



Interreg
Italia-Österreich

European Regional Development Fund



EUROPEAN UNION

Eco-System Study

Living Paper

Preamble:

The study is designed as a living paper and will provide some content for the manifest. It turns out that more and more new findings have to be added. Therefore, the study is initially only in EN language created. It's also good for discussions with stakeholders. At the end of the project, it will be available in DE and IT.

Project »Entrepreneurial Eco-System Alpe Adria«,
Program Interreg V-A Italy-Austria,
Funded by the European Regional Development Fund (ERDF)

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What is entrepreneurship?

Howard Stevenson and Peter F. Drucker

Stevenson

- Entrepreneurship is the pursuit of opportunity without regard to resources currently controlled.

Drucker

- ...this defines entrepreneur and entrepreneurship – the entrepreneur always searches for change, responds to it, and exploits it as an opportunity.



Entrepreneurship as a process of opportunity identification and exploitation

Is any opportunity entrepreneurial?

Is he on the boat an entrepreneur?



The essence of entrepreneurship

Joseph Schumpeter

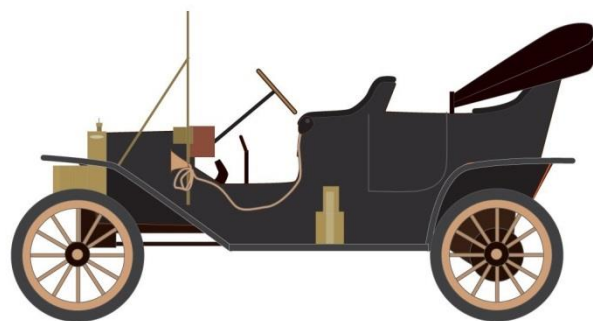
Innovations are »creative destructions« – they destroy a given system and lead to another; all product offerings, prices, markets, and institutions are the result of innovations. Schumpeter differentiates between five different types of new combinations:

- Production of a new good or a new quality of a good
- Introduction of a new production method not formerly known in an industry
- Opening up new distribution channels
- Developing new sources for supply
- Implementing new organizations

Entrepreneurship as the process of implementing new combinations (innovations)

Entrepreneurs exist also outside of the business world, e.g.:

Martin Luther, Christoph Columbus, Francisco Pizzaro, Johann Sebastian Bach, Sir Isaac Newton, Otto von Bismarck, Dschingis Khan, Gandhi, Charles Darwin



FORD MODEL T

**Henry Ford and the Model T
mass production**



**Dietrich Mateschitz and Red
Bull – 80% market share**



**Florian Gschwandtner and
Runtastic – revolution for fitness**

Entrepreneur:

- Focus on Innovation – search for new opportunities and exploit them
- Independence, make quick decisions and likes to act
- Is an active member of informal networks. Prefers to work with no formal hierarchy
- Sometimes: inventor, business owner and firm leader in one person
- High risks, high returns

VS

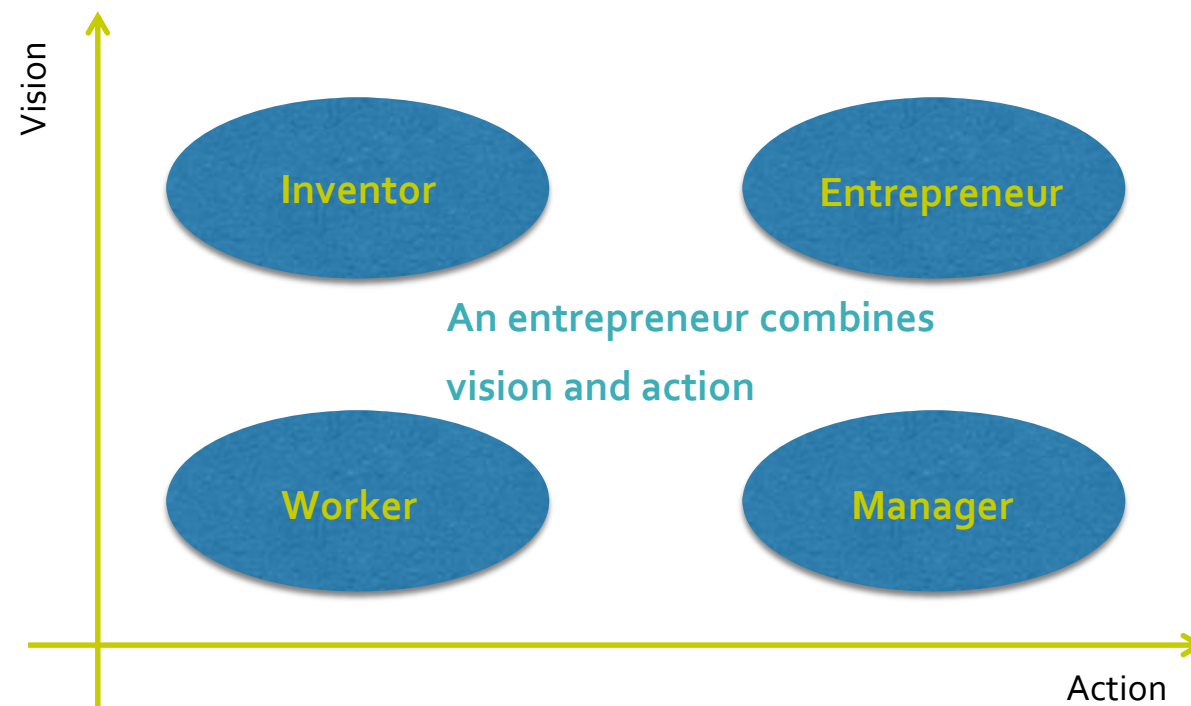


Manager:

- Administrator of pre-defined tasks
- Focus on optimal resource allocation, optimization, cost control
- Manages decision making and strategic formulation processes
- Limited risks, no equity, limited returns
- Feels comfortable with pre-defined responsibility. Prefers to work in hierarchy

VS





Entrepreneur's **personality** and **demographics**:

(Some often observed differences to non-entrepreneurs)

- Internal locus of control, need for independence, need for achievement, willingness to take risks, willingness to accept ambiguity, less constrained / more creative / more persisting
- Religion, birth order, self-employment of parents, education, sex, professional experience, role models, network position



Typical sources of mistakes of the entrepreneur:

- Overconfidence bias | overoptimism: being unrealistically optimistic
- Representativeness bias: premature conclusions
- Resistance to modify and to adapt the initial business idea
- Personal ego, domination, competitiveness, impatience, status orientation, and tightly-wound
- Difficulties to delegate, partner, and compromising
- Rule breakers also with regard to ethical rules
- »Type A behavior« – addiction to work and success (»workaholism«), health problems

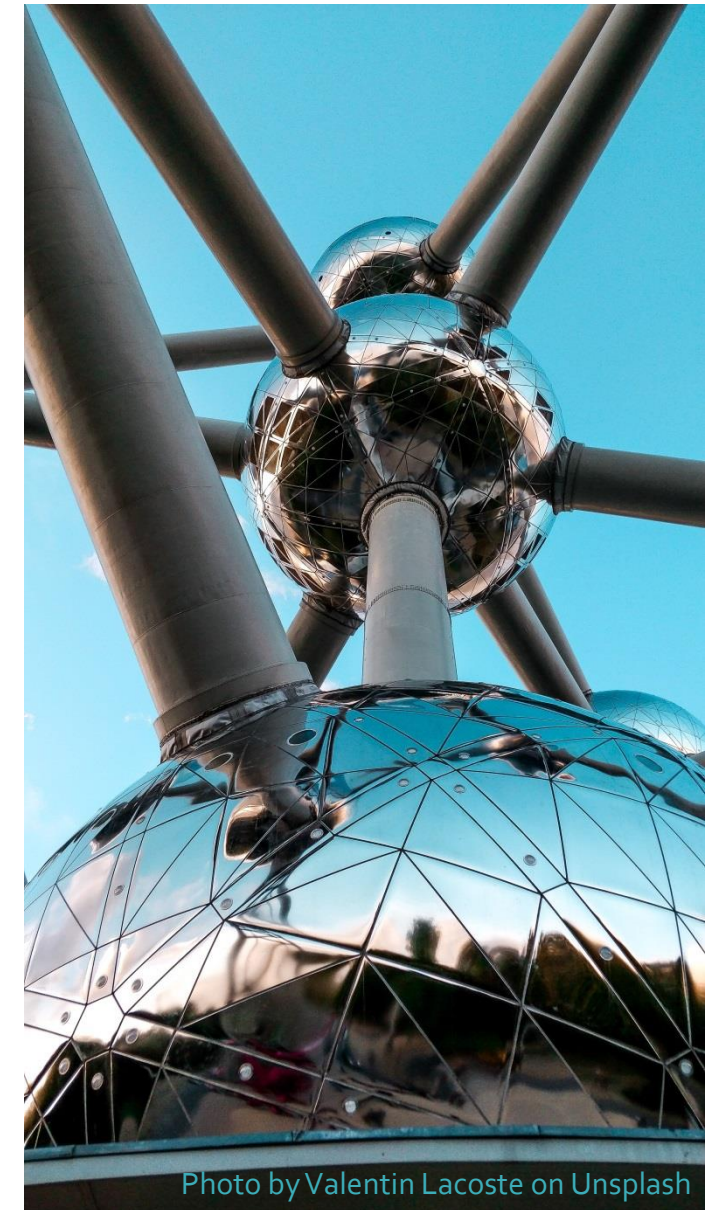


Entrepreneurship and Innovation

The important link between both

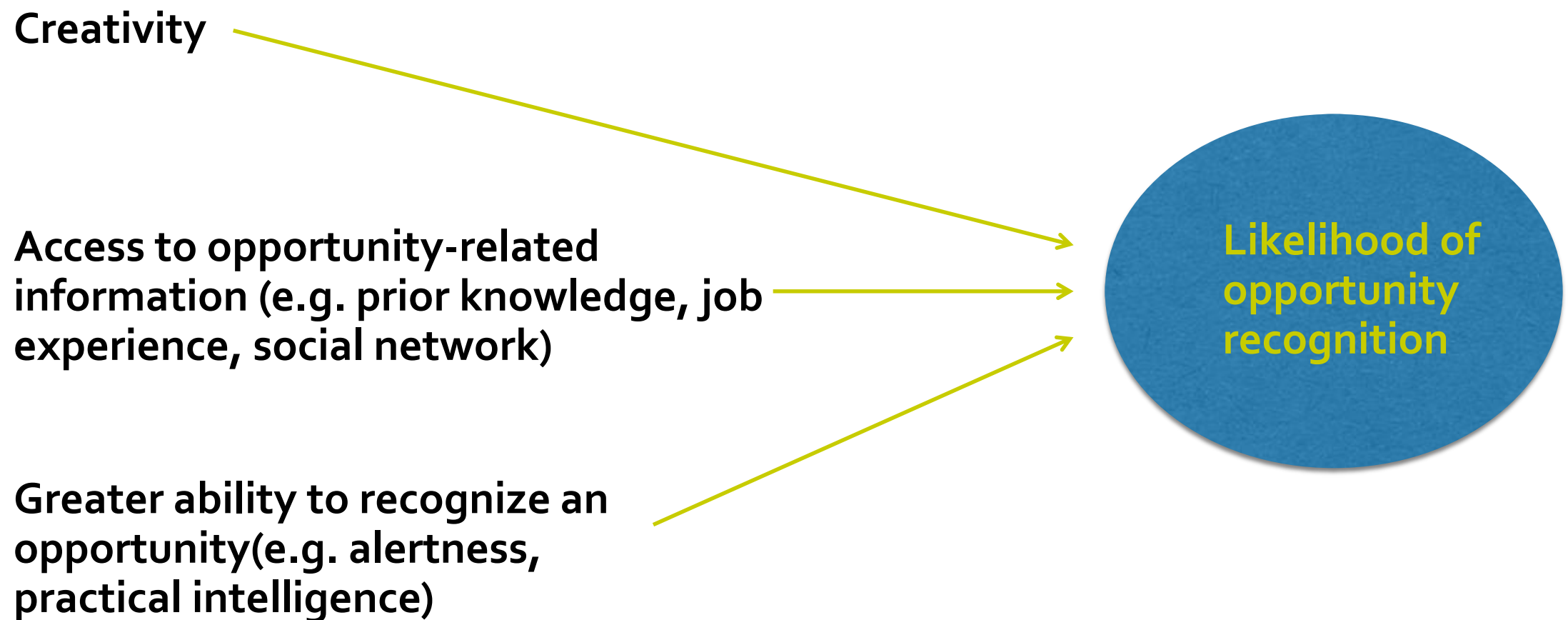
The link between entrepreneurship and innovation:

- The entrepreneur has two major functions: identification of opportunities and overcoming resistance against the innovation
- Without his (or her) energy no change would occur
- Primary motive = need for achievement, enthusiasm, seeking adventure
- The entrepreneur is rarely the inventor
- Innovations are not only new technologies | there are many things that can be changed and improved | often, new combinations are most fruitful | the role of the entrepreneur is to identify these opportunities
- Pure price competition is not desirable for the individual company | innovation can change the rules of the game: a temporary monopoly might arise | consequence: higher prices and profits | after a while: imitation
- Creative side of innovation is valuable for society and mankind | but every innovation destroys something - a formerly valuable product, technology or competence | Therefore: every innovation inevitably faces resistance



What determines opportunity recognition

Likelihood



- Creativity means questioning things others take for granted
- Creativity is one of the few abilities which is worsened the more mature we get
- Creativity is not only important when it comes to finding new business opportunities –it is important with all problems in the innovation process, and in business in general (e.g. How should the product be designed?)
- Creativity means out-of-the-box thinking
- How can we foster creativity?
 - Associate, e.g. brainstorming, brainwriting, etc.
 - Combine, e.g. morphological analysis, develop dimensions and parameters of the problem (e.g. material –color –shape), systematically recombine parameters
 - Alienation, e.g. definition of the problem, creation of analogies - both direct and personal analogies as distant and symbolic analogies, apply to the problem
- But also: all creativity techniques have their limitations



Where can I find opportunities

The Unexpected and incongruities

Whenever something happens that has not been predicted by the experts in an industry, one should quickly figure out if these events open innovation opportunities in order to be the first to exploit them.

Source: The Unexpected

- The unexpected success (e.g. high demand that was not foreseen)
- The unexpected failure (that challenge our core assumptions about business)
- The unexpected outside event (e.g. discontinuities, improbable events)

Dissonance between what is and what „ought“ or is expected to be indicate innovation opportunities helping to achieve congruence again.

Source: Incongruities

- Incongruous economic realities (e.g. increasing demand on the market and decreasing economic performance of the firm)
- Incongruity between reality and assumptions about it
- Incongruity between perceived and actual customer values and expectations
- Incongruities within the rhythm or logic of a process

"Successful entrepreneurs do not wait until „the Muse kisses them“ and gives them a „bright idea“; they go to work."

Peter Drucker

Where can I find opportunities

Process and structures

Innovation opportunities may evolve from making existing business, production, service or consumption processes better.

Source: Process need

- The “missing link”
- Perfection of existing processes
- “There ought to be a better way”

Literally all industries, and markets change over time. All these changes may offer opportunities for innovation.

Source: Changes of Industry and Market Structures

- Rapid growth of an industry
- Inappropriate views, products, and processes
- Convergence of technologies
- New institutions, changes in value chains
- Globalization



Where can I find opportunities

Demographics and perception

Changes in population in terms of its size, age, structure, composition, income distribution, educational status etc. are often unambiguous and can be predicted quite well.

Source: Demographics

- Aging society
- The role of women
- Education
- Brain drain of talents

Perceptions, priorities, preferences or social norms governing business, politics or the society at large shift over time.

Source: Changes in Perception

- New perceptions in business (e.g. about the significance of ethics, sustainability, etc.)
- New perceptions in politics (e.g. about the “rest risk” of nuclear energy, about how much regulations need to be imposed on financial services and banking)
- New perceptions in education (e.g. about e-learning and problem based learning)
- New perceptions in society (e.g. about preferred type of social interaction, about social norms)



Photo by Mathilda Khoo on Unsplash

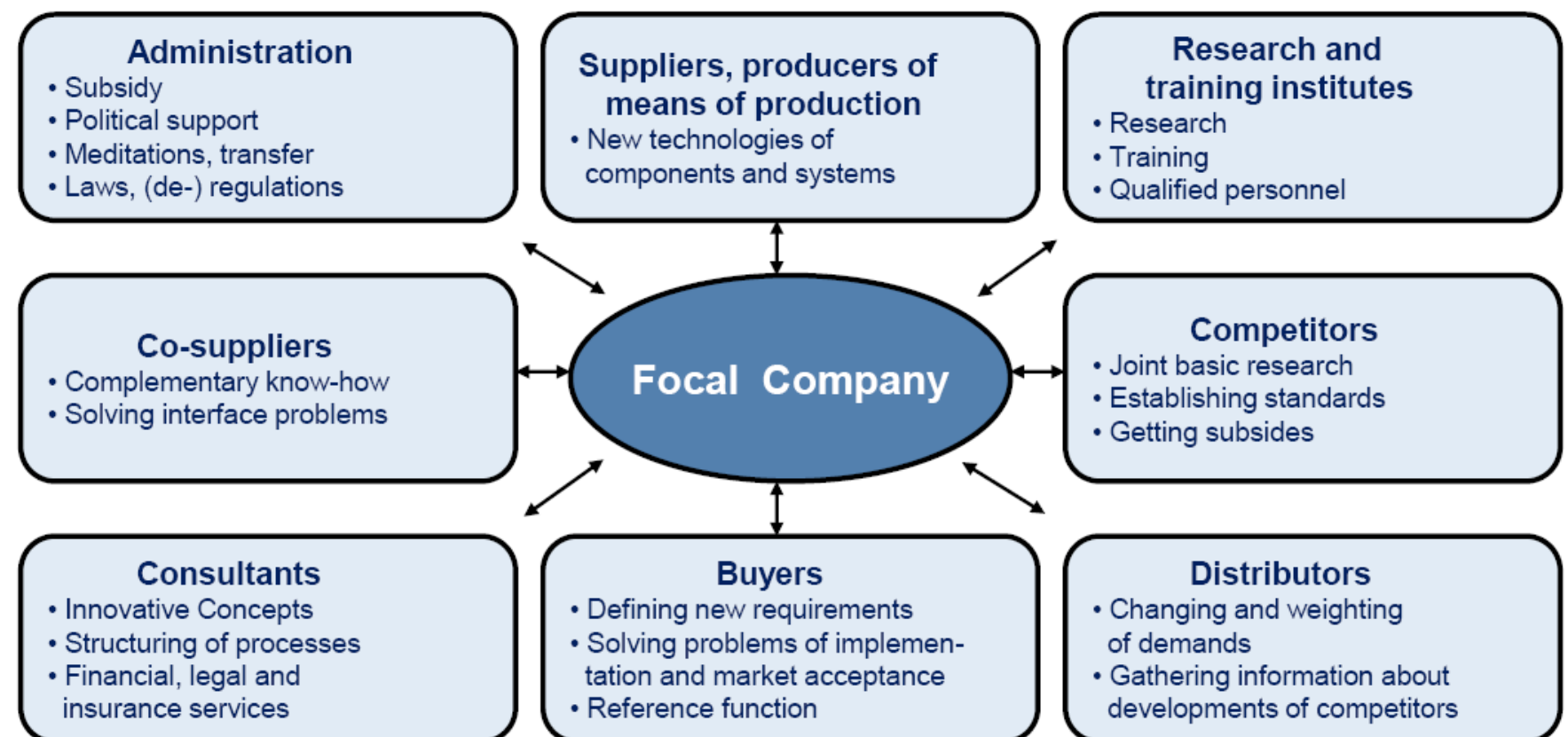
Where can I find opportunities

Knowledge

New knowledge represents the standard source of innovations and business opportunities.

Source: New Knowledge

- New technology
- New scientific insights
- New ideas about management, education, society, ...
- **New combinations**

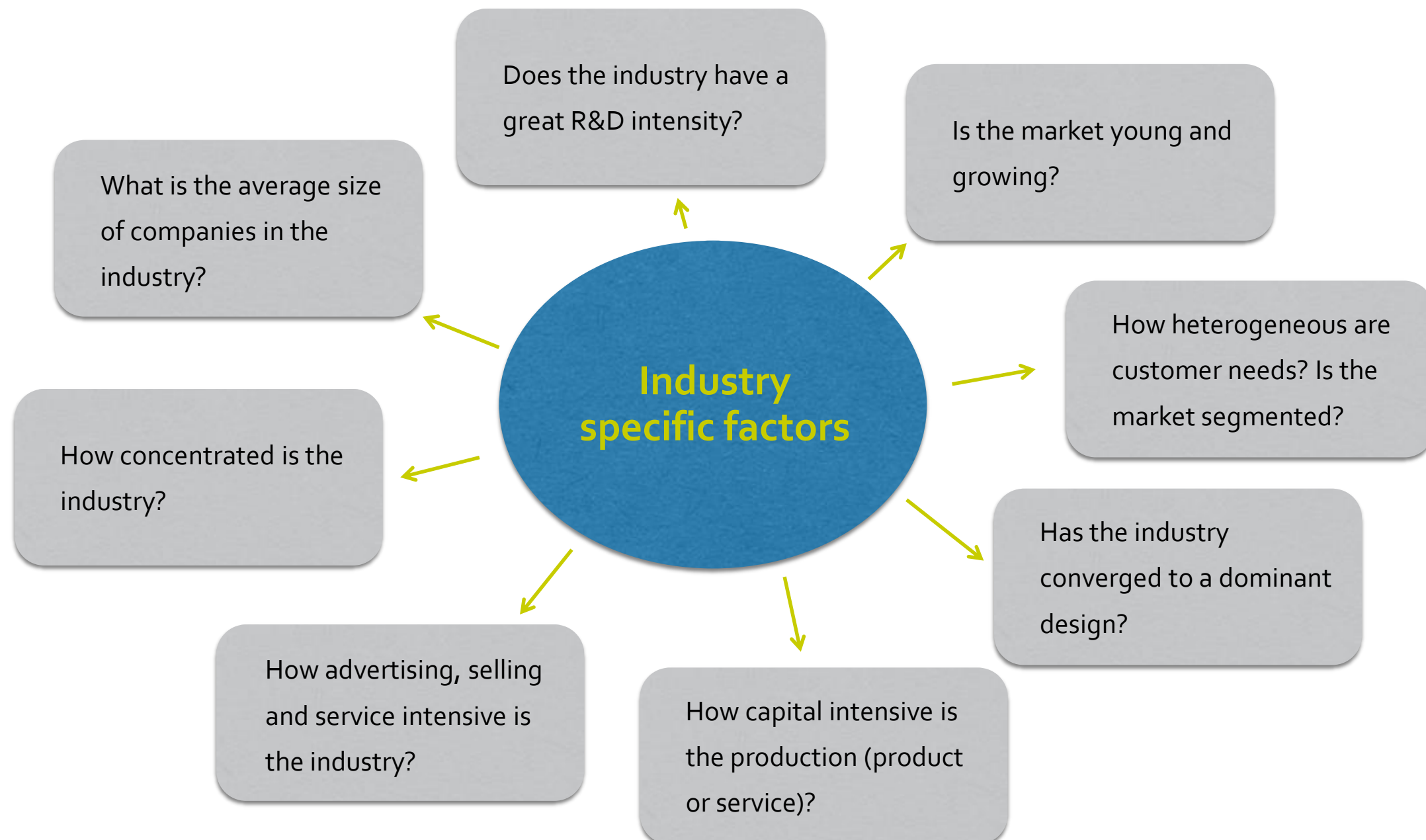


Source: Nikolaus Franke | Institute for Entrepreneurship and Innovation of Vienna University of Economics and Business

What is a good opportunity

Some questions on that

A number of aspects of the industry influence how difficult it is to start new ventures.



Where can I find opportunities

Some opportunities rather favor established companies

Criterion	Reasons	Examples
Relies heavily on reputation, references and trust	Customers perceive high level of uncertainty. They prefer to buy from those whom they know and trust.	Company ERP systems, machines etc.
Has strong learning curve effects	Established firms are further in the learning curve and have lower unit costs in production and distribution.	Complex machinery, electronic components, logistics services
Demands economies of scale	High volume production helps to reduce the total unit costs by splitting up average costs to a higher number of units.	Ships, automobiles, semiconductors, commodity chemicals
Requires complementary assets in marketing and distribution	In order to reach customers and offer them entire problem solutions, complementary assets and resources are often critical.	Software + hardware bundles, food

Where can I find opportunities

Some opportunities rather favor new ventures

Criterion	Reasons	Examples
Employs a disruptive, competence-destroying innovation	Established companies,, knowledge, assets and routines hinder them to innovate. Innovation may create a totally new market.	Electric cars, photography industry, direct banking
Does not satisfy the mainstream customers of incumbent firms	Established firms focus on serving their actual customers. Will probably not pursue innovations that do not serve their current customer base.	Hard disk drive industry, steel industry
Based on human capital and knowledge	Anyone who has the knowledge can produce a product or service that meets customers needs.	Food recipes, consulting tools, software
Offers possibilities for commercialization beyond selling products and services	New firms can exploit the innovation by selling knowledge and IP (e.g. selling patents, licensing, being acquired).	Biotechnological processes, community platforms on the Internet

Crucial basic questions

From investor's perspective (valuation, profit, capital)

- Market and revenues: is the market large enough? Does it grow? Will people pay?
- Competition: How can imitation be prevented?
- Business model: Is it well developed? Is there a clear revenue model?
- Business founders | management team: Does it cover technological and economic | market expertise? Are they willing to take new members? Do they show growth orientation?
- Profitability analysis and financial planning: Are numbers consistent and sound? On what assumptions do they base?
- Risk-Reward-Ratio (e.g. our returns have to be 7 to 10 times because venture capital investment are high risk)



Photo by Martin Ceralde on Unsplash

Resistance against innovation

Killer phrases and arguments

- We never did something like that
- Oh, we tried that already –it did not work
- Sounds good but it does not fit our strategy
- We first have to analyze the idea properly
- It wasn't all bad before
- Our customers don't want that
- Well, we understand it – but what about the man in the street?
- Can you guarantee that there are no risks involved?
- Is there any proof it works?
- Is there any best practice? Did work anywhere?
- If the idea is really that great –why didn't someone else have it already?



Photo by Matias Rengel on Unsplash

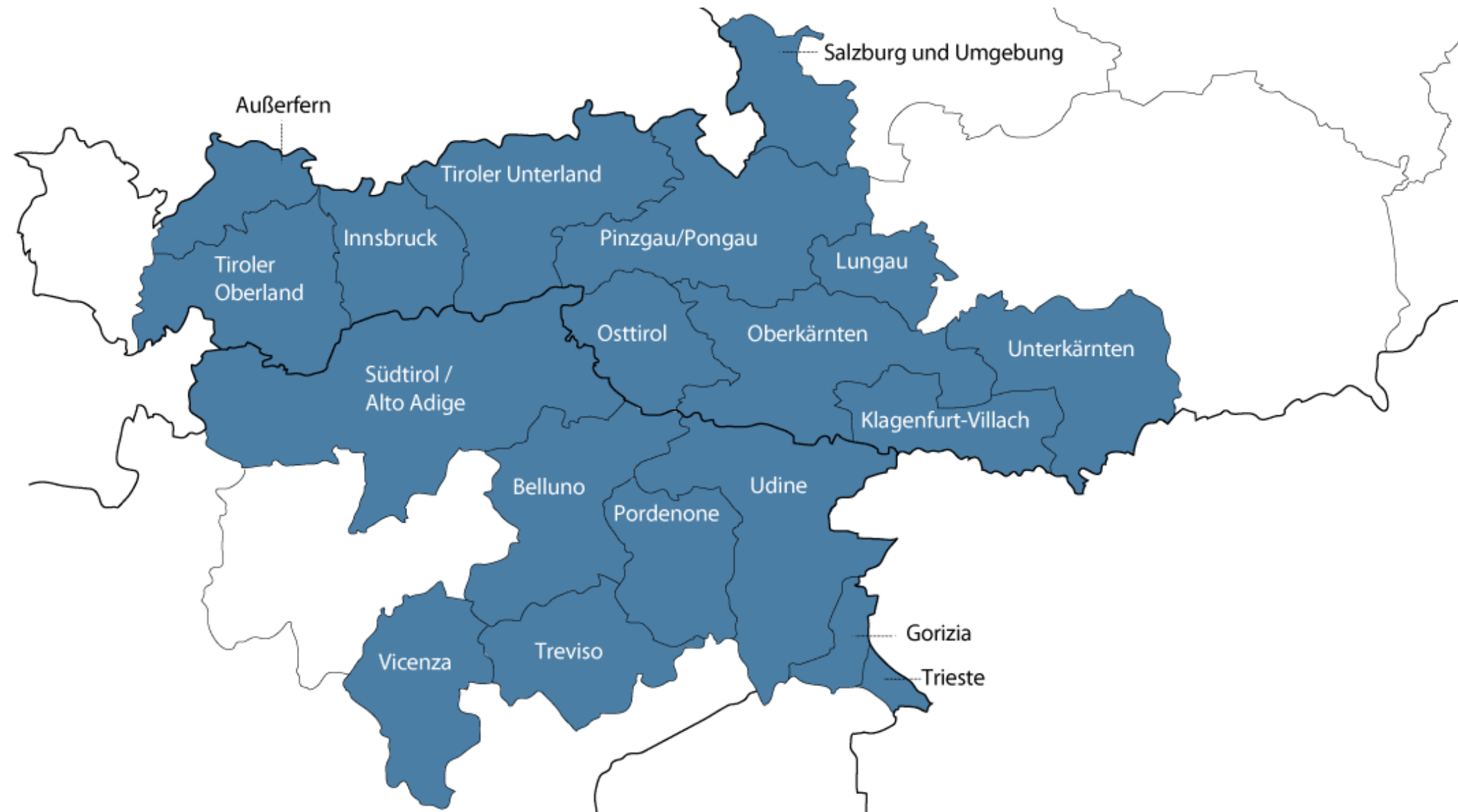
The common attitude

Developing together and across the border



The Area

From the ERDF-funded project perspective

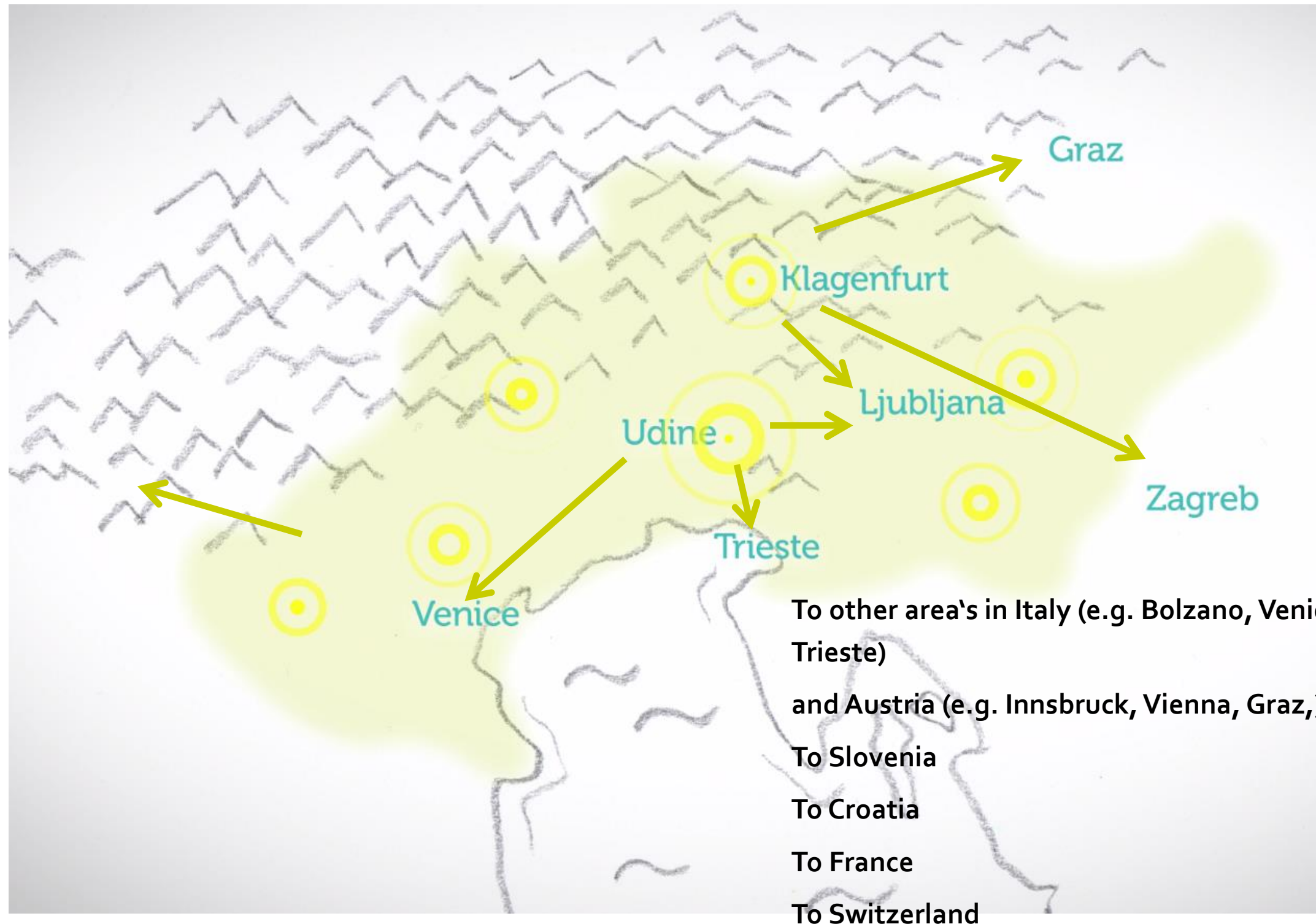


The opportunity is the development of an Entrepreneurial Ecosystem in the area itself, but it is also important to connect the area regarding the topic with regions outside of the program area.

Source: <http://www.interreg.net/de/programm.asp>

The Area Network

Into the neighbourhood and global



The Alps-Adriatic Region

Could it be a visible region in the world (Focus IT-AT)

The region as a laboratory for innovation, based on the strengths which are available in terms of identity, people, culture, talent, infrastructure, education, security, research, established companies, etc..

The Alps - jewel of nature, tourism magnet, economic area, different cultural circles have settled around the European mountain massive. On the one hand, the Alpine space is very diverse in terms of culture, language, social and economic forms of organization, but on the other hand it faces a number of very similar challenges - demographic change, migration, transformation of the economic system, ecological challenges.

A region full of life, a region midst in an idyllic landscape. Where others spend their holidays, there is a colourful scene of emerging new ventures. In the melting-pot of different cultures and different mentalities, in the Alpe-Adria region, they work, live and celebrate together – Italian and Austrians, and people from other nationalities.

The Alpe-Adria region is a region of great nature, cultural flair and diversity. But at the very heart of different cultures and languages, that alone is not enough to guarantee business success for entrepreneurs. In particular, new ventures that are at the beginning of their business life need an active environment, a lively community and special incentives in order to keep their business center in the Alpe Adria region.

The innovative Idea

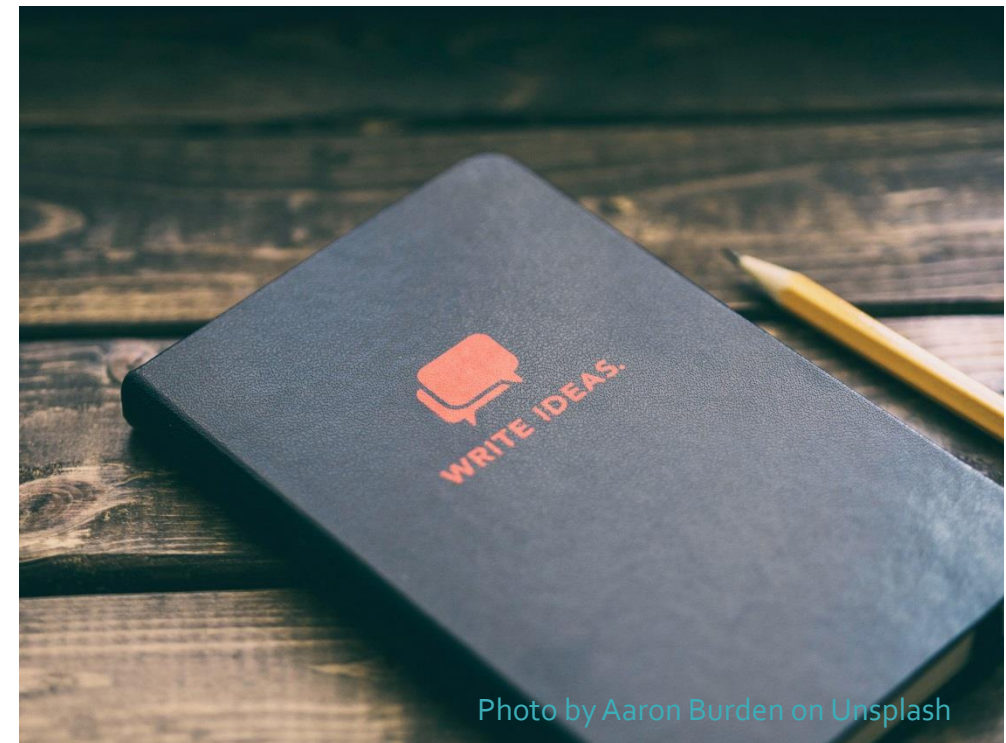
Help each other

This is how it starts.

First there is an idea, then I start to play.

I give ideas a shape.

BUT, it seems I need help (e.g. specific competences)



The idea is simple:

Two nationalities together compose one region. The richness of both makes it much easier for new ventures to get started (e.g market access, diversity in founder teams, etc.).



The aim of the project

Connect, awareness, attractivity

The Entrepreneurial Ecosystem Alpe Adria (EES AA) cross-border project aims to counteract the brain drain of entrepreneurial and innovative companies and talents from the border regions into more attractive entrepreneurial and start-up ecosystems. In addition, the low level of the internal and external networks of the region, especially of the innovation networks, should be lifted and a cross-border entrepreneurship cluster developed. And there is a need to increase the awareness of opportunities in the ecosystem at both regional and global levels.

In order to achieve these goals, active networking of all project participants with the start-up community, with established

companies, with infrastructure provider, with the education institutions, the research institutions, the students and active people in the region is indispensable. It is important to engage them - as potential drivers and active creators of the future Entrepreneurial Ecosystem and ambassadors for a cross-border entrepreneurship spirit - in a lively debate. In this way, it is possible to get to know their needs, wishes and necessities for staying in the region in order to develop and adapt the project measures on the basis of these findings.



Identity in the regions

What values are relevant (based on questionnaire)?

Carinthia | Austria:

Nature, close to nature, scenic, down-to-earth,
friendliness, tradition, Alpe Adria,
high quality of life, funny, cozy, hospitality,
intolerance
Environmental awareness and health
Friendship, work-life balance, free movement of
workers, relaxed, closeness, healthy lifestyle,
freedom
Safety, social, environmental awareness, yesterday,
developing country, limited perspectives

What is missing:

Openness and tolerance, diversity and innovation,
Self-initiative, entrepreneurial thinking and flexibility or
vision and will to change.

Friaul Julisch Venetien, Veneto | Italy:

In the past was Trieste, the capital of this region, for
example, Austro-Hungarian, Yugoslav, Italian. The
people who live in Friuli Venezia Giulia have not
done any harm. Many peoples live together here in a
peaceful microcosm. This is exactly what makes the
region so architectural, scenic and culinary.

The Friuli cuisine is a reflection of Slavic, Austrian
and Venetian cuisine.

Terms like "alive" and "creative", "Easy life attitude",
Improvisation, tradition, Focus on food and
landscape

What is missing:

Tidiness, order, organization and entrepreneurial thinking
Order.

Ecosystem - Discussion

Based on entrepreneurship or on specific topic

Option 1

Hung up on the topic of founding,
It's all about that has anything to do with
starting a business

Option 2

The topic of starting a venture is tied to a
specific field along the value chain (e.g.
Agrifood).

In both options education, initiatives, events, institutions, stakeholders, research centers, potentials, already existing and proofed initiatives, etc. are addressed.

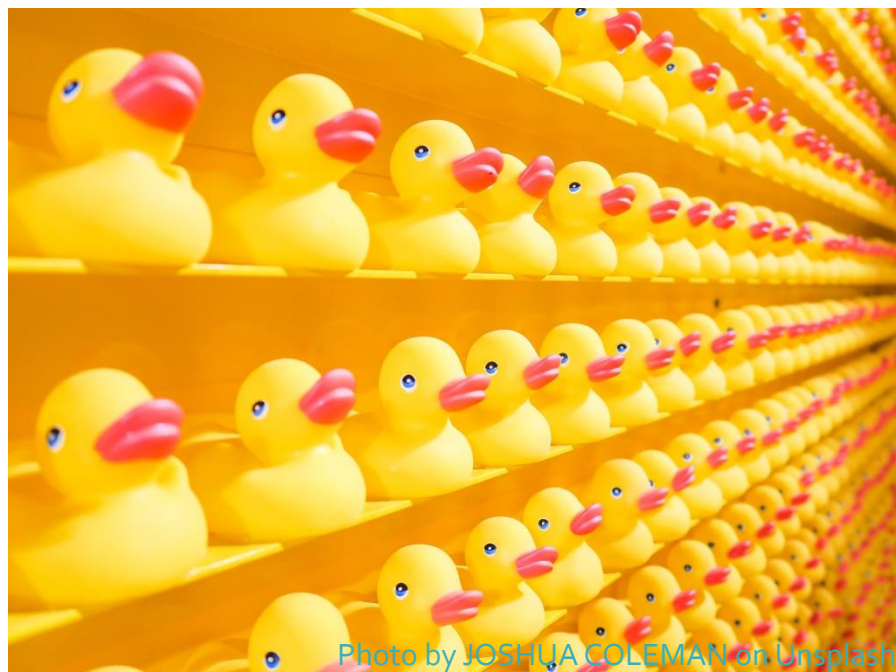
Quantification of ecosystem services:

Ecosystems provide essential services for the welfare of our society.

In order to identify the contribution of ecosystems, their services must be quantifiable and thus made communicable.

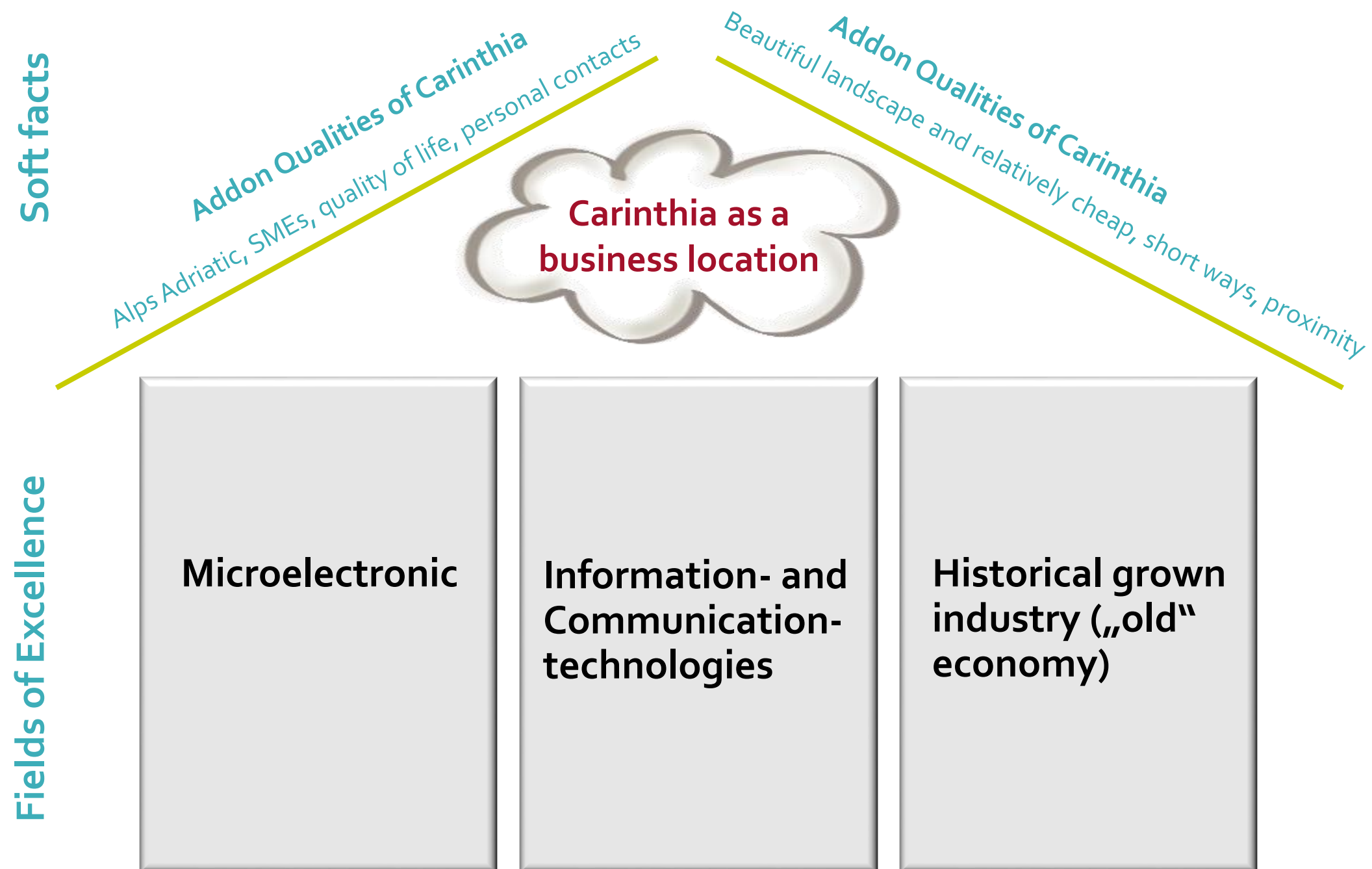
This increases the acceptance of environmental policy and the accuracy of measures.

Measurable ecosystem services supplement the economic reporting.



Strengths in Business-Carinthia

Fields of excellence



Strengths in Business-Carinthia

Microelectronic (excerpt)

Corporates:

- Infineon
- LAM
- Intel
- Flex
- Philips

Initiatives:

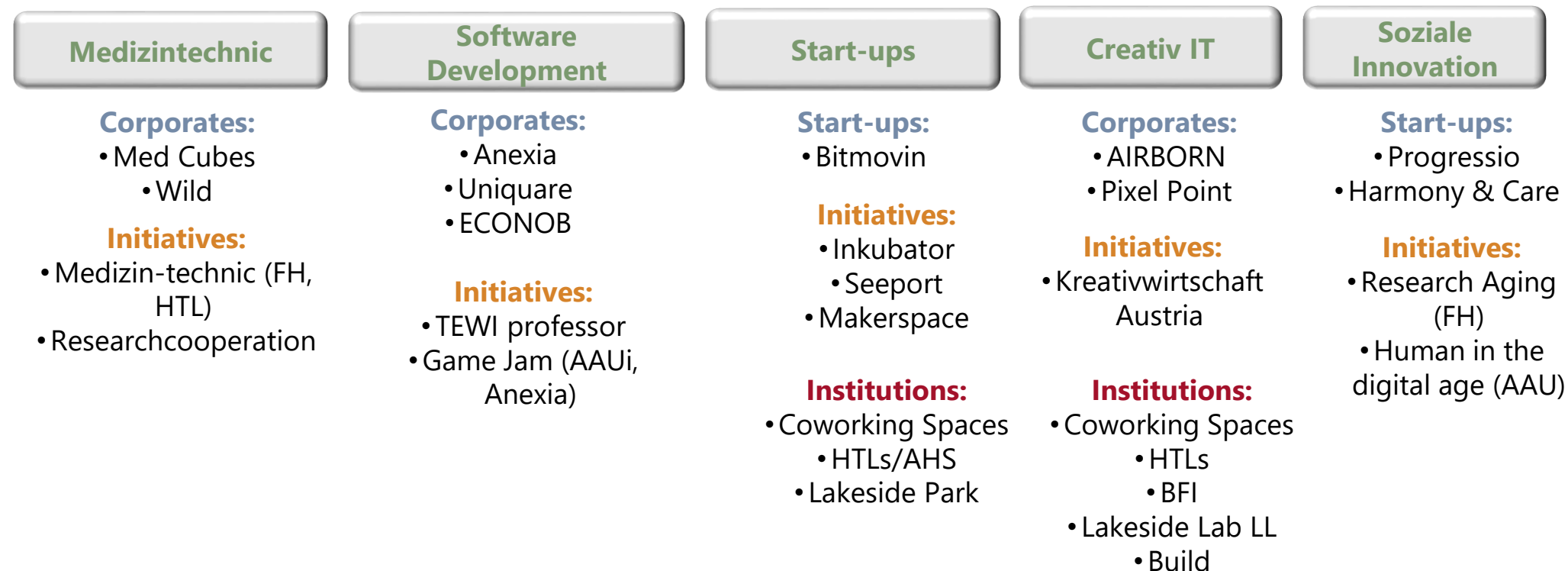
- Cluster (SAC)
- Cooperation science | economy
- Platform für Sensorik & Systemintegration Infra (CTR, FH)
- FH field of studies System Design, Equipment Engineering
- TEWI Institute AAU

Institutionen:

- CTR

Strengths in Business-Carinthia

Information- and Communication technologies (excerpt)



Strengths in Business-Carinthia

Historical grown industry („old“ economy)

Woodindustrie

Corporates:

- Hasslacher
- Funder

Initiatives:

- Platform Coop. R&D
- Infrastruktur Labor (W3C)

Engineering

Corporates:

- Kostwein
- Bosch/Mahle

Initiatives:

- HTL Lastenstraße, Wolfsberg
- Lieferanten-entwicklungs-programm (KWF)

Chemical Industry

Corporates:

- Treibacher
- Chemson

Initiatives:

- Master Materials

Energy | Environment

Corporates:

- KELAG
- GreenOneTech

Initiativen:

- Photovoltaic (CTR)
- Energymanagement
 - KAI (Infineon)
- KELAG Smart Meter (KELAG)

Strengths in Business-Italy

Made in Italy



Strengths in Business-Italy

Strong branches in the program area

- Textiles, clothing and leather
- Mechanical engineering and metal industry
- Electrical devices and motors
- Other machinery and equipment
- Vehicles & Shipbuilding
- Other goods (eyewear and-glasses, jewelery ...)
- Wood and furniture production industry

E.g.: the 5 most important export segments of Veneto region:

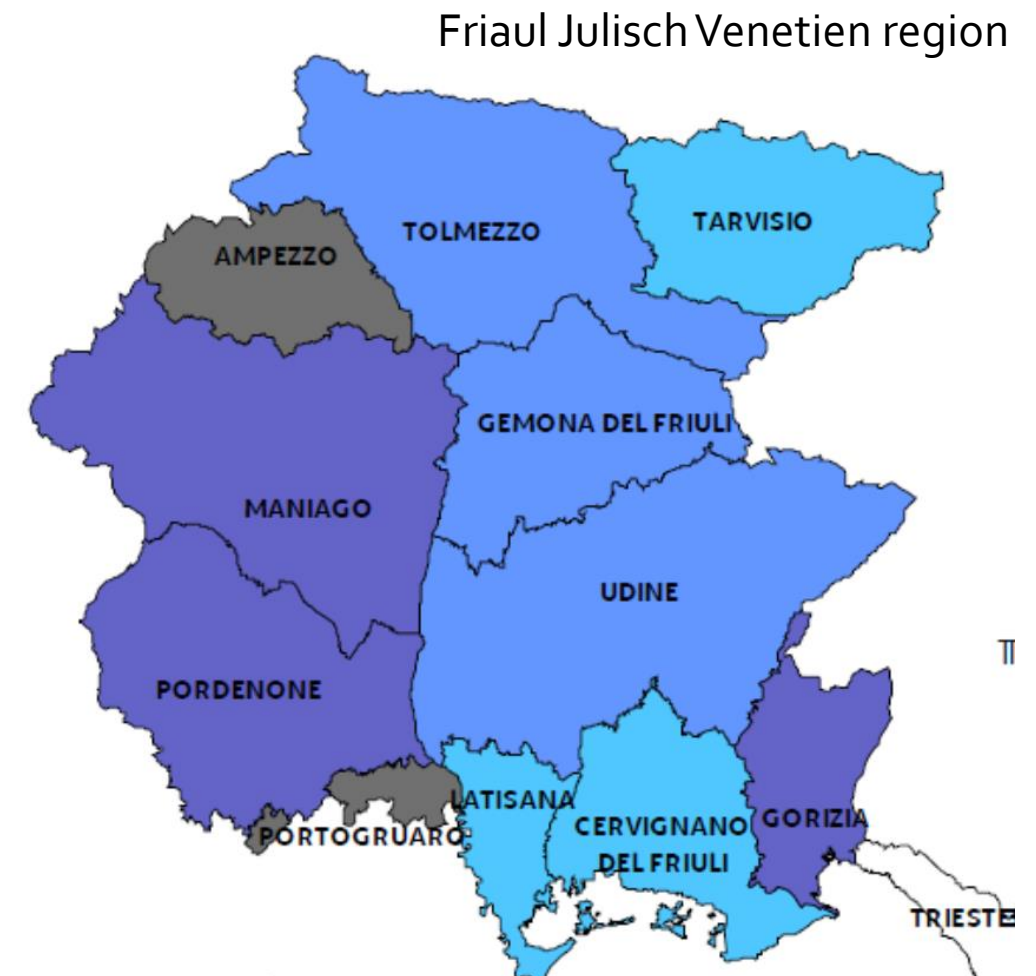
- Mechanical engineering and metal industry (19%)
- Fashion (18%)
- Metal and metal products (11%)
- Plastics (11%)
- Jewelery and glasses (9%)

Corporates:

Furniture – Calligaris Spa, Domitalia Spa, Pali Spa

Mechanical engineering and metal industry –

Danieli&Co-Officine Meccaniche Spa, Electrolux Italia Spa, Cimolai Spa



Strengths in Business-Italy

Other supporting infrastructure

- CETA - Center for Theoretical and Applied Ecology
- Polo tecnologico di Pordenone
- Parco Scientifico e Tecnologico Luigi Danieli di Udine
- CATAS Spa (leading research and testing institutes in the field of furniture and wood)

Starting point and conclusio

Focus

Based on the identity of the people living in the region and based on the strengths of the regions entrepreneurship can be fostered and will be developed on specific fields.

This fields will be focussed in the sport and leisure industry (e.g. sensoric) in the field of food and agrifood (e.g. slow food) and wood and compounds at the beginning.

