMERANIA STARTUPS and SCALEUPS

INTRODUCTION

The 'WeP-UP - Westpomeranian ICT Start-Up Hub' is an EU funded initiative under the 'Pilot Project - Start This Up!

Its major scope is to provide a set of tools and support services for the development, internationalisation, expansion and growth of the ICT start-up ecosystem in West Pomerania.

The project involves other three ecosystems in Italy (Rome), Germany (Berlin) and Estonia.

The objective is to create connections between the West Pomerania actors operating within the region and innovation stakeholders in the other three European startup ecosystems.

The first step in the project was the development of a mapping study aimed to provide a picture of the start-up ecosystem in West Pomerania and to map startups and scaleups operating at the regional level.

The mapping study was conducted by the WeP-UP consortium in the period February-June 2018 through a methodology based on information and data collection, regional strategic documents' analysis and a survey based on a set of 10 interviews conducted with local innovation stakeholders plus 27 questionnaires gathered from regional startups and scaleups.

West Pomerania



THE OVERALL PICTURE OF THE REGIONAL STARTUP ECOSYSTEM IN WEST POMERANIA

The regional system appears still underdeveloped, fragmented and not properly backed by a supportive policy framework. Few private dedicated resources are available and a real VC market is still missing.

All interviewees agreed on the backwardness of the West Pomerania startup ecosystem compared to other Polish regions in terms of entrepreneurial attitude as well as startup culture.

Several factors have been identified as the main reasons behind this immature system:

A lack of inclination in undertaking entrepreneurial pathways, especially among young people and an adverse attitude towards the risk of failure which prevents business initiative.

Insufficient business competencies and knowledge crucial for startup creation and development (low skills in management and administration, few marketing skills).

A general lack of targeted training programmes and support schemes for business development and growth.

Few sources of funding to support the local startup system.

Small connection with the national and other international ecosystems.

A lack of targeted regional support policies for startups encouraging entrepreneurship and/or innovation investments.

In this scenario, the absence of a productive cooperation scheme among regional organisations involved in innovation and support to startups is a key weakness since it prevents the exploitation of the regional potential and synergies heavily affecting the ecosystem's growth and development.

THE OVERALL PICTURE OF THE REGIONAL STARTUP ECOSYSTEM IN WEST POMERANIA

The study mapping has highlighted regional strengths and opportunities that could be used as a leverage for a development strategy in the West Pomerania region:



The qualifications of people: the regional education system provides for highly qualified ICT technicians;



The service sector in the region is relevant and counts for about 64 % of the total Gross Value Added. Some cities, as Szczecin, are developing quickly around the opportunities offered by the growth of this sector;



There is a relevant amount of EU resources backing up the private finance sector and the public source of financing;



Despite the focus is currently more on the domestic market, companies have a good predisposition towards internationalisation;



There is a more recent trend of Universities opening-up to relations with industry and pursuing research valorisation on the market;



There are initial cases of successful companies that can inspire the next generations of entrepreneurs.

ADDED VALUE RESULTS FROM THE MAPPING ANALYSIS

The WeP-UP study mapping has generated valuable results that can contribute to a deeper awareness of the strengths and weaknesses of the regional startup ecosystem and to its future development:



A comprehensive **SWOT analysis** for the startup ecosystem, highlighting strengths and opportunities, but also gaps and areas of improvement.



An initial **list of startups** and scaleups that, in the absence of any official registry at the regional level, may represent a preliminary database to identify innovative companies and address them with targeted initiatives.



A **matching scheme** for the startup support services offer and demand showing the ideal steps in a startup growth path associated to the support services offer available in West Pomerania.



A set of recommendations for future development and growth of the regional startup ecosystem, proposed by the WeP-UP team to support the improvement of the regional ecosystem and to be shared with other ecosystems going through the same stage of development.

MAIN OUTCOMES OF THE MAPPING STUDY

Below the SWOT analysis, developed by the WeP-UP consortium, is synthetically presented.

A strategic geographical location and internal polarisation on a few cities

The region has a strategic geographical location in Europe, but its peripheral position with respect to the main Polish startup hubs is quite penalising. Polarisation around Szczecin and Koszalin, while stimulating positive cluster dynamics, also hinders the diffusion of benefits to companies located far from the two cities.

The most successful companies abandon West Pomerania and delocalise in other closer EU cities (e.g. Berlin and Scandinavian urban centres), which offer valuable opportunities in terms of finance, competencies and more mature startup ecosystems.

The ICT sector in West Pomerania

ICT-based products represent one of the smart specialisation key areas in West Pomerania, including IT services, telecommunications, electronics, optoelectronics as well as production and repair of computers and peripheral devices.

The sector is horizontal and strongly related to other industries where IT is critical for the production of equipment and instruments: medicine, optics, photography and other areas requiring ICT solutions for effective innovation.

A potentially strong R&D infrastructure and technology offer not focused on technology transfer and results exploitation

The region can count on a strong academic basis with the presence of many recognised universities, but the scientific, research and innovative potential is not fully exploited. The university staff is more concentrated on teaching. Research initiative by researchers is more the result of a bottom-up approach, than a strategic action taken by the authorities of individual universities.

Collaboration between research and industry is very limited and involves essentially big foreign companies. Scientific teams do not have an international exposure. Technology Transfer Centres (TTCs) have been set-up in almost all universities, but their operation is growing quite slowly. Despite the region shows a poor patenting activity, 44 % of patent applications at the Polish Patent Office originate from universities.

As for the regional R&D infrastructure, it has not experienced the same development of other Polish regions. The region registers a general low level of expenditure in R&D activities, both in the private and public sectors, the presence of few R&D centres, a generalised low use of funds for R&D.

Low awareness and conservative approach of regional companies to innovation

Innovation awareness is low within companies, that usually express basic innovation needs and maintain a conservative approach towards new technology advancements. Small companies lack structured long-term strategies and make prevalent use of safe and proven technologies, mostly imported from abroad, instead of adopting or developing new technologies and solutions originated within the region.

MAIN OUTCOMES OF THE MAPPING STUDY

Scarce entrepreneurial culture and attitude towards innovative business

Scarce entrepreneurial culture and attitude affect especially young people. From a cultural point of view, it's hard to convince young people to undertake an entrepreneurial path and look more for employment within stable organisations operating in the region.

A populated business support infrastructure but fragmented and more concentrated on support services for early stage than for growth and development

The support infrastructure is quite consistent in West Pomerania with a large population of incubators, technology and industrial parks, entities providing counselling and mentorship services, but its effectiveness towards startups and scaleups is questionable. It is doubtful that the support services offer really match companies' needs for growth and development, as confirmed by interviewees and surveyed companies.

The business service offer is quite narrow: training, counselling, information, equipment. In most cases, a generic support prevails more than a customised and specialised assistance. Communication on the usefulness of support services offered to scientists and entrepreneurs is extremely fragmented and poorly incisive.

The offered services, including equipment, training activities and acceleration/incubation programmes, seem to be fragmented and unstructured, with few exceptions (e.g. RCiIT and Technopark Pomerania). As for the equipment offered to companies, it is often limited to office-spaces and related basic equipment, mainly concentrated in Szczecin and Koszalin.

Support organisations act on an individual basis, with no cooperation and coordination, and in isolation from other national similar organisations. Relations and cooperation are also weak with scientific/research institutions. Very rare contacts are recorded with foreign partners.

The strategic policy framework is not turned into active measures and schemes to boost entrepreneurship and encourage new business startup

At the policy level, there is a good set of strategic documents integrating the regional smart specialisation strategy which provides strategic intents and indications to foster innovation at the local level. However, many of the set priorities have not been turned into specific policies and support schemes to boost entrepreneurship and encourage new business startup.

There is a general lack of policies targeting young people and contributing to spreading an entrepreneurship culture. As for the existing policy schemes, heavy bureaucracy and complex administrative procedures are often a burden for applicants.

MAIN OUTCOMES OF THE MAPPING STUDY

Low expenditure in R&D and low use of funds for R&D

R&D expenditure in West Pomerania is low (0.28 % of the regional GDP). The region records a generalised low use of funds for R&D. Despite a wide range of financial instruments operating at the regional level (commercial banks, cooperative banks and leasing funds, loan and guarantee funds), no suited instruments are in place to effectively boost innovation, support entrepreneurship and encourage business creation. No loans and guarantees are provided for innovative (risky) products/services.

The majority of startups count on their own resources both for the launch of the company and for its development.

Poorly developed financial market

Private seed and venture funds are still at a very early stage and are not easily accessible due to their low capitalisation. This type of finance comes often from more mature startup hubs within and outside the country (e.g. Warsaw, Poznan, Krakow or Berlin). The local legal framework is continuously changing creating uncertainty, as lamented by many financiers. The private sector is mainly active in the management of public resources, especially EU funds (e.g. Jeremie fund). Moreover, the excessive bureaucracy required by public sources of funding often dis-incentivise the participation of private actors. Participation in EU schemes is quite low and few EU R&D projects are coordinated in the region. Furthermore, difficulties have been mentioned in getting micro-seed investments that force early-stage startups to count on their own resources.

Limited cooperation and networking both within the region and at international level

Cooperation between enterprises and R&D units is still sporadic and unstable. Public-private partnership potential is still unexplored. Partnership for innovation is still underdeveloped both within the region and at interregional level. International cooperation and networking are very limited.

Obstacles in scaling up

The main difficulties in the region to scale up from a startup stage are: lack of financial resources, scarce support to internationalisation and business expansion, no or few linkages with startup initiatives at international level, inadequacy of regional startups to deal with international investors.

OVERVIEW OF THE SURVEY RESULTS

A survey has been conducted, within the mapping study, through a questionnaire submitted to startups and scaleups in the region. 27 questionnaires have been collected.

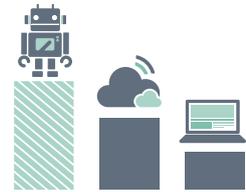
Here below a brief overview is provided on the major survey outcomes.



The group of founders is usually a small team (2 people) with a clear prevalence of founders aged 30-39.



Software as a service (SaaS) is by far the most diffused business model. The target costumers are the business sector (B2B) and a mixed market of companies and consumers (B2B + B2C) with 41% each, while direct consumers count only for 18% (B2C).



Electronics/robotics is the major area of offer for products, followed by IoT and Marketing technologies.



As for fields of application for products and services, around 30% of the surveyed companies indicated Transportation or Health and Social services, followed by Energy and education.



Almost a quarter of the respondents did not make any revenue in 2017, and more than 50% recorded less than EUR 50 000.



52% of the sample is not involved in any kind of support programme provided by the regional support infrastructure.



Own funds are the major source of funding for the company startup and growth at an early stage. External capital derives mainly by public funds, while VC and Business Angels have been used only by 7% of surveyed companies.

None of the companies indicated international sources of funding.



44% of surveyed companies received no external funds throughout their business life, while among the ones that got foreign funds, more than 50 % got more than EUR 50 000, whereas 19 % received smaller sums, even EUR 1 000.

The organisations that were indicated as the most active are the Regional Center for Innovation and Technology Transfer (RCiTT) and Technopark Pomerania.

OVERVIEW OF THE SURVEY RESULTS



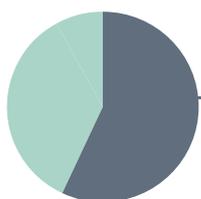
34%
has no customers abroad

Attitude shown towards internationalisation is largely positive: only 3 companies out of the 27 surveyed, declared they don't have an internationalisation strategy.

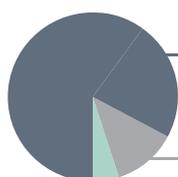
The relatively high percentage (34 %) of surveyed companies not having customers outside Poland is probably due to the recent establishment of many of them and is, anyhow, balanced by those selling all over the world (27 %).



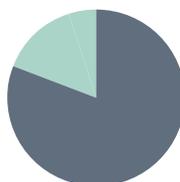
Obstacles come also from the local policy government: few tax incentives and support schemes for internationalisation and unfavourable regulatory framework.



56 % of surveyed companies stated they don't have ongoing R&D collaborations in place.



82% of the sample originated by an **individual initiative**,
14% follow-up of **R&D project or R&D spin-off process**,
4% as a joint venture.



85% of surveyed companies have no either registered or pending patent, even though it is worth noting that the majority of the sample belongs to the ICT sector, where patenting activity is scarce or not required.



The scarce presence of incubation/acceleration programmes is seen as an issue, which is in contrast with the high presence of incubators and accelerators in the region.

This result supports the idea that, despite a wide diffusion of support organisations, their role is limited to occasional mentorship and fragmentary consulting activities.



Support for business expansion abroad, financial resources and links with startups initiatives at the international level, pitching skills and ability to deal with investors are the major shortcomings for growth.



The limited links with the national/and international community of investors, the low activity of local Business Angels and poor presence of VC are obstacles to the growth of local companies.

STRATEGIC INSIGHTS FOR THE REGIONAL STARTUP ECOSYSTEM DEVELOPMENT

By combining the identified strengths and opportunities with criticisms to be addressed, some strategic suggestions have been formulated for the development of a more active and dynamic startup ecosystem in West Pomerania.

Insight 1

Fostering entrepreneurial culture among youngsters should be a major focus both at the policy level and while defining a support service model in the region (more targeted educational paths at schools, more training and coaching schemes, entrepreneurial attitude in academic contexts and spreading of success stories).

Insight 2

Encourage private/public investments in R&D and innovation (more public support schemes to boost private initiatives, available funds more concentrated on promoting R&D and innovation activities, especially within local companies and SMEs).

Insight 3

Specialisation in the early stages of businesses development (provide a set of support services and resources, competencies and skills to face the challenges of the initial growth).

Insight 4

Reinforcing the role of the best performing business support organisations and rationalise the whole support offer assigning specific roles, launching programmes that can support the growth of the most suitable organisations, disincentivising the entities which are not effective or do not have a clear role.

A 'who is doing what' scheme may be adopted to better define roles and responsibilities, possible areas of intervention, and to streamline public funds contribution, where such organisations benefit from public resources.

Insight 5

Encourage an effective communication and exchange model between regional business support infrastructure organisations, to stimulate networking and facilitate the development of joint initiatives or avoid duplications in programmes and support.

STRATEGIC INSIGHTS FOR THE REGIONAL STARTUP ECOSYSTEM DEVELOPMENT

Insight 6

Incentives and grants can be included in the regional strategic financial planning to increase opportunities for small innovative business, start-ups or innovative teams increasing the availability of micro-seed funds for innovative products validation.

Insight 7

Create an attractive and enabling environment for private investors providing for secure ownership rights, fostering transparency, and enabling reasonable risk mitigation.

Insight 8

Create a supportive environment attracting startups and innovative teams by launching more effective accelerator programmes that provide entrepreneurs with educational, mentorship and financing opportunities to amplify growth potential.

Insight 9

Create stronger linkages between the Westpomeranian innovation ecosystem and other national (such as Warsaw and Krakow) and international startup hubs (e.g. Berlin) to encourage cross exchange and synergies, through participation to national and international initiatives, by opening collaboration in EU supported initiatives, organising events targeting a larger geographical area and population, establishing more informal contacts and links with the EU startup community and the most active EU hubs.

Insight 10

Engage the local Tech Community and open it to the international environment by creating a more dynamic and intensive calendar of events, stimulating results exploitation within academia and universities, enabling matching processes between innovators and inventors with support organisations that can favour the transformation of an idea into a business opportunity.

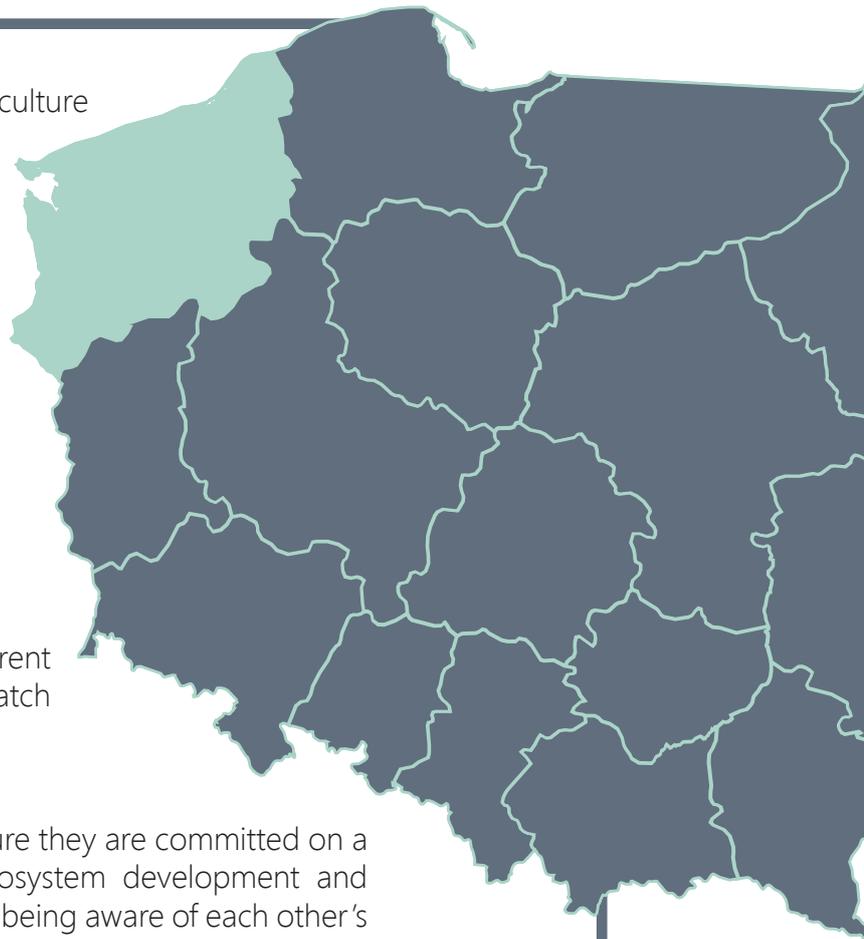
In the long-run, a regional strategy built around the listed strategic insights is expected to reinforce local competencies, stimulate regional innovation initiatives leading to the creation of more start-ups at local level, and provide more chances for development and growth of local companies in international markets.

DRIVERS FOR GROWTH IN THE ECOSYSTEM DEVELOPMENT FRAMEWORK

Fostering an Ecosystem Development Framework implies to prioritize development suggestions and help trace a development path in a balanced manner. What is critical is to develop a self-sustainable ecosystem that grows organically in the long run.

Some main drivers have been identified for the future development of the local startup ecosystem.

- Importance to cultivate an entrepreneurial culture
- Favour networking within the region
- Inspire a collaborative mentality
- Create a single point, even with a physical space, to serve as the hub for the ecosystem
- Shape the support according to the different steps of development of startups and match business services demand and supply
- Pursue stakeholders engagement and ensure they are committed on a continuous basis to the local startup ecosystem development and growth sharing similar views and goals and being aware of each other's roles
- Implement a learning process through an evaluation system with parameters and KPIs which allow for an appraisal of the overall business creation outcomes and targeted goals and the identification of gaps, bottlenecks, unmet needs, imbalances, inefficiency or obstacles



RECOMMENDED ACTIONS AND INITIATIVES

SHORT-TERM ACTIONS

ST.1

An official register or database of startups and scaleups

Provide basic information on companies and be a reference for actors willing to access the regional startup base (investors, support services providers, etc.)

Example:
Online registry/database set-up in Italy since 2012 at the national level (<http://startup.registroimprese.it/is-in/home>)

ST.2

A Working Group engaging the eco-system stakeholders to be possibly turned into a permanent forum or association

Open an environment where stakeholders share ideas and lessons learned, make connections, learn about each other's opportunities and start cooperating on joint programmes. The positive effects and the activated cooperation can motivate involved stakeholders to cooperate even beyond the conclusion of the project and to further strengthen their contacts and relationships.

The Working Group may evolve in a permanent body, like a regional association or a cluster, interacting with local government and policy makers to influence and be a consulting group for policy making.

Example:
Rome Startup Association
(<http://romastartup.it/eng-home>)

ST.3

A formalised support scheme communicated to startups and scaleups

Develop and communicate a regional support scheme to create awareness at the local level on 'who is able to offer what'.

A platform to signpost competencies and skills, support and services to interested local entrepreneurs and startups.

ST.4

A local hub attracting startups for orientation services

One-Stop-Shop for orientation and guidance.
A physical space for sharing information and knowledge, building a community, and fostering the necessary startup culture.

ST.5

Linkages with the international startup community

Establish fruitful links and allow for an exchange that may be beneficial to local startups.
Established linkages through the on-going initiatives under the Startup Europe umbrella.

ST.6

Propose champions as examples for emulation

A champion, a firm that succeeded in starting the business and scales up, can be a catalyst that accelerates interest and activity from other innovators.

Good examples and successful practices can be used to generate emulation processes by young innovators and aspiring entrepreneurs.

RECOMMENDED ACTIONS AND INITIATIVES

MEDIUM-TERM ACTIONS

MT.1

Inter-university and inter-faculty courses to foster an entrepreneurial culture

More programmes should be offered focusing on Entrepreneurship, where students may gain fundamental support in implementing their business ideas and can present their business ideas at national competitions.

Example: A possible format for a new university programme can be arranged to let emerge innovative ideas from university researchers and students, involving successful entrepreneurs as 'testimonials' pushing the innovative idea.

MT.2

Boost programmes to support internationalisation

Private programmes promoted by incubators/accelerators should include an international component that stimulates startups and scaleups to go international.

MT.3

Encourage collaboration between companies and universities

To stimulate R&D activities and improve the collaborative framework at the regional level.

LONG-TERM ACTIONS

LT.1

Improve the R&D investment in the region

The regional government may set a more favourable policy framework for company and innovative business startup and for private R&D investments by launching a mix of support schemes and incentives through a preliminary action to raise innovation awareness.

It may boost innovation demand through public procurement and encourage collaborative schemes through public-private partnerships.

LT.2

Boost finance opportunities for micro-seed investments

Build-up a micro-seed investment programme specifically tailored for startup needs.

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