Ca' Foscari
University
of Venice

Master's Degree Programme

in Languages, Economics
and Institutions of Asia
and North Africa
Second Cycle (D.M. 270/2004)

Final Thesis

Connections between the Sino-Italian Startup Ecosystem: Tech Silu

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Matriculation Number
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Academic Year
2017 / 2018

前言

最近，一个正在对国际商业环境产生重大影响的新现象是世界各地越来愈哦多的创业公司。随着时间的流逝它们中的一些人变得非常成功有些人在几年后就死去了。不过,了解创业公司的作用及其在商业环境中的发展是很重要的，尤其是对于决定进入外国商业环境的创业公司而言。事实上，今天，由于全球化和技术进步，公司很容易将其产品或者生产周期从一个国家转移到另一个国家，以便找到一个更好的市场或者大量的资源。中国市场呈现出吸引小黄业者的所有特征：政府是创业资金的最大来源，北京拥有最创新的孵化器和加速器，市场庞大，GDP 持续增长，政府对创业企业给予越来越多的激励。对每一个想在充满挑战的市场上证明自己和他的产品的人来说，中国是一个巨大的挑战和巨大的机遇。这种环境对中国看到很多机会的外国企业家来说也是有吸引力的，本文想特别解释一下意大利的初创公司如何在 TechSilu 的协助下进入中国市场。TechSilu 是一个国际组织在投资市场的最高机构级别运作以促进意大利创业生态系统的发展。

我决定写这个议题是因为我对科技和创新领域感兴趣，也因为我被中国经济的巨大变化所吸引，正是这些变化使中国成为了近四十年来世界上最重要的国家之一。本论文选题始于去年，距去中国留学一年还有一个月的时间。当时我正在互联网上浏览，寻找有志进入中国市场的意大利初创企业，以及帮助他们进入中国市场的组织：这就是我如何发现 TechSilu 的。后来，感谢我的教授，我接触了 TechSilu 的一位合伙人 Tommaso Camponeschi 并感谢他，我与他的创始人之一，副总统 Francesco Lorenzini 取得了联系。在我到达中国一周后，我们在北京见面，他向我解释了 TechSilu 的历史，它的愿景，它的使命，它的项目和我刚好及时参加了 ISIC2017，一周内就能完成在北京期间，我有机会参加了位于海淀区创新和技术中心中关村的组织的许多活动，我有机会了解了三个意大利初创公司，它们被选中进入中国市场，对中国的创业生态系统有了更好的了解，同时还解除了有兴趣投资意大利初创公司的中国投资者。

为了给出董事会的大纲，什么是创业它的特点是什么？一章探讨了创业公司的生命周期，以及创业公司一生中遇到的各种不确定性。然后，描述了主要的创业公司，

并特别评论了规模化公司，即普通初创公司的演变，因为它们已经在市场上验证了自己的产品。该章继续以法律框架为基础，探讨了主要在意大利和美国为创业选择的法律实体，并对比较公司法发表了评论。在本章的末尾，介绍了创业融资的不同来源。

在中国，创业生态系统的旅程在第二章继续。第二章概述了中国的创业生态系统，并特别介绍了这一情景的主要组成部分：创新和技术。在这一背景下，它也被包括在 2025 年中国制造的项目中，其中的一个项目就其对创业的影响提出了评论。本章还概述了在中国发展企业最好的城市：北京、上海和深圳。本章继续解释加速器和孵化器在中国的作用，因为这两种方法是开发和扩展业务的首选方法，特鄙视针对独角兽公司，及估值超过 10 亿美元的公司。随后，本章从知识产权保护和年薪颁布的网络安全法的角度，对中国的法律制度及其对创业企业的影响进行了分析。

这论文的第三篇也是最后一章描述了 TechSilu，这个由意大利企业家开发的组织，对意大利和中国商业世界之间的互动，特别是在创业领域的的互动关系充满热情。本章首先概述了 TechSilu 和它为增强中意创业生态系统而制定的方案，其中包括关于意大利创业签证政策的特

别说明，该政策为愿意在意大利投资的非欧洲投资者建立了双语、数字化、加速和集中的程序。本章的第二专门讨论 ISIC2017，并介绍了该项目从 4 月开始到 9 月底在北京结束的各个阶段的情况。它继续介绍由小组挑选的三个初创公司，它们将前往北京，有机会分享它们的成果，并获得在中国发展业务的主要资源。最后一部分介绍了上周在北京发生的事件，并对 9 月 22 日在意大利驻华大使馆意大利文化学院举办的最后一次活动发表了评论。

因此，本论文的研究目的就是要对中国的创业生态系统有一个更深入的了解，并借此解释意大利企业家如何能够进入中国市场。

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Introduction

Lately, one of the emerging phenomena that is having a great influence on the international business environment is the growing number of startup companies around the world. As time passes by, some of them become very successful, some of them die in a couple of years instead. Nevertheless, it is important to understand the role of startups and their development in the business scenario, especially when it comes to startups that decide to enter the business environment of foreign countries. As a matter of fact, nowadays, thanks to the globalization and technological progress, it is easy for a company to move its products or services or production cycle from one country to another in order to find a larger market, or a major amount of resources. Chinese market presents all the characteristics that attract entrepreneurs: the government is the largest source of funding for startups and is giving them always more incentives, Beijing has the most innovative incubators and accelerators, the market is large, and the GDP is growing continuously. China is a big challenge and a great opportunity for everyone who wants to prove himself and his product on a challenging market. This environment is attractive also for foreign entrepreneurs who see in China the opportunity to diversify their customers and to expand their market. This dissertation wants in particular to explain how Italian startups may enter the Chinese market with the help of Tech Silu. Tech Silu is an international organization which operates at the highest institutional levels on the investment market in order to improve the development of the Italian startup ecosystem. I decided to choose this topic not only because I'm interested in the fields of innovation and technology, but also because I'm fascinated by the enormous changes in Chinese economy that brought China to be one of the most important countries in the world in about forty years. The project for this thesis started last year, one month before leaving for China: I was searching information regarding Italian startups with the desire of entering the Chinese market and organisations that helped them to succeed in this task; this is how I discovered about Tech Silu. Afterwards, thanks to my Supervisor, I came in touch with one of the partners of

Tech Silu, Tommaso Ferruccio Camponeschi and thanks to him I got in contact with Francesco Lorenzini, Vice President of Tech Silu. One week after my arrival in China, we met in Beijing and he explained to me the history of Tech Silu, its vision, its mission, its projects and I was just in time to participate to ISIC2017. I had the chance to participate in many events organised by Tech Silu in Zhongguangcun, the innovation and technological hub located in Haidian district and this gave me the opportunity to have a better understanding of the Chinese startup ecosystem, while coming in touch with Chinese investors that were interested in investing in Italian startups.

In order to give a boarder outline of what a startup is and what are its characteristics, the first chapter explores the life cycle of startups and the different types of uncertainties in encounters during its life. Afterwards, the main types of startups are described, with a special note on scaleup companies that are the evolution of normal startups because they already validated their products on the market. The chapter continues with a legal framework in which are explored the legal entities mainly chosen in Italy and in the United States for startups, along with a comment on comparative company law. At the end of the chapter are described the different sources of financing for startups.

The journey in the startup ecosystem continues in China with the second chapter, where is given an overview of the Chinese startup ecosystem, with a special note on the main components of its scenario: innovation and technology. In this background it is included also the program Made in China 2025 of which is given an explanation with references to its effects on startups. In the chapter are also outlined the best cities to develop a business in China: Beijing, Shanghai and Shenzhen. The chapter continues with the description of the role of incubators and accelerators for startups in China, because these two are the preferred methods to develop and scale up a business, with a reference to unicorn companies, companies that are valued at over one billion dollars. Afterwards, the chapter provides for an acknowledgment of Chinese legal system and its effects on startups with a comment on the Chinese company law, on the protection of intellectual property rights and the new cybersecurity law issued in 2017.

The third and last chapter of this dissertation describes Tech Silu, the organisation run by Italian entrepreneurs that are passionate about the business environment and about the issues concerning the interactions between the Italian and Chinese business world, in particular in the field of startups. The chapter starts with an overview of Tech Silu and the programs it developed to empower the sino-italian startup ecosystem with a reference to the Italia Startup Visa policy, a government policy which established a bilingual, digital, accelerated and centralised procedure for non-European investors willing to invest in startups established in Italy. The second part of the chapter is dedicated to ISIC2017, Italian Scale up Initiative, with the description of the different stages in the project, that started in April and ended at the end of September in Beijing. It continues with the presentation of the three Italian startups that were chosen to go to Beijing, having the opportunity to share their results and obtaining major resources to develop their business in China. The last part of the chapter describes the events that happened in Beijing from the 17th to the 22th of September with a comment on the final event which was held on 22th at the Italian Institute if Culture of the Italian Embassy.

Consequently, the aim of this thesis is to have a better understanding of the startups field and in detail of the Chinese startup ecosystem and to explain how Italian entrepreneurs enter the Chinese market thanks to Tech Silu and its projects.

I. STARTUP COMPANY

Lately, one of the emerging phenomena that is having a great influence on the international business environment is the growing number of startup companies around the world. As time passes by, some of them become very successful, some of them die in a couple of years instead. Nevertheless, it is important to understand startups' role and development in the business scenario, especially when it comes to startups that decide to enter a foreign countries' business environment. The first chapter of this thesis explores the life cycle of startups and the different types of uncertainties it encounters during its life. Afterwards, the main types of startups are described, with a special note on scaleup companies, that are the evolution of normal startups because they already validated their product on the market. The chapter continues with a legal framework in which are explored the legal entities mainly chosen in Italy and in the United States for startups, along with a comment on comparative company law. At the end of the chapter, the different sources of financing for startups are described.

1.1 Startup Company: definition and characteristics

The term startup refers to the event of the launch of a company that is entering the market for the first time or a company that is acquired and launched again with a new method. The future success or failure of the startup always depends on the totality of evaluations and decisions that mark the initial conception of the idea[1].

[1] Timothy BATES, "Entrepreneur Human Capital Inputs and Small Business Longevity", *The Review of Economic and Statistics* Vol. 72, No. 4, Cambridge, The MIT Press, 1990, pp. 551-559.

Actually, it is in the moment in which entrepreneurs start to evaluate the modalities to pursue the realization of their project that they lay the foundations for the future success of the business[2].

As cited in the OED[3] (1989) the word startup, in the business sense, appeared first on Forbes[4] in August 1976; the journal used the word as follows: "The ... unfashionable business of investing in startups in the electronic data processing field." One year later, in 1977, an article from the Business Week[5] reported the line: "An incubator for startup companies, especially in the fast-growth, high-technology fields.". It is clear that this word has a long history that originated in the United States and later it has become so widespread that in almost every part of the globe people have an idea of what a startup is.

Nevertheless, this paragraph wants to give a better understanding of the startup phenomenon, by clearly explaining what it is and what are its most relevant features.

Even if it is difficult to give a precise definition of what a startup is (due to the fact that usually these definitions are too broad), we can start by saying that a startup is a company in the first stage of its operations[6]. These companies are usually initially financed by their entrepreneurial founders as they aim to exploit the development of a product or service for which they believe there is a demand[7].

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[2] Elisabetta GUALANDRI, Valeria VENTURELLI, *Nasce l'Impresa Start-up: Dal progetto al mercato*, Confindustria Modena: Gruppo Giovani Imprenditori, Modena, 2011.

[3] Oxford English Dictionary, the main historical dictionary of the English language, published by the Oxford University Press. It marks the historical development and improvement of the English language, providing a comprehensive resource to scholars, academic researchers and student, as well as describing words' usage in their many variations around the world. In this thesis, the edition of year 1989 is taken into consideration to understand the origin of the word startup.

[4] Forbes is an American business magazine that is published bi-weekly and was founded in 1917. It includes articles on finance, industry, investing, marketing, technology, communications, science, politics, and law.

[5] Bloomberg Businessweek is an American business magazine that is published weekly and was founded in 1929. The magazine was created to provide information and interpretations about the business environment.

[6]Nicholas BALOFF and Robert B. MCKERSIE, "Motivating Startups", *The Journal of Business*, Vol. 39, No. 4, Chicago, The University of Chicago Press, 1966, pp. 473-484.

[7] Daniela PRANDINA, "Start up: il manuale di riferimento per iniziare un nuovo business", Milano, *Il Sole 24 Ore*, 2006.

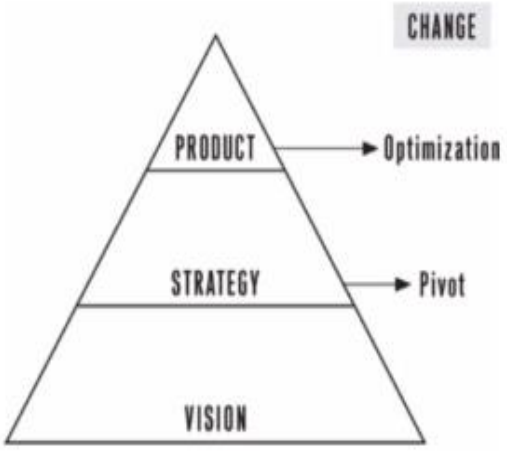
Since often the revenues are limited or costs are high, many of these small businesses need additional funding in the long term. Usually, a startup is very small at the beginning, and step by step grows with an incremental amount of investments that could be made by different participants. This growth is often very fast[8].

Startups can be of different kinds, they can refer to different categories of markets and costumers, but they always share two common features, that are also the most important characteristics of a startup: the innovation of the idea on which the startup is based and the engine of growth that is innate in it.[9]

As for the first characteristic, having an innovative idea does not just imply the creation of a product or service that is not currently offered in some market, but it can also imply the development of a new version of a product or service, with improvements in product, marketing, or operations. In fact, every new feature, and every new marketing program is an attempt to improve something that is believed to be offered in an inferior manner by the founders. As a matter of fact, startups can use many different kinds of innovation: novel scientific discoveries, improvement of existing technology for a new use, the planning of a new business model that unlocks hidden value, or simply bringing a product or service to a new location or a previously underserved set of customers. In all these cases, we still consider the innovation as a core component for the success of the company[10].

[8] Claudio F. FAVA*, Start-up. Manuale per nuovi imprenditori*, Milano, Egea, 2006.
[9] Eric RIES, *The Lean Startup. How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Business*, New York, Crown Business, 2014.
[10] William R. KERR, Ramana NANDA, Matthew RHODES-KROPF, "Entrepreneurship as Experimentation", *The Journal of Economic Perspectives*, Vol. 28, No. 3, Pittsburgh, American Economic Association, 2014, pp. 25-48.

As for the second characteristic, startups are companies designed to grow, and grow fast. This fast growth starts from the need to reach the destination they have in mind that is to create a flourishing and world-changing business. This "destination" is the famous startup vision, that can be achieved through a strategy including a business model[11], a product or a service road map, a point of view about partners and competitors, and ideas about whom the costumers will be. Entrepreneurs must define their vision even before the moment they start to operate because it forces clarity on crucial issues and because it is useful to align the company's team around a common direction.



1. Eric Ries, The Lean Startup. How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Business, New York, Crown Business, 2014, p.23

Behind the strategy, there is a crucial point to consider: the situation of uncertainty a startup must deal with. Without uncertainties, the projected business environment can be known perfectly, and this would improve the confidence of entrepreneurs; still, uncertainty factors exist and have a great impact on the innovation decisions and actions of entrepreneurs. Milliken [12] describes uncertainties as the inability of individuals to predict something in an accurate way because of the lack of substantial information; they can be classified into effect, response and state uncertainties. Effect uncertainties are related to the uncertainty

[11] A business model is the plan of a company that describes how it will generate revenues, what expenses it will face, what product or service will be put on the market and which method will be used to reach customers as well as the sources of financing of the company.
[12] Frances T. MILLIKEN, "Three Types of Perceived Uncertainty about the Environment: State, Effect, and Response Uncertainty", *The Academy of Management Review*, Vol. 12, No.1, New York, Academy of Management, 1987, pp. 133-143.

about the causes and effects or the impacts of unfamiliar actions. Response uncertainties are related to the absence of awareness about the response of the market, costumers, competitors or other parties to a performed action. State uncertainties are related to the scares familiarity about the current conditions and the uncertainties about the nature of changes in state in the relevant scenario at a future time.[13].

Besides, other relevant uncertainty factors a company (and a startup in particular) must deal with involve economic uncertainty, political uncertainty, competitive uncertainty and costumer uncertainty[14].

As for economic uncertainties, many factors must be taken into consideration, and the first of them is the speed of the economic growth of a specific country; from this factor the entrepreneur can have a first overview of the market in which he wants to place his startup and how high is the level of uncertainty he must face. Researches show that there is more entrepreneurial entry when there is high economic growth, lower unemployment and less capital is needed. In the big sphere of economic uncertainties, the rate of inflation is one other relevant element: a low inflation rate provides a favorable environment for new venture creation, while high inflation rates often increase the uncertainty about the future and restrict the financial institutions to allocate resources to new ventures. Inflation rates also have great influence on interest rates and exchange rates.

Political uncertainty[15] refers to the uncertainty about governmental behavior, regimes, and policies or the future change in policies. Political factors are crucial for entrepreneurial success as the government of a country plays a leading role as planner, promoter and regulator of business firms. Political decisions can have a very big impact on entrepreneurs' activities and this is the reason why they must bear in mind some crucial factors like taxation, employment laws, consumer

[13] Sarah TOMY, Eric PARDEDE, *From Uncertainties to Successful Start Ups: A Data Analytic Approach to Predict Success in Technological Entrepreneurship*, Department of Computer Science and Information Technology, La Trobe University, Kingsbury Drive, Bundoora, 2018.
[14] Philippe LASSERRE, *Global Strategic Management Third Edition*, New York, Palgrave Macmillan, 2012.
[15] Lubos PÁSTOR, Pietro VERONESI, "Uncertainty about Government Policy and Stock Prices", *The Journal of Finance*, Vol. 67, No. 4, Hoboken, Wiley for the American Finance Association, 2012, pp. 1219-1264.

protection laws, political power, stability of the operating region, contradiction between local and national government regulations, personal privacy and intellectual property. The first and most important aspect to consider is the level of stability of a government; if it is unstable and corrupted, the chance entrepreneurs will act, decrease severely, while a country with a limited number of obstacles to launch a new activity will facilitate entrepreneurs in their operations. Another push to the creation of a new business can come from the capability of governments in making advantageous policies encouraging new ventures to invest in that specific area or country. In addition, understand the laws and regulations concerning a particular operation is important in order to avoid superfluous legal expenses. When deciding about starting a new business, entrepreneurs must also deal with the procedures concerning the registration and the operation of a new business: if the procedures include a lot of detailed documentation and reports and require a lot of time, there is not a high probability that an entrepreneur will decide to invest in that environment. Moreover, governments can promote the creation of value through the development of infrastructure, the creation of information parks, incubators, conferences, workshop and research collaborations; in such a dynamic environment, there is high probability entrepreneurs decide to start their business there.

Taxation is also a factor that must be taken into consideration: on one hand, high taxation cut the capital gains and success usually discourage entrepreneurs; on the other hand, lower taxation encourage investments, generates employment opportunities and economic.

Competitive uncertainty[16] refers to the lack of knowledge concerning the number and the size of competitors, the products and services they are offering and the business strategies they use to compete on the market, but also the nature of the competitors, their strategies and their response to new businesses strategies. For entrepreneurs starting a new company, it is important to acquire a deep understanding about the competitiveness of the market they want to enter in order to react to the activity of competitors. Generally, the greater the number of

[16] Birger WERNERFEL, Aneel KARNANI, "Competitive Strategy Under Uncertainty", *Strategic Management Journal,* Vol. 8, No. 2, Hoboken, Wiley, 1987, pp. 187-194.

competitors is, the greater is the incentive to act early rather than wait: if in the market entrepreneur wants to enter there is only one firm there is no particular hurry; but if there are many firms it is crucial to act as early as possible to reach success before competitors do.

Customer uncertainty refers to the lack of knowledge about the acceptance and the demand from costumers, with reference to the new business entrepreneurs want to start and the new product or service he wants to promote. This kind of uncertainty includes information about the rate of growth of the population, its size, its segmentation[17], the purchasing and potential purchasing power of users and the expectations of the costumers relating to that specific product.

The analysis of uncertainties accompanied by relevant data can be used to measure the probability of success of the perceived opportunity in the pre-startup phase. In this way it is possible to identify the strengths, weaknesses, opportunities, and threats associated with the perceived opportunity which will benefit entrepreneurs to understand the most influential factors surrounding their potential businesses. This type of analysis will enable the decision-maker to identify the uncertainties that are having a high influence on the final outcome and use resources efficiently[18].

Nowadays entrepreneurs decide to start a business in the form of a startup because they believe that the best business ideas arise from the real and authentic need for something (that they believe necessary) to be placed on the market. Entrepreneurs identify an opportunity, that could be in the form of a technological innovation, the creation of a new product, the development of a new service or the innovation of an existing product or service on the market. This kind of ideas are

[17] Market segmentation is a marketing term referring to the aggregation of potential buyers into groups with common needs and who have a similar response to different marketing performances. Market segmentation assists companies in targeting different categories of consumers who perceive the full value of certain products and services differently from one another.

[18] Svenja C. SOMMER, Christoph H. LOCH, Jing DONG, "Managing Complexity and Unforeseeable Uncertainty in Startup Companies: An Empirical Study", *Organization Science*, Vol. 20, No. 1, Catonsville, INFORMS, 2009, pp. 118-133.

usually successful and can lead entrepreneurs and startups to a long-lasting life[19]. Nevertheless, there are some factors that may influence the decision of entrepreneurs when considering starting a new business[20]. In the first place, entrepreneurs must take into consideration the real value of the opportunity that they see in their project; if the value of the opportunity is exaggerated the startup will run into failure in the next future or will not be able to start at all. Therefore, in a first analysis, entrepreneurs should ask themselves how big the need for their product is and if it is real; usually entrepreneurs have good ideas and foresee good opportunities, still this does not mean that their startup will be successful and long-lasting. The second element entrepreneurs should take into account is the number of costumers that are willing to pay for their product, service or technology and the market knowledge. If entrepreneurs' product or service is successful, a lot of costumers will be willing to spend money for it. The number of costumers also depends on what kind of idea entrepreneurs have in mind and on which market they want to place their new business. In the situation in which entrepreneurs operate in the technological environment, for example, their project could attract customers from every part of the world (since technology has no boundaries) and at the same time is more attractive for young costumers (that have a close relationship with technology). The knowledge related to the market is important because it can assist businessmen in the evaluation of the best environment for their startup. It can be objective and experiential, and this difference depends on the fact that objective knowledge can be acquired by passive behaviors such as reading books and having information on that specific market while experiential knowledge derives from the active and direct experience of entrepreneurs in that market[21]. Generally speaking, if a product or service has the potential to attract a lot of customers from many different countries around the world, entrepreneurs have a good reason to start their business. Another reason to start a business is the capability of entrepreneurs to see

[19] Erik STAM, "Entrepreneurship and Innovation", *Micro-foundations for Innovation Policy,* Amsterdam, Amsterdam University Press, 2008.
[20] Victor H. HWANG, "Why We Start Up Startups", *Forbe*s, 2014, https://www.forbes.com/sites/victorhwang/2014/01/23/why-we-start-up-startups/#cf0b94038b6f.
[21] Tiger LI, Roger J. CALANTONE, "The Impact of Market Knowledge Competence on New Product Advantage: Conceptualization and Empirical Examination", *Journal of Marketing,* Vol. 62, No. 4, Chicago, American Marketing Association, 1998, pp. 13-29.

something that other people do not see. It is the capability of creating something that is unique and that nobody never thought about before. It is common for companies (and competitors in particular) to focus and always compete on the same product or service; in such an environment, it is also easy for entrepreneurs to evaluate the situation from different angles: this can lead to the achievement of a new solution, a solution that is different, new and authentic, that can change the fate of the market entrepreneurs want to enter and can beat the competitors. Consequently, the ability of looking from the outside what is happening in a market can give entrepreneurs the right push to start their own successful business. In addition, ideas are usually not sufficient for starting a business. After having an idea, indeed, entrepreneurs must consider how to practically realize that idea, and here comes the role of necessary resources[22]. Resources are different and can vary depending on the kind of business entrepreneurs want to start; nevertheless, entrepreneurs should consider the resource commitment needed to their startup and look for solutions to obtain it. These resources can come in the form of financial capital, information, technical know-how or valuable networks that will help entrepreneurs accelerate the growth and success of their startups.

Moreover, launching a startup is particularly suitable to those entrepreneurs that enjoy learning, that are optimistic, that have self-confidence, that do not accept failure and that have a passion for what they are doing[23]. The love for learning is one of the most relevant characteristics for an entrepreneur: at the beginning he will have to take on new decisions and responsibilities repeatedly, with an always major increase of knowledge in marketing, accounting, sales, operations, human resources and much more. Optimistic attitude is necessary because of the uncertainty conditions startups must operate in: previously were discussed all the different kinds of uncertainties startups must face in their life-cycle and how to try to avoid them. Nevertheless, entrepreneurs should maintain an optimistic attitude towards their business, their idea and especially towards their employees; low mood will not

[22] Marc J. SCHNIEDERJANS, Robert E. MARKLAND and Daniel SLOAN, "Estimating Start-Up Resource Utilization in a Newly Formed Organization*", Interfaces,* Vol. 16, No. 5, Catonsville, INFORMS, 1986, pp. 101-109.
[23] Arnold C. COOPER, William C. DUNKELBERG, "Entrepreneurship and Paths to Business Ownership", *Strategic Management Journal*, Vol. 7, No.1, Hoboken, Wiley, 1986, pp. 53-68.

assist the business in gaining success and growth. Self-confidence is also important for entrepreneurs, not only when they decide to start a business but also when their startup is already founded, especially when the startup faces critical situations or when others doubt the startup and its rate of success. It could seem not so relevant but the capability of not abandoning his project is crucial for entrepreneurs. Not all successful startups were successful at the beginning and some of them had slow and little progresses; the reason why those startups became successful later was the obstinacy of entrepreneurs in continuing their business, despite the probability of failure.

In conclusion, passion is the real engine of a business' foundation. If entrepreneurs are ready to work hard on their own passion, they will do their best to let the startup be successful and grow, because it is what they really want and will not let other people discourage them. History is full of people who worked hard on their passion and became successful entrepreneurs creating successful ventures[24].

As Bruce Kirchhoff[25] stated in 1994:

> It is widely believed that all highly innovative firms are destined for high growth. This is not true. Some firms and entrepreneurs are simply not willing or unable to obtain the resources they need for achieving growth. In fact, it is my estimate that the unwilling exceeds the unable, but no entrepreneur will admit to being unwilling. Still my experience is that the largest percentage of constrained growth firms are self-constrained.

[24] William J. BAUMOL, "Entrepreneurship: Productive, Unproductive, and Destructive", *Journal of Political Economy,* Vol. 98, No. 5, Part 1, Chicago, The University of Chicago Press, 1990, pp. 893-921.

[25] Bruce A. Kirchhoff (b.1938 - d.2011), Ph.D., was a distinguished Professor of Entrepreneurship and Director of the Technological Entrepreneurship Program at New Jersey Institute of Technology (NJIT) in Newark, N.J.

1.1.1 Scaleup Company

Nowadays, scaleup companies are considered to be the next wave of innovation and, indeed, they are startups that have already validated their products within the marketplace and have proven that the unit economics are sustainable. Among startup companies, scaleups deserve a special mention as a singular sub-sector of startups: even though they are considered as startups from uninformed subjects, scaleups are the evolution of normal startups and present their specific peculiarities. According to the research "Scale up: the experience game"[26] developed by THNK[27] and Deloitte Fast Ventures[28] in 2015, only 1 startup out of 200 became a scaleup. It is possible to recognize from the outside a business concept that is "designed to scale", firstly because some products are naturally more scalable than others[29]: electronics, software products, media and entertainment formats, energy, online services. The success of the scaling up of a company may also be the product of a business model that scales, that is a business model that exploits the customer network to scale up, allowing the company to grow quickly. Scaling potential, finally, could also derive from the courage and obstinacy of the founding team when team members trust the founders and the project and believe that it can change the world.

[26] The researchers assembled a database with nearly 900,000 companies, of which 400.000 new enterprises across the Western world, spread over 24 countries and 790 industry subsectors (all the startups considered for the research were established in or after 2005). For every startup, financial figures were collected (revenue over time, employees, etc), as well as leadership characteristics (founders, gender diversity of founders, founders' education level, founders' corporate experience, etc.). The data was in addition supplemented with economic and statistical data, for among others analysis and benchmarking purposes.

[27] THNK is a School of Practice and a School of Thought which designs and make easier transformational in-person learning experiences to train and support global intrapreneurs and entrepreneurs in developing the mindsets, skillsets, and toolsets needed to scale their impact on the world's biggest challenges. See https://www.thnk.org/about-us/

[28] Deloitte is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit & assurance, consulting, risk and financial advisory, risk management, tax, and related services to select clients. See https://www2.deloitte.com/us/en/pages/about-deloitte/articles/about-deloitte.html

[29] Because of their intrinsic nature related to the technological field, these products address large markets, and are suitable for international markets.

Scaleup companies have already validated and perfected their products on the market, while startups are still considering which is the best product to place on the market, what is the best method to promote it and what will be their strategy to make the business sustainable[30].

Scaleups are already aware of what their return from the business will be, and this high level of acquired information give them a high grade of confidence in taking decisions and developing business plans. On the other hand, startups must still face a high degree of uncertainties (as discussed in the previous paragraph). It comes without saying that scaleups are at a different stage of funding [31] in comparison to startups. Moreover, in scaleup companies the roles of members in the team become clear and defined, while different departments start to be established and specialists for each role within those departments are hired in pursuit of growth. Consequently, the number of people an entrepreneur must manage increase too; in this situation, there is greater space for mistake when sending forth projects from one role to another; one single mistake, if not managed correctly, could lead to employee turnovers, unpleasant moods and to a decrease in production. Therefore, to hire leaders with corporate management experience, is very important for scaleups; the more managers oversee metrics, quotas and procedures, the more effective entrepreneurs can be in scaling the company. In addition, the larger a company becomes, the greater its aversion to risk becomes. If a company is starting a business, it has a small customer base, an unproven product and almost zero transactions; consequently, founders do not have so much to lose

[30] Alberto ONETTI, "Scaleups. When does a Startup turn into a Scaleup", *Startup Europe Partnership,* 2014, https://startupeuropepartnership.eu/scaleups-when-does-a-startup-turn-into-a-scaleup/.

[31] There are three stages in the financing of startups and scaleups. In Series A startups are the riskier stage for investors because are in their begininnig phase. Typical European Series A rounds range from €2 to €5 million are led by traditional Venture Capital firms that end up owning between 15 and 30% of the invested startups. In Series B startups begin to scale up, they have an established user base and a business model that is working. In Europe, Series B deals are not very common, while in the US they are widespread and include the participation of Venture Capitalists. In Series C startups have become scaleups: the business model is working well, the user base is expanding and acquisitions might be in the crosshairs of the executives leading these companies.

in comparison with scaleups that have to confront the expectations of investors, costumers and team members to quickly multiply their results.

2.Alberto Onetti, Scaleups: When does a Startup Turn Into Scaleup, Startup Europe Partnership, 2014

In conclusion, in the moment in which an entrepreneur decides to launch his new business, he should have clear in mind what kind of business he wants to start, or he wants to enter in because his evaluations will in great part determine the future of his company; incorrect judgments could actually lead to the failure of the business in a very short time.

1.2 Types of Startup Companies

Startups can be of different kinds and can have different forms depending on the needs of entrepreneurs and on the kind of business they want to put forward and

develop. Generally speaking, six types of startup companies can be classified[32], according to their size, their objective, their scale of growth and their future life:

- Small Business Startups:

The major part of a country's economy consists of small business startups since they are easy to start and do not require a big amount of capital. This is also one of the reasons for which small business startups are usually family owned and run, and the profit gained from the business is used entirely by the family, because that is the startup objective; most of times, employees are members of the family or close friends. External investors are not interested in this kind of startup because the businesses do not generate a lot of profit. Such startups include hairdressers, travel agents, plumbers, electricians, carpenters and consultants. One of the good aspects of this kind of startups is the capability of contributing to local economy through the hiring of local talents. From this point of view, small business startup does not have an impact on the global environment but have a prominent role in the economic development of the country it operates in[33].

- Lifestyle Startups:

Lifestyle startups exist primarily to satisfy the owners of such businesses. This is true since lifestyle startups' owners are motivated by their passion; this passion pushes them to launch a business that will give them the opportunity to gain profit, only by working hard on their passion. This type of firm may grow to 30 or 40 employees, but only after many years and has little opportunity of growing. Examples of lifestyle startups include all those subjects with a high level of

[32] Steve BLANK, "The 6 Types of Startups", *The Wall Street Journal,* 2013, https://blogs.wsj.com/accelerators/2013/06/24/steve-blank-the-6-types-of-startups-2/.
[33] Linda PINSON, *Steps to Small Business Start-Up: Everything You Need to Know to Turn Your Idea Into a Successful Business,* Out Of Your Mind & Into The Marketplace, 2014.

expertise in a particular field that decide to gain profit out of it by attracting people with the same passion[34].

- Buyable Startups:

Buyable startups are companies that were born to be sold to other larger companies. The life-cycle of this kind of startup is a beginning with a limited amount of capital from the entrepreneur, and then, in a second phase the entrepreneur develops the business and in the last phase he sells the company off in return of a big amount of profit; usually they also do not refer to traditional Venture Capitalists anymore but search directly for angel investors or crowdfunding to finance their projects. The more these startups are attractive for larger companies, the higher is their value, consequently the higher is the profit entrepreneur can gain from them. These kinds of startups include businesses such as web and application developers[35].

- Social Startups:

Social startups are companies that are started by socially passionate and ambitious entrepreneurs that have the desire to make a difference in the world surrounding them. These companies can be established as a for-profit, no-profit or hybrid: their main objective is not to gain profit but to make the world a better place by helping the people who need any kind of assistance; therefore, in order to fund their projects, social startups usually need donations and charities from subjects that are interested in their projects. This is mainly because attracting funding is the biggest barrier for social startups to grow: non-profits always struggle to be noticed by rich investors and investment firms. The income of social startups depends also

[34] Kyle GAWLEY, *The Lifestyle Startup: How To Build a Successful Internet Business Startup While Living Your Dream Lifestyle,* Independently published, 2017.
[35] Cody FALDYN, "5 Most Popular Types of Startup Companies from 2014", *The Entrepreneurs Library*, 2014, http://www.theelpodcast.com/5-popular-types-startup-companies-2014/.

on the social subsectors chosen by founders: education and health care, for example, are more successful than others.[36].

-Large-Company Startups:

Large companies' startups have limited life cycles and over the past decade it has been a trend that those cycles have noticeably grown shorter; the urgency for innovation is the factor large companies struggle with. Innovative projects assist in tackling the always more increasing external threats that are principally generated by inventive and innovative competition from other large firms. This means costs have to be driven down to improve efficiency and also fresh skills and structures must be imposed in the company. Corporations are companies that have spent the past 20 years raising their efficiency by driving down costs. But only focusing on improving existing business models is not enough anymore; there is also the need to deal with ever-increasing external threats by continually innovating. To ensure their survival and growth, corporations need to continue creating new and efficient business models. This challenge requires entirely new organizational structures and skills.

- Scalable Startups:

Scalable startups are the exact opposite of small business startups. Even if they both start from a limited amount of capital, the target of a scalable startup is to grow fast and scale up; they have the potential to keep gain profit while maintaining incremental costs at a minimum. Entrepreneurs believe their ideas can change the world and that one day, their business will become a huge firm; founders endure and persist in their job, hoping that investors would realize the potential of their project on the market and would assist them in developing it. In order to succeed,

[36]Kathleen K. JANUS, *Social Startup Success: How the Best Nonprofits Launch, Scale Up and Make a Difference*, Boston, Da Capo Lifelong Books, 2018.

the business plans of these companies are powerful and captivating. Scalable startups tend to group together in innovation centers such as the Silicon Valley, Shanghai, New York, Boston, Israel. Facebook, Twitter, Google and other famous internet platforms are examples of scalable startups[37].

1.3 Legal Framework

By the time entrepreneurs start to consider the launch of a new business, they must decide the type of legal structure they want to give to the company they are starting. This decision is very important because it could affect the future life of the startup and the way investors will consider it. This paragraph will deal with an overview of the issues related to the choice of the legal entity for the startup, a comment on corporate law in both a common and a civil law system, and a note on the options for Italian entrepreneurs and the common US legal entities established by founders for their startups.

Corporate law[38] is the system of laws governing and regulating the rights, relations, and conduct of persons, companies, organizations and businesses; in detail, it regulates the interactions between corporations, investors, shareholders, directors, employees, creditors and other stakeholders such as consumers. This legislation governs commercial organizations with limited liability and investments represented by share[39]. Every country is provided with a specific legislation which meticulously list all available forms of legal entities with a clear identification of what are the registration procedures to be completed in order to establish the legal

[37] Martin ZWILLING, "10 Tips for Building the Most Scalable Startup", *Forbes*, 2013, https://www.forbes.com/sites/martinzwilling/2013/09/06/10-tips-for-building-the-most-scalable-startup/#117937015f28.
[38] Corporate law is also known as business law, enterprise law or company law.
[39] Examples of these organizations are corporations in the US, societes anonymes in France, joint stock companies in Russia.

entity[40]. Founders and entrepreneurs should choose the company law in according to their awareness and familiarity related to it: this is the reason why, when it is possible and coherent, entrepreneurs choose their national law as the law governing the company they are founding [41] (Italian entrepreneurs would choose Italian company law, American's would choose United States company law, Chinese's would choose Chinese company law).

1.3.1 Comparative Company Law

The increasingly high stakes of accurately mastering foreign laws for the successful realization of commercial transactions accomplished by international organizations, have drawn a great amount of academic attention to comparative law; even though the incessant growth started in the 19th Century (with the major codifications in Continental Europe), the increase was even faster when economies like China started to develop in the Nineties. The main organizations that engaged in comparative law on a large scale to issue directives and regulations are the European Union [42], the United Nations [43], the International Institute for the Unification of Private Law (UNIDROIT)[44] and the Hague Conference on Private

[40] Gainan AVILOV, Bernard BLACK, Dominique CARREAU, Oksana KOZYR, Stilpon NESTOR, Sarah REYNOLDS, "General Principles of Company Law for Transition Economies", *Journal of Corporation Law*, Iowa, University of Iowa College of Law, Vol. 190, No.293, 1999.
[41] Tito BALLARINO, Eleonora BALLARINO, Ilaria PRETELLI, *Manuale di diritto internazionale privato,* Padova, CEDAM, 2016.
[42] The European Economic Community (later European Union) harmonized a core of minimum standards in many areas, followed this up with mutual recognition of member state law while restricting harmonization to health and safety, and introduced a parallel movement of European standardization.
[43] In particular, the Commission on International Trade Law (UNICTRAL) and the Office of Legal Affairs, Codification Division's Codification of International Law.
[44] UNIDROIT "is an independent intergovernmental organisation. . . [whose] purpose is to study needs and methods for modernising, harmonising and coordinating private and, in particular, commercial law as between States and groups of States." See http://www.unidroit.org.

International Law[45]. The main objective of European Union is the creation of a unified geographic and political market where the free circulation of goods, services, persons and capital is achieved among its members. To accomplish this task, members instituted a specific number of central governing institutions with supra-national authority to affect the necessary integration and harmonize the national laws.

When approaching comparative company law, the first issue to be considered is the differences existing between different legal systems in particular between the common law[46] and the civil law[47] systems. For example, one of the most influential schools of comparative company law led by finance theorists such as Professors Rafael La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert Vishny ("Origin Theorists") state that legal systems belonging to common law lead to efficient investor protection –and consequently to the development of stock markets and prosperity– while those belonging to the civil law do not[48]. Nevertheless, from the aspect of corporate law, this methodology present problems because it presumes that certain rights are universal openers to investors protection while others are not and that the rights in the books can be efficiently exercised in the favorite jurisdiction[49]; in addition, it fails to use correct information on the nature of the law

[45] "Since 1893, the Hague Conference on Private International Law, a melting pot of different legal traditions, develops and services Conventions which respond to global needs. . .". See http://www.hcch.net.

[46] The common law tradition emerged in England during the Middle Ages and was applied within British colonies across continents. Common law is uncodified: there is no comprehensive compilation of legal rules and statutes. While common law does rely on some scattered statutes, which are legislative decisions, it is largely based on precedent, meaning the judicial decisions that have already been made in similar cases.

[47] The civil law tradition developed in continental Europe at the same time and was applied in the colonies of European imperial powers such as Spain and Portugal. Civil law was also adopted in the nineteenth and twentieth centuries by countries formerly possessing distinctive legal traditions, such as Russia and Japan. Civil law is codified: countries with civil law systems have comprehensive, continuously updated legal codes that specify all matters capable of being brought before a court, the applicable procedure, and the appropriate punishment for each offense.

[48] The technique used to obtain this result is to create a list of countries sorted by their lineage of legal origin, gather data on the existence of certain shareholder rights in each country, and rank the countries by their score on governance index based on such rights.

[49] Professor Lucian Bebchuk has explained in many contexts how the guarantees bestowed on shareholders by corporate statutes are not effective as they might seem on books: "shareholders' veto power over charter amendments and reincorporations [is] ineffective at securing value-

in the jurisdictions it discusses. However, if comparisons are achieved on the basis of generally known differences rather than on the actual basis of law or their functions and usage, there is the risk that the comparison will become simply "anecdotal".

The main difference between civil and common law traditions lies in the sources of law and the role of judges. In civil law systems, the emphasis is on legislation as the primary source of law, whereas in common law systems, judges play a more active role by establishing legal precedents. Traditionally, commercial agreements drafted in civil law countries tend to be rather brief and utilize broad terms; in common law countries, on the contrary, their equivalent contracts are long and detailed. In addition, resolution of commercial disputes varies between civil and common law traditions, with an inquisitorial model in the former, and an adversarial one in the latter.

Notwithstanding the intrinsic differences between the two systems, between the end of the Ninetieth century and the beginning of the Twentieth century, started a process of standardization of the law, in particular in the field of company law. This process contributed to reduce the differences between the systems and heads to a convergence of the common and civil law systems.

Company law in both common and civil law systems is generally defined as the body of laws enabling the establishment of an entity with "five core structural characteristics": (1) legal personality[50], (2) limited liability[51], (3) transferable

increasing changes" because it is a mere right to react and "management's agenda setting power under existing arrangements also enables it to obtain shareholder approval for changes that, by themselves, reduce shareholder value".
Lucian A. BEBCHUK, "The Case for Increasing Shareholder Power", Vol. 118, No. 3, Harvard, *Harvard Law Review Association*, 2005, pp.833-914.

[50] Legal personality means that the new legal entity is capable of entering into agreements or contracts, it assumes obligations, incurs and pays debts, and is considered responsible for its actions.

[51] Limited liability means that liability does not exceed the amount invested in the company by shareholders. Their liability is consequently restricted to the amount of the investment in the company.

shares[52], (4) centralized management under a board structure[53], and (5) shared ownership by contributors of capital[54].[55] Each of the five "core" characteristics listed above may also be linked to other areas of law[56].

1.3.2 Legal Entities mainly chosen in Italy for Startups

Entrepreneurs may utilize different kinds of legal structure for the constitution of their startup (we will discuss about the commonest in the following paragraph); in Italy, for example, the commonest legal structures used for startup firms are the Joint Stock Company and the Limited Liability Company[57].

The Joint Stock Company[58]is a Limited Company for which: (1) the company is responsible for its obligations with its capital (therefore the liability of each shareholder is limited to the shares he subscribed), (2) the participation in the company by shareholders consists of shares.

Single shareholders do not have any direct power in the administration and control of the company; they have only the right to participate in the election of the

[52] Full transfer of shares allows companies to continue its operations even after the change of shareholders within the company. Sometimes, shares could be transferable only in a restricted circle of subjects or could be subjected to the approval of other shareholders or of the company itself.
[53] The presence of the Board of Directors, a group of individuals elected to represent shareholders. The Board's task mainly consists of establishing policies for corporate management and oversighting and making decisions on major company issues.
[54] The ownership of the company is shared among shareholders on the basis of the percentage of their invested capital in the company.
[55] David C. DONALD, *Approaching Comparative Company Law,* Frankfurt, Institute for Law and Finance, Working Paper Series No.77, 2008.
[56] One purpose of legal personality and limited liability, for example, is to mark the assets to which creditors may take recourse in collecting debts of the corporation and this position is integrally tied to the rights creditors hold in insolvency proceedings over the company's assets.
[57] Italian law provides also for other entities with limited liability: limited partnerships with two kind of partners, limited and general and limited joint stock company with two kind of shareholders, limited and general.
[58] Società per Azioni (S.p.A.)

Board of Directors[59] that must be composed of at least three members (individuals, partnerships or companies; its members are chosen from Register of Official Auditors and are appointed for a period of three years; the duties of auditors include examination of administration of company and of its books, certification of balance sheets. The daily management of the company, instead, is conducted by the Shareholders' Meeting that could be ordinary or extraordinary meetings as established in the Articles of Association.

Joint Stock Companies are generally governed by the principle of majority rule, which means that while they are formed and continue to work through participation of every shareholder, only those who hold a majority of voting shares can make decisions in companies.

The constitution of the Joint Stock Company is subjected to the drafting of the Articles of Association[60] that must be submitted to the authentication and sign in front of a public notary.

The minimum invested capital required must be not less than €120000.000 (€50000.000 under specific conditions) and in the moment of the constitution of the company, shareholders have to pay at least 25% of initial subscribed capital; in case of one shareholder, the entire share capital must ben subscribed.

The Joint Stock Company whose shares are quoted on stock exchanges must file accounts, minutes and other data with Stock Exchange and Securities National Commission which performs controls. Nevertheless, in case of the constitution of a startup company in the form of a Joint Stock Company, the holdings of the company must not be listed on a regulated market or on a multilateral trading system. In addition, this kind of company is often used for large startups, where higher equity contributions and more flexibility with respect to transfer of shares is required.

Many of the regulations governing the incorporation and management of a Joint Stock Company also apply to the Limited Liability Company; each of them may

[59] Consiglio di Amministrazione (C.d.A.).
[60] The Articles of Association is a document specifying regulations for a company's operations and defines the company's purpose. The document describes how tasks must be accomplished within the organization, including the process for appointing directors and handling of financial records.

also be converted into the other type of company by the resolution of a special shareholders' meeting. The incorporation in Italy of a Limited Liability Company is subjected to a contract or to a unilateral act and may have only one shareholder, while the minimum invested capital required is equal to 10,000.000; the law requires that at least 25% of the subscribed capital must be deposited with a bank in Italy before the Certificate of Incorporation is executed. The contributions of shareholders in the company must be in cash, unless the contract provides otherwise; any kind of asset that can be economically evaluated can be the object of a contribution. If a contribution is in kind, or consists of a credit, a report of an expert must be submitted.[61]

The governance of the Limited Liability Company can be adapted do different demands both in terms of administration (there could be a Sole Director or the Board of Directors) and in terms of providing specific rights in advantage of shareholders.

Scaleup companies established in the forms of Limited Liability Company and Joint Stock Company also benefit from a favored system in terms of constitution cost (they are not subjected to stamp duty, registration fees for the Company Register and the annual company registration fee).

On boarder terms, there are many other legal structures that can be chosen to constitute a startup company, and all of them have their advantages and disadvantages, depending on the type of firm the entrepreneur wants to start and depending on his needs and demands.

[61] Gianfranco CAMPOBASSO, *La Riforma delle Società di Capitali e delle Cooperative*, Torino, UTET, 2004.

1.3.3 Legal Entities mainly chosen in the United States for Startups

Startups are a phenomenon that firstly originated in the United States; this is the reason why the following paragraph will explore the solutions commonly chosen by American entrepreneurs for the constitution of their startups, that are also the Limited Liability Company and the Corporation[62].

Limited Liability Companies are the most popular form of legal entities, because they are quite easy to set up and can offer many and favorable tax advantages. This legal entity combines the pass-through taxation of a sole proprietorship or a partnership with the limited liability of a corporation; therefore, the members of the company are not personally liable for the company's debts or liabilities.

The Limited Liability Company is subjected to local laws in according to the State in which it is established; the documents required in order to start a Limited Liability Company include the Articles of Organization[63] (or Certificate of Organization), an Operating Agreement, Licenses, Permits and Registration that must be submitted to the competent authority (generally the Secretary of State).

The law does not provide for a minimum capital investment and also the affairs related to contributions are explored in the Operating Agreement of the company, a private document that does not need to be submitted to competent authority; moreover, it regulates the relation between the members and the relation between the members and the managers. The Operating Agreement is not necessary but if the company is composed of more than one member, this agreement becomes important; on the contrary, if there is only one member, he is not obliged to draft it. The owners of the Limited Liability Company are its members that are free to share its ownership stake among them without any regard to a member's capital contribution to the company; although a certain member may not have invested as

[62] Corporate law in any state of the United States provides for the incorporation of several types of company. In practice, the most popular form of U.S. company is the Limited Liability Company because, when certain criteria are met, an LLC is not treated as a taxable person in the U.S.

[63] Articles of Organization include many information including references to the name of the company and its address and to the members of the company.

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much as another member, the Operating Agreement could specify that all members receive an equal share of the profits. As for the business operations, members could elect managers for the daily administration of the company or they could become managers as well.

Many startups create this type of company in order to protect their personal assets against lawsuits directed at the company since liability can't exceed the amount invested in the company. Moreover, after a period of expansion and growth, founders can easily convert it to a Corporation. This could happen because this kind of company is limited in what it can do when it comes to acquisitions and mergers. It tends to be adequate for businesses that are more in their beginning stages, therefore entrepreneurs usually choose this legal entity when they are not totally sure about how much they will grow in the first years of operation.

Nevertheless, Limited Liability Companies present problems when it comes to investments by venture capitalists. Venture capital funds cannot invest in these companies because funds have partners that are absolved from taxes and cannot receive active trade or business income due to their status; in addition, since some venture capitalists manage public funds, they cannot invest in Limited Liability Companies.

As for taxation, startups often create a Limited Liability Company because this legal structure avoid double taxation and it is taxed more like a sole proprietorship, so income or losses pass through the company to its owners, and the company itself pays no income taxes.

A Corporation is also legal entity separated from its owners, and for this reason a corporation has the right to enter into contracts, loan and borrow money, sue and be sued, hire employees, own assets and pay taxes and it is liable for actions and debts rather than single shareholders.

Corporations are created by being incorporated by a group of shareholders. Aside from minimum business requirements, the business must file Articles of Incorporation. In addition, the shareholders must annually elect a Board of Directors that appoints and oversees the management of the day-to-day activities of the corporation. The Board of Directors is responsible for executing the

corporation's business plan and must take all the necessary means to succeed. Although the members of the Board are not generally responsible for the corporation's debts, they do owe a duty of care to the corporation and can incur personal liabilities if they neglect this duty.

For startup companies, being incorporated as a Corporation can be a big advantage if they want to join startup accelerators or incubators because these programs, usually, view Corporations as an indication that the business is ready to grow. Moreover, if startups want to attract venture capitalists, Corporations are the best choice for different reasons. In particular, Corporations can issue “preferred shares” of stock to raise financing and it gives special rights to investors (anti-dilution protection, conversion rights and the power to elect the startup’s Board of Directors).

As for taxation, Corporations have no “pass-through” tax but are subjected to double taxation. This is a taxation principle referring to income taxes paid twice on the same source of earned income. It can occur when income is taxed at both the corporate level and personal level. Double taxation often occurs because corporations are considered separate legal entities from their shareholders. As such, corporations pay taxes on their annual earnings, just like individuals. When corporations pay out dividends to shareholders, those dividend payments incur income-tax liabilities for the shareholders who receive them, even though the earnings that provided the cash to pay the dividends were already taxed at the corporate level.

1.4 Sources of Financing for Startups

Usually, after fulfilling all the requirements to start the business, startups begin to operate. At this moment, one important challenge entrepreneurs must face is the problem of funding. Financial resources are required for startups, receiving financing from traditional lenders and investors could be very difficult; moreover,

lately this issue is more pressing than before because there are many startups competing for obtaining the fundings and because investors are not so convinced about investing their money considering the increasing number of startups that are failing after not long time of operation. Therefore, the financing of startups is one of the crucial questions in enterprise research. Because of the role new businesses play in employment growth, competition and innovation, financing decisions of startups have high implications on the overall economy. Moreover, these decisions, and how they explain the use of debt and equity, have important implications on how the business is able to operate, the risk of failure, performance of the business, and the potential for future expansion of the enterprise[64].

Firstly, we will analyze which are the main issues founders must deal with when it comes to financing their startup, and in the following paragraphs we will look at the main types of financing startups can obtain. Often, entrepreneurs just want to receive investments from the outside; still, if they truly believe in their project, they should be the first ready to invest money in the startup, especially at the beginning. If founders themselves do not want to invest in their project it in the first place, how could they expect that investors want to finance their plan? Consequently, the first key point is to be confident with the project and have faith in the future growth of the startup. Another important issue is the business plan presented to investors. A business plan is a written document describing in detail the business, its product or service and how the business will achieve its goals. A business plan lays out a written plan from a marketing, financial and operational viewpoint, while including also information about the industry of which the business will be a part and how it will distinguish itself from its potential competitors. Usually, banks and venture capital firms make the existence of a viable business plan a prerequisite to the investment of funds in a business, therefore it is important to have an outstanding business plan when searching for investors. Finally, networking is also a very good strategy every entrepreneur should include in his schedule when looking for

[64] Sondre ANDENES, Even L. PENDEGRAFT, *Financing of Startups. A Comparative Study of Norway and the USA,* Bergenm, Norwegian School of Economics, 2016.

investors. Networking is an ongoing process that should never stop, and it could help founders to find subjects interested in the project and willing to be part of it[65].

The following paragraphs will deal with the commonest types of funding for startups: owner's capital, banks, angel investors, venture capitalists, trade credit, leasing, crowdfunding.

1.4.1 Owner's Capital

As said before, entrepreneurs, when starting a business, could be in the position of having to contribute with cash into their project, a capital contribution. This is because the external sources are restricted in providing finance in the early stages of startup developments until the founders strongly demonstrate the real existence of a profitable opportunity to investors. Founders' contributions in the business are common in the case of a partnership, where a capital contribution is usually required since partners in business will want to see that entrepreneur has some of his personal capital as a stake in the business. Founders can contribute to their business with a loan or an investment, and for each of them there are different implications. In case of a loan, entrepreneurs should be flanked by a lawyer, whose job will be that of drawing up the contract defining the terms of the loan, including repayment and consequences for not-repayment of the loan. From the contract should be evident that the loan is a binding obligation on the part of the company. It should be clear that the loan is a binding obligation on the part of the company. As for taxation, the loan is considered as equal to any other debt of the company, and the interest on debt is deductible to the corporation and taxable to entrepreneurs as income. In case of investment, the invested capital goes into the owners' equity account (for sole proprietorship and partnership) and into retained earnings (for corporations or

[65] Jean-Etienne DE BETTIGNIES, "Financing the Entrepreneurial Venture", *Management Science*, Vol. 54, No. 1, Catonsville, INFORMS, 2008, pp. 151-166.

limited liability companies); investments can be done in the form of cash or assets. The commonest form of investment is straight cash. Most owners contribute cash to their business when it needs extra financing for capital projects or expansions. Nevertheless, any contribution from an owner counts; for example, assets like vehicles or equipment make also the owners' investment account increase. If, for any reason, entrepreneur withdraws his contribution, there is no tax consequences for him, while if he withdraws additional money in form of bonuses or dividends, he will be taxed on these amounts. Therefore, in spite of all the facts, owner's capital remains the first primary source of financing option for the startups[66].

1.4.2 Loans from Banks

Banks are the most famous sources of finance after owner's capital. Banks are financial institutions providing finance to all types of firms, notwithstanding of their size. In bank-based systems, the main role is played by the banks in promoting the flow of money between different investors and organizations. Banking finance is relevant for startup companies because they would seldom obtain long term debt or equity, as they must rely on the bank credit as a major source of finance, since they obtain much of the external capital from the entrepreneur's own funds, and informal investors like family members, friends and colleagues[67]. Nevertheless, loans from banks to finance entrepreneurs' startups are the most difficult to obtain because the bank itself has not tools to evaluate entrepreneur's future behavior regarding the capability and willingness to repay the loan. Still, founders can use different strategies to increase their possibility of obtaining a loan from a bank. Firstly, entrepreneurs must show a deep acknowledge of the market and the industry they

[66] Ken CAVALLUZZO, John WOLKEN, "Small Business Loan Turndowns, Personal Wealth, and Discrimination", *The Journal of Business*, Vol. 78, No. 6, Chicago, University of Chicago Press, 1998.
[67] David A. WALKER, "Financing the Small Firm", *Small Business Economics*, Vol. 1, No. 4, New York, Springer US, 1989, pp. 285-296.

are going to enter and present a very accurate and detailed business plan including an analysis of the market, of costumers and of the competitors operating in the same field of business. Founders should provide a statement showing future cash flows projections for the business as well, in order to persuade the bank that the business will be successful and that it will be possible to repay the loan. Secondly, founders should be clear about the reason for which they need that loan and in particular they should show evidence about how they are going to spend it. Thirdly, entrepreneurs should be confident about their experience in the industry they are going to operate and share it with the banks; consequently, the bank will realize that founders have acknowledgment about the market he is entering, and about future financial challenges he will handle with, including the repayment of the loan. Fourthly, and this is particularly true for a startup, founders should pledge their personal assets as collateral and also invest cash or assets in the startup themselves; this will make clear that entrepreneur is confident in his business and will also increase the trust of the bank in him[68].

1.4.3 Angel Investors

For a startup company, it is important to search for types of financing that are easily available; this is the case of Angel finance, an informal market for the direct finance different from the mainstream scenario of financial market, where subjects can directly invest in small companies thanks to an equity contract. Business angels usually draft the contract between them and the founders in order to prioritize the safety of their investment: the contract specifies the rights and the obligations of both parties about what will be done, by whom and when. The main target is to adjust the incentives of the owner and the investors on the basis of performance and

[68] Laurence H. MEYER, "The present and future roles of banks in small business finance", *The Journal of Banking & Finance*, Vol.22, Cambridge, Elsevier, 1998.

control measure[69]. Angel investors are wealthy individuals or retired company executives who directly and willingly invest in small startups or entrepreneurs[70]; they can also be called informal investors, angel funders, private investors, seed investors or business angel. They inject capital in early stage startups in exchange for ownership equity or convertible debt and in exchange for the right to supervise the company's management practices (for example a seat on the Board of Directors and an assurance of transparency). Angel investors commonly use their own cash, unlike venture capitalists, their investment is not large as that of venture capitalists, and even if they usually represent individuals, the entity that provides for the fund, could be a limited liability company, a business or an investment fund.

The main advantage of having an angel investor financing a startup, is the fact that usually they invest in fields of industry they have experienced, and this will help entrepreneurs in the decision-making process especially when the company will face thorny issues; in those situations, the help of an expert could be more valuable that the investment itself. There are particular kinds of startups angel investors like to invest in and are usually those involved in the high growth industries of the moment and they also change from time to time as the economy needs change. On the other hand, there are problems and issues related to the fact that the angel investors' market is invisible, and this is also the main reason for which angel market is ignored. However, the principal defect of angel investors is that they could face difficulties in maintaining the continuous financing to a company and this could lead to the stop of operations for a startup. Another defect is that they do not bring much financial expertise, so it becomes more difficult to find the most appropriate angel investors. The development of Business angel networks (BANs) could help overcome these potential problems[71].

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[69] Stephanie MACHT, John ROBINSON, "Do business angels benefit their investee companies?", *International Journal of Entrepreneurial Behaviour and Research,* Emerald, MCB University Press, 2009.

[70] Chris J. LEACH, Ronald W. MELICHER, *Entrepreneurial Finance,* California, Sage,2015.

[71] Colin M. MASON, Richard T. HARRISON, "Business Angel Networks and the Development of the Informal Venture Capital Market in the U.K.: Is There Still a Role for the Public Sector*?", Small Business Economics,* Vol. 9, No. 2, European SME Financing: An Overview, Springer, 1997, pp. 111-123.

1.4.4 Trade Credit

As the startup grows in the different stages of the firm life cycle, trade credit becomes an important source of working capital[72]. Banks are the principal providers of trade credit. Trade credit is measured by the accounts payable at the end of the prior year; little amount of trade credit is perceived enough from the transaction costs, liquidity and cash management point of view for the startups. For many businesses, trade credit is an essential tool for financing growth: it is the credit extended to entrepreneurs by vendors (service providers, suppliers equipment manufacturers or a company that supplies parts or materials). Founders simply buy equipment or supply from vendors without paying them immediately with cash; on the contrary, vendors allow the owner to pay "on account", and when the expiration date arrives, he must be ready to pay. However, when it comes to startups, vendors will not be so willingly about giving entrepreneurs a trade credit until they do not demonstrate that their company is stable. Nevertheless, founders could control and avoid this issue by showing vendors an accurate financial plan and a personal credit report, since the new business would not have a credit history, and by dealing directly with local suppliers for equipment, supplies and inventory. Once it is established that a business can pay its bills on time, it is possible to negotiate trade credit and terms with suppliers, for example the company could enjoy discounts for paying a balance due early.

On one hand, to have access to trade credit is convenient for a startup because it allows to buy everything entrepreneurs are in need of without going to the bank for asking a loan; it gives founders a business credit rating that can be used when going to the bank for asking a loan, giving owners the possibility of easily obtain one. On the other hand, trade credits are expensive, with trade credit arrangement for the payment to be due in full in 30 days.

[72] Larry W. CHAVIS, Leora F. KLAPPER, Inessa LOVE, "The Impact of the Business Environment on Young Firm Financing", *The World Bank Economic Review*, Vol. 25, No. 3, Oxford, Oxford University Press, 2011, pp. 486-507.

1.4.5 Venture Capitalists

Exploring other sources of finance, the option of Venture capital is another valuable factor. Venture capital is the primary source of finance for high technology companies (both small and large). Venture capital is made available by the venture capitalists in the early-stage of the firm that implicates ample risk of failure for the startups[73]. Venture capitalists mostly prefer to invest in startups in order to make them compensate for the beginning negative cash flows and to fund their growth ambitions. Though venture capital is available for startups in the form of funds that consist of pension funds, investments, private investors, joint ventures between small and large firms, venture capitalists mostly invests in small companies. Nevertheless, there are more chances for startups to acquire venture capital once they are established as compared to the pre-startup phase where owner's capital and banks are the key sources of finance. Venture capitalists are investors who work as providers of capital to startup companies or small companies that wish to expand their business but still do not have access to the market of equities. Except from the venture capital itself, investors can also provide strategic assistance, potential customers, employees and partners. Venture capitalists invest in startups in order to receive in exchange equity or an ownership in stake. They also will earn a massive return on their investment if the companies they are investing in are successful; if the company fails, they will also experience major losses[74].

Most venture capitalists or venture capital firms, when showing interest towards a company, will present a "term sheet" to entrepreneurs. This document is not binding and will not ensure the perfect success of the operation, still it is the most important document to negotiate with investors. It will contain information about the composition of the Board of Directors, about what kind of rights the investors will enjoy, the valuation given to the company, and other important issues.

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[73] Dirk DE CLERCQ, Vance H. FRIED, Oskari LEHTOEN, Harry J. SAPIENZA, "An Entrepreneur's Guide to the Venture Capital Galaxy", *Journal of Academy of Management Perspectives,* United States, Academy of Management, 2006 pp. 90-112.

[74] Oliver T. ALEXY, Joern H. BLOCK, Philipp SANDNER, Anne L. J. TER WAL, "Social capital of venture capitalists and start-up funding", *Small Business Economics,* Vol. 39, Issue 4, New York, Springer, 2012, pp. 835–851.

The importance of this document is represented by the fact that it states the most important issues related to the relationship between the investors and the entrepreneur, therefore the document should be drafted in a very accurate way in order to avoid future problems in the definitive document drafting phase.

The advantages of having a venture capitalist investing in a startup are quite obvious and are similar to the advantages obtained with the help of an angel investor: they offer capital, experience, networks, value, and solutions to help the company through hard times. Nevertheless, there could be some disadvantages for entrepreneurs related to the loss of control and the minority ownership status, with the consequential loss of management control[75].

1.4.6 Crowdfunding

Crowdfunding represents the use of small amounts of capital from a large number of individuals willing to invest in a business. Crowdfunding is represented by the use of a big number of networks and social media, that are accessible a lot of people, which create a connection between investors and entrepreneurs; in this way, funds can be raised beyond the traditional methods of loans, venture capital or investments by angel investors. Nowadays a lot of online platforms offer this kind of service (Kickstarter, WeFunder, Indiegogo, Crowdfunder) and crowdfunding could be a very good method to start a business if the initial investment provided by the owner is not enough to operate.

Nevertheless, if entrepreneurs expect a lot of people to be involved in their project and to donate to their business, they have to pay much attention to the planning and execution of crowdfunding. The first factor is to set funding targets,

[75] Andrew ATHERTON, "Cases of start-up financing an analysis of new venture capitalization structures and patterns", *International Journal of Entrepreneurial Behaviour & Research*, Vol. 18 No. 1, 2012, pp. 28-47.

therefore determine how much capital must be raised with the fundraising campaign, and this is important because some online platforms don't allow entrepreneurs to earn money if the amount of capital raised from the campaign is not the same as the target determined by them at the beginning. The second factor is to use rewards in order to motivate investors, also on the basis of the investment they will do; in this way, people will be happier to contribute to the project and at the same time they will feel their involvement in the business. The third factor is the importance of social media: if entrepreneurs are using crowdfunding to raise capital, they must have strong social networks in order to let people to know them and raise their attention.

The most important advantage of using crowdfunding is the easy access to capital. Actually, entrepreneurs raise capital without selling off equity shares or a chair in the Board of Directors, and this is a really valuable component of the crowdfunding: people invest in your project because they believe in it. The most tricking disadvantage, instead, is all the attention and work the crowdfunding need: advertisement to attract people, maintenance of the website, maintenance of all the social networks; this could be very stressful for an entrepreneur, also because it is not sure that he will achieve his goals.

II. CHINESE STARTUP ECOSYSTEM

The second chapter of this thesis will deal with the analysis of the Chinese startup ecosystem, and all the features that characterize it, in particular technology and innovation: in this background is also included the program Made in China 2025, of which is given a comment with reference to its effect on startups. The chapter continues with the explanation of the role of accelerators and incubators for startups in China, since these two are the preferred methods to develop and scaleup a business. Afterwards, the chapter provides for an acknowledgment of Chinese Company Law and of the preferred legal structure to be established for a startup, with a comment on government's incentives and sources of financing, on the protection of intellectual property rights and the new cybersecurity law issued in 2017.

2.1 Characteristics of Chinese Startup Ecosystem

China is gradually gaining a leading role in the context of global balance, especially now that United States is carrying out protectionist policies and is withdrawing from international cooperation agreements. In this scenario, China becomes the best country for entrepreneurs who want to startup their business in a stimulating and challenging environment[76]. Obviously, reasons for such a big

[76] Globally, Startup Genome Report 2018 highlights the rapid growth of China as a prolific and rich country for startups from all over the world. Startup Genome is a company that works to increase the success rate of startups and improve the performance of startup ecosystems globally. In a collaborative effort with hundreds of public and private organizations in more than 30 countries we built the world's largest primary research on start-ups, the Voice of the Entrepreneur, with more than 10,000 founders participating each year. Every year Startup Genome publish a Report in which are analysed in detail aspects like the state of startup ecosystem, the growth and decline of startup sub-sectors, the ecosystem strategy and other features that assist entrepreneurs and investors for a better understanding of startup global

growth in the number of startups in China and in the acceleration of innovation processes for companies must be found in two particular aspects: technological innovation and China Manufacturing 2025. Disruptive innovation is very widespread and Chinese entrepreneurs (that at the beginning tended to copy business models of western startups) are on a starting point in the push towards a new level of innovation. As Xi Jinping[77] stated in 2017:

> We will improve our national innovation system and boost our strategic scientific and technological strength. We will further reform the management system for science and technology and develop a market-oriented system for technological innovation in which enterprises are the main players and synergy is created through the joint efforts of enterprises, universities, and research institutes. We will support innovation by small and medium-sized enterprises and encourage the application of advances in science and technology. We will foster a culture of innovation, and strengthen the creation, protection, and application of intellectual property. We should cultivate a large number of world-class scientists and technologists in strategically important fields, scientific and technological leaders, and young scientists and engineers, as well as high-performing innovation teams. […] We will

ecosystem. To create the ranking, Startup Genome looks at eight crucial factors: Funding Ecosystem and Exits, Engineering Talent, Active Mentoring, Technical Infrastructure, Startup Culture, Legal and Policy Infrastructure, Economic Foundation, and Government Policies and Programs. Startup Genome developed a Lifecycle Model to measure the performance and stage of ecosystems to provide local stakeholders with strategic guidance on focus areas at every growth stage. This knowledge empowers regions everywhere to take timely, informed actions that guide the most impactful use of limited local resources, and to propel through the lifecycle's four phases: Activation, Globalization, Expansion, and Integration.
As for China, In 2014, only 13.9% of current unicorns were from China. In 2017 and 2018 so far, that number has grown to 35%—while for the United States it has decreased from 61.1% to 41.3%. The rise of entrepreneurship in China has meant the country has become the second largest venture investment market in the world and is increasingly competing directly with the United States as the world's centre of technology and innovation. One of the drivers for this change is the growth of venture capital investments in Asia; as a matter of fact, in 2017, Asia already surpassed the US in the total amount of venture capital investments. China, in particular, has become the second largest venture investment market in the world and is directly challenging the US as the world's centre of technology and innovation.
See https://startupgenome.com/

[77] Xí Jìnpíng, 习近平 (1953-), PRC politician, President of the PRC from 2013.

> inspire and protect entrepreneurship and encourage more entities to make innovations and start businesses. We will build an educated, skilled, and innovative workforce, foster respect for model workers, promote quality workmanship, and see that taking pride in labor becomes a social norm and seeking excellence is valued as a good work ethic. [78]

As explained in the quotation, technological innovation is the core of Chinese economic course to speed up the economy and to make China the first country in the world for innovation; the push for innovation will see the participation of different players such as universities, entrepreneurs, research institutes and the government itself.

The interconnections between all these players for the technological innovation is already visible in China in the great number of incubators, accelerators[79] and more than 100 university scientific parks, industrial scientific and technological parks[80] that represent the primary methods through which is it possible to start a business. These institutions are mainly concentrated in the big cities such as Shanghai or Shenzhen and in particular in the area of Beijing, that is considered the country's capital of innovation; therefore, it is not a surprise that in China were born four decacorns[81]: Xiaomi, Didi Kuaidi, China internet + and Lufax, together with other 35 unicorns like Meizu or Ele.me.

According to CB Insights data[82], in 2016 more than 45 billion dollars were invested in China in venture capital, with a growth of 8% in comparison with the

[78] Xi Jinping's report delivered at the 19th National Congress of the Communist Party of China, October 18, 2017.
[79] Accelerators and incubators may be State owned, private or related to the academic environment. In China most of them are State owned.
[80] Institutions where students or entrepreneurs or subjects interested in technology and innovation can share knowledge, promote innovation and research outcomes.
[81] Decacorns are companies with a value that is more than ten billion dollars.
[82] CB Insights analyse massive amounts of data and use machine learning, algorithms and data visualization to help corporations, so they can answer massive strategic questions using probability not punditry. With backing from the National Science Foundation and venture capital investors, CB Insights mine terabytes of data and knowledge contained in patents, venture capital financings, M&A transactions, hiring, startup and investor web sites, news sentiment, social media chatter, and more.
See https://www.cbinsights.com/

previous year; the distinctive element of these investments was the growth of rounds of the type Series C with a value between 60 and 90 million of dollars for deal (16% of the total amount of investments). Investments are mainly made in industrial sectors related to Greentech, healthcare, internet and mobile, while some of the most active venture capitals are Tencent Holdings, IDG Capital Partners, Matrix Partners China, Sequoia Capital China, Baidu and Alibaba Group.

Another relevant phenomenon concerning the Chinese startup ecosystem is the fact that venture capitals and Chinese companies are also focusing on startups all over the world, with investments and acquisitions of British, Canadian and Israeli startups, in order to acquire foreign technology, while venture capitals are pushed towards the global environment thanks to the government's incentives in order to improve the transformation of economy towards innovation and technology. The Chinese strategy is clear and is to increase the capability of producing technological innovation through direct investments abroad and to help Chinese investors getting more and more international; at the same time, there are the decisions of European and American companies of bringing their manufactories back to their original countries. These two phenomena show the intention of China of becoming the new global champion of innovation and of the innovative company's generation, renewing both its economy and society, and its role in the global environment.

The best Chinese cities for developing a new business are: Beijing, Shanghai and Shenzhen.

Beijing is the center of the massive Chinese market, which is 30% larger than the U.S. and Europe combined. Today, the city boasts more than 40 unicorn companies, a number second only to Silicon Valley. In Beijing, one of the best places to develop and improve a business is Zhongguancun[83] Science Park; Zhongguancun, located in the Haidian district in northwest Beijing, is comparable to the Silicon Valley. As China's most talent-intensive zone, in Zhongguancun are located Beijing University, Tsinghua University, many institutions of higher education, Beijing municipality, and various ministries. Enterprises in

[83] Zhōngguāncūn, 中关村.

Zhongguancun focus on three key areas: technological development[84], industry[85] and commerce[86]. Most of these businesses have promoted technology transfer from universities and research institutes and created series of products with market potential and a competitive edge. Zhongguancun is also the perfect location for domestic enterprises operating in crucial sectors of innovation including telecommunications giants such as Julong Electronics and Huawei Technologies, as well as consumer electronics manufacturers such as Haier; on the other hand high-tech multinational corporations like IBM and Microsoft have picked Zhongguancun as their centres for China wide operations and some of them have also established research centres in the area.[87] Consequently, Zhongguancun is the only place in Beijing where an entrepreneur can successfully develop and improve his business thanks to the countless accelerators and incubators programs located in this special zone of Beijing.

Figure 1World's top 10 Startup Ecosystems, China Daily, 2017

[84] Jì, 技.
[85] Gōng, 工.
[86] Mào, 贸.
[87] Cao CONG, "Zhongguancun and China's High-Tech Parks in Transition: "Growing Pains" or "PrematureSenility"?", *Asian Survey*, Vol. 44, No. 5, Oakland, University of California Press, 2004, pp. 647-668.

Shanghai is one of the most populous cities in the world and its hinterland, the Yangtze River Delta, accounts for over one-third of the country's GDP[88]. After all, the metropolis has long been the testing ground for many of the government's economic and financial pilot programs. A global financial center and transportation hub, Shanghai startup ecosystem is more international oriented in comparison to Beijing. Shanghai startups have, on average, 32% of their customer-base outside of China as compared to Beijing's 7%. The city is currently home to 21 unicorn companies and Shanghai's municipal government is taking steps to support the ecosystem through various subsidiaries programs, such as a risk-compensation policy, introduced in January 2016, that covers as much as 60% of any actual losses of venture capitalists of seed and early-stage investments. Moreover, in Shanghai are located some of the top ranking universities in China such as Fudan University and Shanghai Jiaotong University and their highly selective science and engineering programs attract top students from all over the country; afterwards, during the course of their studies, students are given the possibility to engage in entrepreneurial projects in the many science parks that universities established in the city with the assistance of the government.

Figure 2iStockphoto

[88] The Gross Domestic Product (GDP) is one of the primary indicators used to value the health of a country's economy. It represents the total dollar value of all goods and services produced over a specific time period, often referred to as the size of the economy.

Commonly referred to as the “Silicon Valley of Hardware”, Shenzhen transformed itself from a small fishing village to a metropolis with a booming economy in thirty years. Shenzhen was designated as a special economic zone in the 1980s and, at the beginning, the city’s manufacturing industries were focused on the production of textiles and toys before progressing to the higher-value manufacturing of consumer electronics goods. Because of the increasing demand for electronic products and the growing purchasing power of Chinese customers, Shenzhen gradually integrated manufacturing, technology and innovation into its ecosystem. Tech is the driving force of this city and attracts millions of workers in its development process. Shenzhen has become a powerful and innovative ecosystem of collaborative entrepreneurs and talent as well as fast-learning suppliers and factories. Therefore, it is considered the world capital for hardware entrepreneurs.

Figure 3iStockphoto

2.1.1 Made in China 2025 and its influence on Startups

Made in China 2025[89] is a strategic plan of China issued by the Premier Li Keqiang[90] and his cabinet in May 2015. Made in China 2025 is perfectly in line with the Chinese policy of defining strategic plans to carry out economic reforms and innovations. Since the end of the last century, China had attracted foreign investments to its territory and foreign companies would move their production to China to exploit its low-cost workforce and favorable policies. The Chinese angle and aim were to attract new technologies and improve its industrial output both in quantity and quality. Nowadays, China is the biggest productive country in the world, but the average quality is still too low: Made in China 2025 is a detailed plan completely dedicated to the project of changing the intrinsic nature of Chinese production paradigm "from big to strong".

This ambitious plan aims to build one of the most advanced and competitive economies with the help of "smart manufacturing[91]", that are innovative manufacturing technologies. The strategy mainly focuses on all high-tech industries that strongly contribute to economic growth in advanced economies such as automotive, aviation, machinery, robotics, high-tech maritime and railway equipment, energy-saving vehicles, medical devices and information technology. One of the goals of Made in China 2025 is the acceleration of the acquisition of international high-tech companies by Chinese investors; as a matter of fact, Chinese companies are acquiring core technologies through investment abroad, in order to gradually replace foreign with Chinese technology. Chinese high-tech investments must be interpreted as building blocks of a political program which aims to systematically acquire disruptive technology and generate large-scale technology transfer. In the long term, China wants to take control over the most profitable segments of global supply chains and production network; if successful, Made in

[89] Zhōngguoó zhìzào2025, 中国制造 2025.

[90] Lǐ Kèqiáng (1955-), 李克强, PRC politian and Prime Minister from 2013.

[91] Smart manufacturing is a broad category of manufacturing with the goal of optimizing concept generation, production, and product transaction. It is a subsector that uses computer control and high levels of adaptability to take advantage of advanced information and manufacturing technologies to address a dynamic and global market.

China 2025 could lead to the erosion of industrial countries' current technological leadership across industrial sectors. To achieve this objective had been identified ten key sectors in which to invest, that represent the most updated sectors for innovation and technology:

- IT (Information Technology);
- High-end CNC machine[92] tools &robots;
- Aerospace;
- Ocean engineering & high-tech ships;
- Advanced rail transportation;
- New-energy vehicles and equipment;
- Power equipment;
- Agricultural equipment;
- New materials;
- Bio-pharm & medical;

In this scenario, China is also facing two important challenges related to Made in China 2025 that are robot density and environment protection.

As for robot density, even if 28% of all robots sold in 2015 were installed in China, its robot density (number of robots for number of workers on production lines) it is below the global average and this results in slower and low-quality production; nevertheless, it is forecasted that in 2019, China will absorb around 40% of all the robots installed in the world.[93]

[92] Computer Numerical Control (CNC) is the automated control of machining tools (drills, boring tools, lathes) by means of a computer,

[93] David SCUTT, "If China wants to achieve its growth goals, it may need the help of robots", *Business Insider*, 2017, https://www.businessinsider.com.au/if-china-wants-to-achieve-its-growth-goals-it-may-need-the-help-of-robots-2017-3.

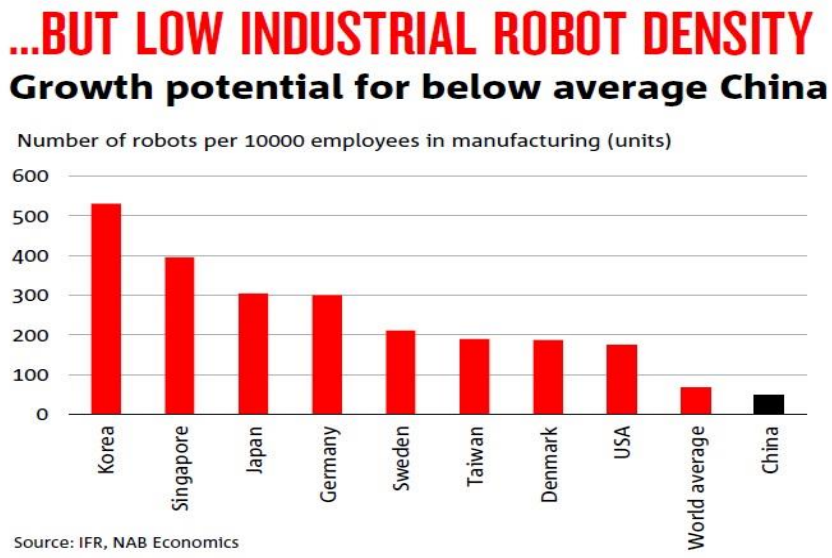

Figure 4China Economic Update March 2017, NAB Groups Economics

As for environment, the problem is pollution: even if nowadays the problem is not heavy as it was some years ago, China every year must spend around 10% of its GDP for the environmental recovery because of the problems that years and years of pollution have caused; meanwhile, every year, 2% of farmland disappears to give space to new constructions and projects of urbanization. The pollution problem is not only directly related to air and water quality, but it refers on boarder terms also to the quality of life, safety of food, of water, of air. Fortunately, lately pollution issue is not as heavy as it was before; meanwhile China is making a strong effort in this field with many investments.

Industrial policy for technological progress
The main targets of Made in China 2025

Indicators	2013	2015	2020	2025
Innovation				
Share of R&D spending of operating revenue (in %)	0.88	0.95	1.26	1.68
Invention patents per 100 million CNY total revenue	0.36	0.44	0.7	1.1
Quality				
Quality competitiveness index*	83.1	83.5	84.5	85.5
Growth of industrial value-added (in %)	9.7	5.9	7.9	9.9
Productivity growth (in %, annual average)	7.3	6.6	7.5	6.5
Digitisation of Industry				
Broadband internet (penetration in %)	37	50	70	82
Use of digital design tools in R&D (penetration in %)	52	58	72	84
Use of numerical control machines in key production processes (penetration in %)	27	33	50	64
Environmental Protection				
Decrease in industrial energy intensity (in % compared to 2015)	-	-	-18	-34
Decrease in CO2 emission intensity (in % compared to 2015)	-	-	-22	-40
Decrease in water usage intensity (in % compared to 2015)	-	-	-23	-41
Reuse of solid industrial waste (in % of total waste)	62	65	73	79

Figure 5State Council, National Bureau of Statistics

As said before, Chinese enterprises and the government see the technology transfer from abroad as an important way to accelerate technological progress and achieve the ambitious political goals. There are many mechanisms and processes facilitating technology transfer, including, for instance, technology spill-overs from inward-directed investments into China by foreign companies, cooperation with foreign companies and investments in foreign startups.[94]

Based on the Made in China2025, Internet plus, Artificial Intelligence plus and other programs, had been identified some sectors that will be considered crucial in

[94] Jost WUBBEKE, Mirjam MEISSNER, Max J. ZENGLEIN, Jaqueline IVES, Björn CONRAD (a cura di), *MADE IN CHINA 2025 The making of a high-tech superpower and consequences for industrial countries,* MERICS: Mercator Institute for China Studies, Berlin, 2016, https://www.merics.org/sites/default/files/2018-07/MPOC_No.2_MadeinChina2025_web.pdf

the transformation of China, sectors in which startups all over the world are continuously innovating and developing new technologies.

- FoodTech & AgriTech;
- FashionTech & Design;
- Life science & HealthTech;
- GreenTech & New Energies;
- Smart Manufacturing & Robotics;
- Artificial Intelligence & Machine Learning;
- Smart Cities/Buildings & Home;
- IoT[95];
- New Materials.

Foreign startups operating in these sectors and willing to scale up the Chinese market, will have an advantage in entering Chinese mark, with the hope of finding Chinese investors willing to invest in their business.[96]

2.2 The role of Accelerators and Incubators for Startups

As we discussed in the first paragraph of this chapter, China became one of the most decisive countries for startups, and we explained how Chinese government created an excellent ecosystem for the development of startups.

[95] The Internet of Things (IoT), is a system of interrelated computing devices, mechanical and digital machines, objects or people that are provided with the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction.
[96] *Made in China 2025 – The New China,* Tech Silu Editorials, 2017. http://techsilu.com/blog/2017/04/21/made-in-china-2025-the-new-china/

This happened especially because in China startups are developed through incubators and accelerators. They are organizations that seek to help startups in attaining success, by offering entrepreneurs good opportunities to quickly develop and improve their business, and they increase entrepreneur's chances of attracting a top venture capital firm to invest in their startup at a later point. Accelerators and incubators can get involved at all stages of a startup's development, from the early to the late stage. However, most of them tend to focus on relatively early stage startups, as this is when companies can typically most benefit from outside help.

Despite all the similarities between accelerators and incubators, the two programs are different frameworks for startup success.

Startup accelerators are also known as seed accelerators because they ensure the germination and initial growth of seed companies. Startup companies that apply for accelerator programs are well-vetted to ensure credibility; accelerators provide help for startups especially in its early stage, by providing mentorship, education and financial support, in exchange for a small amount of equity. The mentor network, composed of startup executives, venture capitalists, industry experts, and other outside investors, is often the biggest value for prospective companies. Startup teams are then accepted to programs that typically last for a specific period of time, usually from three to six months. After this period of extensive mentoring and organizational setup, the program ends in a demo day, that is a day during which the company is presented to potential investors for funding. During the day, startups must present a pitch that may include the demonstration of products and lectures, analytical data about financial projections for the startup and entrepreneurs must answer all the questions of potential investors in order to increase the possibility of being funded.

The main advantage for startups using accelerator programs is the network effect: when entrepreneurs join these programs, they get in touch with a numerous people; they are connected not only to mentors and advisors but also to other companies. This means that if entrepreneurs need advice or help, they will immediately find it in this environment. A second important benefit is the brand recognition: nowadays, join an accelerator program is very important for a startup

which goal is to grow fast and scale up: when entrepreneurs manage to join an outstanding accelerator, it will be easier for them to acquire recognition from other companies and it will be easier to attract potential employees and investors. For a young startup, everything is about progress and differentiating from other companies and competitors.

Nevertheless, participate in an accelerator program may also have some bad influence on a business. The first of them is the fact that accelerators usually require between 5-10% of company equity in exchange for all their benefits, and for a startup at an early stage it can be a lot of the company equity. The second concern is to find the right accelerator for the business: every accelerator program offer specific value and know-how for a business and entrepreneurs must be careful and choose the right kind of accelerator for their startup if they want to succeed. The third problem is related to the fact that after accelerator program is finished, entrepreneurs must be ready to continue alone, because they will not receive the help and support of mentors anymore; for this reason, they must maximize all the resources during the official program.

Incubator programs are also focused on the growth of startups but their programs often last more than one year and a half. Incubators focus only on how to make a business successful and can also prepare a startup for an accelerator program. Incubators almost do not take equity from a company because they do not provide upfront capital (like accelerators). Indeed, many incubators are funded by grants through universities, allowing them to provide their services without taking anything from a company. Founders who desire to enter an incubator program must apply for admission and acceptance criteria are different depending on the program chosen by entrepreneurs, but in general only those with feasible business ideas and a good business plan are admitted. The period of time a company spends in an incubator depends on many factors such as the type of business and the level of expertise of entrepreneurs; firms with long research and development cycles require

more time in an incubation program than manufacturing or service companies that can immediately produce and bring a product or service to market.[97]

All the attention paid to the development of an outstanding environment for companies is part of a project carried out by Chinese government, which considers technology and innovation as a crucial factor in helping the country to successfully complete the change of the economic structure to a service-oriented economy. It comes without saying, that Chinese government is giving assistance and help to Chinese entrepreneurs and startups by offering an enormous amount of capital for innovation, and is itself the largest single source of funding for startups that benefit all kinds of business in the society.

2.2.1 Unicorn Companies

Unicorn companies are privately held startups that are valued at over 1 billion dollars. The term was coined in 2013 by Aileen Lee, the founder of the Cowboy Ventures, when she referred to 39 startups that had a valuation of more than one billion dollars to highlight the rarity of such phenomenon. From that year, unicorn companies became more and more in number; on an average, around four unicorns are born every year, while it takes around five years to become a unicorn company.[98] As of August 2018, there are more than 260 unicorns around the world. Variants include a decacorn, valued at over ten billion dollars, and a hectocorn, valued at over one hundred billion dollars.[99]

There are some main features that differentiate a unicorn company from the other startup companies. The first is the disruptive innovation that characterizes this

[97]Phillip H. PHAN, Sarfraz A. MIAN, Wadid LAMINE, *Technology Entrepreneurship And Business Incubation: Theory, Practice, Lessons Learned,* London, Imperial College Press, 2016.
[98] Aileen LEE, "Welcome to the Unicorn Club: Learning From Billion-Dollar Startups"*, Techcrunch,* 2013, https://techcrunch.com/2013/11/02/welcome-to-the-unicorn-club/.
[99] CB Insights Data, August 2018, see https://www.cbinsights.com/research-unicorn-companies.

type of business: every unicorn disrupted the industry it belongs to by changing the way people saw that kind of business before and creating a new way that nobody has seen before. The second characteristic is the first mover's advantage that is connected to disruption; the first mover's advantage gives the business the opportunity to create or change a business environment in a particular field or in a particular place. Advantages of being a first mover are the possibility to have a brand name recognition, that includes not only the loyalty among existing costumers but also attracts new customers to the product, even after other companies have entered the same market. The second advantage is the opportunity to scale an economy, in particular those related to manufacturing or technology; this happens because the first mover has a longer learning curve, which enables it to establish cost-efficient means of producing or delivering a product before it must challenge other businesses. The third advantage are the switching costs, that allows the first mover to build a strong business foundation among his costumers that will discourage costumers from buying a new product. Unicorn companies not only capitalize on the first mover's advantage but also maintain their position by continuously innovating and improving their business. The third feature is the product type; the major percent of unicorn companies' products is related to technology and innovation: 87% of the unicorn products are software, 7% are hardware, and the rest 6% are other products and services. Almost all of the unicorns have capitalized on the market using a technology archetype shift. As for the business sector, the major sector is retailing (25%), then technology (19%) followed by financial services (11%), media (7%), transportation (6%), food delivery (5%) and social network (4%).[100] The fourth characteristic is the focus on costumer: 62% of the unicorns are B2C[101] and their business models are focused on making things easier and more affordable for the consumers, by creating a new technology that will help customers to satisfy their needs and their desires.

[100] Jeff DESJARDINS, "Here are some of the traits of $1 billion unicorn startups", *Business Insider,* 2018, https://www.businessinsider.com/here-are-some-of-the-traits-of-1-billion-unicorn-startups-2018-2?IR=T.

[101] Business to consumer (B2C) refers to the transactions happening between a company and consumers who are the final users of its products or services. The business to consumer is a business model that differs significantly from the business-to-business (B2B) model, which refers to commerce between two or more businesses.

Unicorn companies are mainly located in the United States (the 55% of unicorns is based in this country) and in China (25%).

In China, the best location to launch a unicorn is Beijing, where are located 43% of Chinese unicorn companies. Most of them are placed in the zone of Zhongguangcun, that we described as the main center for technology and innovation; it comes without saying that the largest and fastest growing industry for unicorn companies is internet service, followed by e-commerce and online finance. This data is not surprising, especially if it is considered the big effort Chinese government is putting in develop and improve technology: the fact that a significant number of unicorns are young companies (35% of them are less than 4 years old, and 60% of them less than 6 years old) highlights that this trend is recent and is growing faster and faster every year.[102]

The top-10 unicorns are some of the most famous companies in China, including Ant Financial (the financial arm of Alibaba that operates Alipay), ride-hailing company Didi Chuxing (which recently acquired the Chinese operations of Uber) and Xiaomi. Ant Financial Services Group was formerly known as Alipay and is an affiliate company of the Chinese Alibaba Group. Ant Financial is the highest valued fintech company in the world, and the world's most valuable unicorn start-up company. It operates Alipay, the world's largest mobile and online payments platform as well as Yu'e Bao, the world's largest money-market fund; from September 2017, Ant Financial also unveiled its facial recognition payment technology through its Alipay services. Didi Chuxing is a major Chinese ride-sharing, artificial intelligence (AI) and autonomous technology conglomerate founded by Cheng Wei, providing transportation services for 550 million users across over 400 cities and it provides services including taxi hailing, private car hailing, Hitch (social ride-sharing), bike and e-bike sharing and food delivery to users in China through an application installed on the smartphone. Xiaomi corporation is a Chinese electronics company with its headquarter located in Beijing;

[102] Xie YU, Maggie ZHANG, "At the heart of China's techno-nationalism is a hit list of 200 unicorns", *South China Morning Post,* 2018, https://www.scmp.com/business/companies/article/2139684/heart-chinas-techno-nationalism-hit-list-200-unicorns.

it makes and invests in smartphones, mobile apps, laptops, and related consumer electronics. Xiaomi is the world's fourth largest smartphone manufacturer and it has expanded into developing a wider range of consumer electronics, including a smart home device ecosystem.

2.3 Chinese Legal system and its effects on Startups

Different legal systems have different implications on a business in the country it operates in; thus, it is important to have a good knowledge of the legal systems of the country entrepreneurs want to set up their companies.

The Chinese legal system is a socialist system of law based primarily on the Civil Law model. Some months before the establishment of the People's Republic of China, in February 1949, an inquiry from Central Committee of the Communist Party cancelled all the legislation related to the Nationalist era and it was decided that in the free areas should be applied the policy and the decisions of the government. In this first period of production of a big number of laws, China adopted the legal structure of Russian legal system, issuing a Constitution in 1954 that marks the shift to a socialist legal system. The basic and most important values inspiring the Constitution issued in 1954, were considered also for the following Constitutions (1975, 1978 and 1982), in particular the last one of 1982.

For almost three decades after the PRC's establishment, it was perceived that for many areas of national life a formal legal system was not necessary because the economy was centrally controlled, and potential conflicts were solved through mediation or administrative means, without any reference to legal rights or obligations. In the 1970s the policy of Reform and Open Door started and influenced the development of Chinese legislation while the 1980s and 1990s saw massive and rapid enactment of laws, including many environmental laws and regulations. The rebuilding of China's legal system over the past few decades has

generally abandoned ideological requirements and embarked on an effort of law transplantation from western legal systems and internationally recognized practices, especially matters related to economic management, as a tool for attracting foreign investments.

2.3.1 Chinese Company Law

One of the most important steps in this direction was the adoption of the Company Law[103] in 1993 which introduced the two main western types of limited company[104]: the Limited Liability Company[105] and the Joint Stock Company[106]; afterwards the law was modified three times, in 1999, 2004 and 2005 in particular to circumscribe the powers of the company's directors. The Law issues that State, private and foreign entrepreneurs may utilize the two allowed kinds of company. Another innovation of the Law is the introduction of a homologation system for companies that specifies that only for some specific sectors is required the approval of the competent authority to establish a company; for other cases, it is enough to respect the formal requirements for the constitution of the company. The regime of the companies is similar to their western counterparts for example in terms of methods of constitution, of invested capital and of rules protecting the capital and partly also in terms of governance of the company that is entrusted in the Board of Directors[107]. In some issues, the Law is strongly influenced by the Common Law of Hong Kong, for example in the importance of the *intuitus personae* in the

[103] Gōngsīfǎ, 公司法.
[104] Afterwards, many other laws and decrees were issued to regulate other relevant types of company: law on partnership (Héhuǒ, 合伙) in 1997, modified in 2007; law on sole proprietorship (Sīyíng dúzī qǐyè, 私营独资企业) in 1999; law on township and village enterprises (Xiāngzhèn qǐyè, 乡镇企业) in 1999.
[105] Yǒuxiàn zérèn gōngsī, 有限责任公司.
[106] Gǔfènyǒuxiàn gōngsī, 股份有限公司.
[107] Dǒngshìhuì, 董事会.

regulation of the Limited Liability Company. As for the Joint Stock Company, the Law provides for specific regulations for companies listed on stock markets. After the changes of 2005, increased the independence of privates in the constitution and in the management of the company, by reducing the number of imperative rules and the minimum required capital investment, therefore giving small entrepreneurs an easier access to the participation in companies. Meanwhile, the protection of minority shareholders and the transparency of important documents increased.[108]

In China, the major part of startups companies is registered as Limited Liability Company; according to the provisions of Article 23 of the Company Law, the establishment of a limited company shall have the name of the company and establish an organization that meets the requirements of the company[109]. According to the Company Law, the number of shareholders of the company is restricted from two to fifty, and they must contribute to the company with a capital contribution that has to meet the minimum limit of legal capital. If the minimum registered capital of a limited liability company in a specific industry needs to be higher than the ordinary limit, it shall be separately prescribed by laws and administrative regulations. Shareholders may make contributions in cash or in kind (physical assets, industrial property rights, non-patented technologies[110]). The company's articles of association shall be formulated on the basis of the voluntary negotiation by all founders while the governance of the company generally refers to the shareholders' meeting, the board of directors, the board of supervisors, the manager or the shareholders' meeting, the executive director, one or two supervisors and managers.

[108] Renzo CAVALIERI, *Letture di Diritto Cinese,* Venezia, Cafoscarina, 2015, pp. 53-67.
[109] It means that the composition, production, and authority of the organization of a limited liability company meet the requirements stipulated in the Company Law.
[110] The amount of capital invested by industrial property rights and non-patented technology shall not exceed 20% of the registered capital.

2.3.2 Government's Incentives and sources of Financing for Startups

As for what concern startups, in particular after the financial crisis of 2008, Chinese government started to create a hospital environment for startups; indeed, the central government announced the Decision on Accelerating the Cultivation and Development of Strategic Emerging Industries in 2010 and afterwards it made gradually easier regulations so that corporate pension funds could be invested in startup companies. Then, when Li Keqiang introduced the concept of "mass entrepreneurship and innovation" during the Summer Davos forum, the government started the operation of promoting startups through measures as revisions of laws and regulations, preferential taxes and support for funding development. In particular, from 1 January 2017 has become effective a new tax incentive for Venture Capital enterprises willing to invest in technology and science companies at seed capital or startup stage and stay invested for two or more years; with the incentive, they would be eligible to deduct 70 percent of their startup investment from their taxable income. The incentive would reduce their tax outgo, boost their net profit, and encourage them to invest in tech startups. These new regulations were firstly issued in eight designated locations including Beijing-Tianjin-Hebei, Shanghai, Guangdong, Anhui, Sichuan, Wuhan, Xian, Shenyang, as well as Suzhou Industrial Park.[111]

It is also common that local governments offer support to startups through industry, science and technology parks in large cities and offer lab space, startup funds, tax rebates, and administrative support in return.

Given the great attention that Chinese government dedicate to startups, it is obvious that the government plays a prominent role in the funding of startups: in 2016, the sources of funding for venture capital firms in China broke down to government institutions and state-owned enterprises (35.3%), institutional investors in the

[111] KPMG Foundation*, "*Tax incentives for VC and angel investment in technology start-ups*",* *China Tax Alert*, 2017, https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2017/05/china-tax-alert-15.pdf

private sector (14.4%), individuals (12.0%), and mixed ownership enterprises (5.2%).[112]

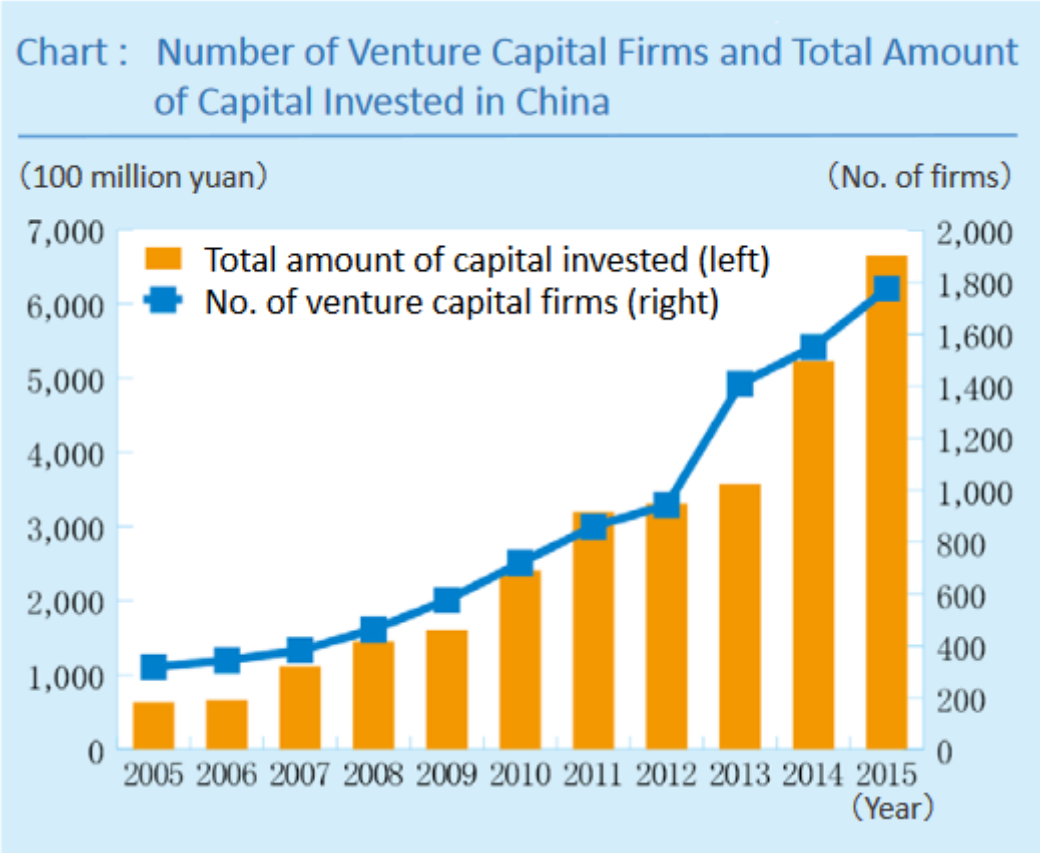

Figure 6China's Science and Technology Statistics Data Book (2017); compiled by MITSUI & CO. GLOBAL STRATEGIC STUDIES INSTITUTE

Government programs and incentives are mostly dedicated to Chinese startups; consequently, foreign startups may look for other sources.

[112] Koichi FUJISHIRO, *Factors behind rise in Startups in China*, Mitsui & Co. Global Strategic Studies Institute Monthly Report, February 2018, https://www.mitsui.com/mgssi/en/report/detail/__icsFiles/afieldfile/2018/04/20/180216i_fujishiro_e.pdf

2.3.3 Intellectual Property

Innovation and technology are two fields in which intellectual property becomes a very relevant factor: for entrepreneurs investing in these areas, obviously, the protection of innovation and technology is a factor to be considered, especially in China; since the major part of investments in China are made in these fields it is important to explore the Chinese legislation on the protection of intellectual property right (IP)[113].

The Law on Trademarks[114] was issued in 1982 and modified several times, the last one in 2002, after the entrance of China in the World Trade Organization. Even if the legislation on IP is not perfect and presents some technical blemishes, it grants to all entrepreneurs, both Chinese and foreigners, the protection of intellectual property. In China, intellectual property protection is ensured to the first subject who applies for registration, while the protection of non-registered trademarks is limited and difficult to pursue. Entrepreneurs should conduct an audit to determine the IP assets and their risks and assign appropriate levels of protection to them. Once the audit is completed, they should draw up a China-centric Non-disclosure, Non-use and Non-circumvention (NNN) agreement to protect the intellectual property; this agreement needs the details about the amount of compensation for every breach to make it enforceable.

For patents, the first Law[115] was issued in 1984 and modified in 2009; it ensures the protection of the patent to the first who applies for registration (as for trademarks), so it is not important who is the first to create or develop a product but the first who applies for registration. The patent could be transferred or licensed with special agreements; if these agreements involve foreign parties, they are considered agreements of technology transfer[116].

[113] Zhīshi chǎnquán, 知识产权.

[114] Shāngbiāofǎ, 商标法.

[115] Zhuānlìfǎ, 专利法.

[116] According to Technology Regulations issued in 2002 by the State Council, the transfer of technology from the outside is considered an import of technology, therefore it must be registered and authorised by the competent authorities.

The major problem with intellectual property is the difference between the law in the books and the law in action. If the law is clear and certain, there are many cases of counterfeiting; this is because China is a developing country, the violation of intellectual property right is a necessary shortcut for the improvement and developing of techniques and innovation for a company. Nevertheless, in the last years, China showed a serious approach to enforce and effective intellectual property right regime. As matter of fact, as Chinese companies focus on global expansion abroad and high-tech innovation at home, they increasingly demand effective intellectual property protections from the government and many of their concerns have been addressed by legal reforms.

2.3.4 Cybersecurity Law

Chinese (and also foreigner) entrepreneurs should also deal with the new and rigorous Chinese Cybersecurity Law[117], that took effect one year ago, 1st June 2017. The law is an attempt to battle increasing threats from cyberterrorism and hacking, but it will also affect foreign businesses. China has legitimate security concerns: as a matter of fact, thanks to the lax intellectual property laws and rampant software piracy, the country was especially vulnerable to cyber-attacks: more than 30,000 institutions had systems that were infected with the malware.

However, the law, apart from securing the internet, wraps China's internet in the government's embrace.

China's Cybersecurity Law (CSL) is part of an effort to ensure that all Chinese citizens' online profiles remain private and secure. Although it is already enforceable, a grace period has been granted for companies already operating in China, so they can update their systems until December 31, 2018. But startups preparing to enter the Chinese market should comply with the law even before their

[117] Wǎngluòānquán fǎ, 网络安全法.

launch. Admittedly, the new personal data collection regulations may slow down their growth. But by not complying, the startup risks fines, shutdown of the website and apps, business license revocation, and even detention.

The CSL aims to reform data management and internet usage regulations in China and impose new requirements for network and system security. One subset of the CSL focuses on the collection of PII (identifiable information like someone's full name, identification number, birth date, email address, phone number, or online identifiers such as IP addresses, cookies, etc.)

These new regulations will significantly affect a core component of most startups' development strategy: growth hacking. The goal of growth hacking is to rapidly acquire more customers at a lower cost. However, the user acquisition process for most modern startups requires a technology component that collects and processes personal data in automated ways. This means that the CSL hinders marketing and growth efforts by making user acquisition more complicated.

Startups are at risk of non-compliance also if they use online membership database, email marketing, e-commerce, electronic payments or online accounting or online customer services.

Since it's certain that a business will use at least one of those systems, the next step is to determine whether it falls into the category of critical information infrastructure operator (CIIO) or network operator.

Though the precise definition is still unclear, a business can be considered a CIIO if it belongs to strategic sectors such as energy, finance or high tech, and if it collects and processes a volume of data above a certain threshold.

Any business operating in China that is not a CIIO is considered a network operator, which is defined as any company operating a network of interconnected computers.

When the CSL was first announced, CIIOs faced much more stringent regulations than network operators. However, since then, measures, standards, and guidelines have been issued that have made the regulatory environment harsher for network operators. Following the strictest set of rules is probably the safest choice.

However, startups just entering China are at a slight advantage because they can set up proper data collection systems and be compliant from the beginning, while startups already operating in China should revise their current data collection systems and undergo the process of re-collecting consent from their preexisting database. Data must also be strictly related to the business purpose; this means that data must be saved for a time limited to the realization of the purpose it was collected for.

Among foreign businesses, multinationals run the highest risk of being controlled due to their visibility. But startups should also be aware of the rewards offered to whistle blower employees denouncing a non-compliant employer. This is why it is important to comply with this law in order to avoid bad surprises in the future.

2.3.5 How Foreigners enter the Chinese market

Considering the always increasing attractive power that China exercises on foreign investors and entrepreneurs it is important to outline the legal background in which foreign businesses can operate in this country. Nowadays, foreigners can operate in China with the establishment of foreign companies in almost every field; the list of the allowed economic activities is included in the Catalogue for the Guidance of Foreign Investment Industries[118]. The Catalogue classifies three sectors of investment: encouraged, limited or forbidden: investments in encouraged activities benefit of financial advantages and easy constitution procedures, while limited investments are allowed only through the establishment of joint-ventures with Chinese partners; special provisions cover investments in specific fields such as high-tech. However, foreign companies in China need to register under a China

[118] The Catalogue is drafted by the PRC National Development and Reform Commission ("NDRC") and the PRC Ministry of Commerce ("MOFCOM"). The Catalogue was firstly published in 1995 and is updated periodically; it was last revised in 2017.

entity: an equity joint-venture [119] or a Wholly Foreign Owned Enterprises (WFOE)[120]. The Law on equity joint-ventures was issued in 1979 and established that foreign capital could gain profit in China in order to exploit the capital and know-how coming from foreign countries. In 1988 a new law was issued and was related to cooperative joint-ventures[121] (with a more flexible legislation) and in 1986 was issued the Law on Wholly Foreign Owned Enterprises.

An equity joint venture is an association of enterprises with a common business purpose. Enterprises are business subjects that can be companies or also individuals, but in their capacity as entrepreneurs. Equity joint ventures are special Chinese limited liability companies endowed with legal personality that is different from that of the shareholders and have at least one foreign subject with a foreign capital participation more or equal to 25%. The Chinese party shall be a legal person and contributions of partners may be in cash or in kind[122] (tangible or intangible). The constitution of the joint venture is subjected to the approval by the competent administrative authorities while entrepreneurs must also present a feasibility study and the Articles of Association that regulate the internal constitution of the joint venture. The contract of the joint venture regulates parties' liabilities and obligations between themselves and between them and the company. Even if parties can draft the contract in the language they prefer (Chinese or English or another language), the joint venture agreement must be governed by Chinese law and arbitration (not ad hoc) is allowed. The governance of the company is managed by the Board of Directors that deliberates according to the majorities provided by the contract; nevertheless, for issues such as the increase of the registered capital or the termination of the company the unanimous approval is required.

The Law on Wholly Foreign Owned Enterprises was issued in order to regulate only the contracts relating to investments in the field of high technology or in that of export. Since 2001, thanks to some changes in the legislation, the constitution of this kind of company is allowed in every activity sector, except from some

[119] Zhōngwàihézījīngyíng qǐyè, 中外合资经营企业.
[120] Wàishāngdúzī qǐyè, 外商独资企业.
[121] Zhōngwàihézuòjīngyíng qǐyè, 中外合作经营企业.
[122] For contracts related to technology transfer is common that contributions consist of intangible assets such as patents and know how.

forbidden categories. From that year the number of WFOE increased and now they are the most qualitative efficient kind of foreign investment in China. The constitution of a WFOE also is subjected to the approval of the competent administration authorities; the capital of the company could be totally owned by a sole investor, or it could be shared among the shareholders. The governance of the company can be managed by the Board of Directors or by a sole Director, depending on the needs of shareholders.

In 1993 the Company Law was issued, therefore foreign investors believed that the separated legislation for foreign investments would gradually disappear; nevertheless, the Article 18 of the Law stated that in case of conflict between this new legislation and the special legislation related to foreign investments, the latter should prevail.

III. TECH SILU

The third and final chapter of this thesis describes Tech Silu, an international Organization which operates at the highest institutional levels on the investment markets in order to improve the development of the Italian startup scenario, located in China and developed by Italian subjects that are passionate about the business environment concerning interactions between the Italian and Chinese business world in the field of startups in particular. The chapter will deal with a project developed by Tech Silu in 2017, that is ISIC (Italian Scale-Up Initiative) which aim was to help three Italian startups enter the Chinese market.

3.1 Overview of Tech Silu

Tech Silu is established in March 2015 as an association and it becomes a Limited Liability Company in April of next year, 2016. The mission is to create connections between China and Italy in the field of innovative enterprises and the main characters of this company are Francesco Rossi, Francesco Lorenzini, Jacopo Maria Bettinelli, Tommaso Ferruccio Camponeschi and Andrea Bolognini, founders or partners passionate about China, business and innovation, the perfect mixture for having success in the middle country. The first task of Tech Silu was to search for connection points between the Italian and Chinese business ecosystem, in order to create real and relevant opportunities for both countries. The name of the company itself, Tech Silu, is an explicit reference to the creation of this bridge: Silu is the abbreviation for Sīchóu zhī Lù 丝绸之路 that literally is the Silk Road, the ancient road that connected the west and the east and allowed international trade and movement of people, goods and cultures between Europe and Asia; the addition of the word “tech” is a reference to the technological and innovative character of

this new silk road, which creates links through talents, brilliant ideas, investment funds and innovative startups. This mission is brilliantly conducted with the development of both inbound investment programs and tailor-made programs for Italian startups and innovators that is China Lab.

- Inbound Investment Program

Tech Silu assists private Chinese entrepreneurs and investors in funding Italian startups established in Italy that are still in their early stage thanks to the Italia Startup Visa policy; the organisation satisfies the desire of Chinese investors that are willing to directly participate in the growth of the startup, to contribute with higher returns and also to diversify their investment portfolio.

The Italia Startup Visa represents a new direction in public policy: the development of special, simplified and accelerated procedures that allows innovative entrepreneurs from all around the world to benefit of the Italian visa. The starting point of the issuing of this provision is the awareness that the most dynamic and flexible innovation ecosystems in the world are characterised by the presence of high specialised businessmen coming from different countries. It is the experience of global innovation hubs which shows that the mixture of high-qualified manpower and the cultural contamination process that follows the entrance of foreign expertise in a country represent added value for local ecosystems; as a matter of fact, in order to compete globally, also a market must be global. Nevertheless, procedures to obtain the visa sometimes can be complicated and long, therefore Italia Startup Visa wants to cancel this obstacle by creating a bilingual, digital, accelerated and centralized procedure for non-European investors. It is bilingual because the applications can be submitted both in Italian and in English; is digital because the procedures take place entirely online; accelerated because it takes only 30 days; centralised because applicants can communicate with the Italian public offices through a single contact point. Moreover, to apply for Italia Startup Visa is completely free of charges.

Italia Startup Visa was inspired by a proposal included in "Destinazione Italia"[123]: provision n.44 states that visas should be used to attract talent and innovation from the outside and for this reason, procedures to obtain the visa in these situations must be easier, providing also for a specific startup visa for who choose to build an innovative startup in China. Italia startup visa comes finally to life in June 2014, when it is published the institutional web site italiastartupvisa.mise.gov.it and are published also the first version of Guide Lines that are the outcome of the cooperation between the Ministry of Economic Development, the Ministry of Foreign Affairs International Cooperation and the Ministry of the Interior.[124] The legislation concerning this provision is strictly related to a public national policy dedicated to innovative startups. This link is also reflected in the governance of the program since the primary responsibilities are of the Ministry of Economic Development that among its competences has the obligation to improve and supervise the national policy in favour of innovative startups.

At the end of December 2017, Italia Startup Visa recorded 316 applications and 176 of these received a positive evaluation[125] from the Italia StartupVisa & HubTechnical Committee[126]. Among them, 132 candidates have an entrepreneurial background, while the majority worked as employees. The fields of interest are mainly IT (software development), marketing, consulting, management and engineering. Applications came from different countries in the world, but the largest part of them comes from China, also thanks to the job of Tech Silu.

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[123] Destinazione Italia is a strategy launched by the Italian government in 2013 to attract foreign investments and favour the competitivity of Italian enterprises.

[124]Ministero dello Sviluppo Economico, Ministero degli Affari Esteri e della Cooperazione Internazionale, Ministero dell'Interno*, Italia Startup Visa: Linee Guida,* 2018. http://italiastartupvisa.mise.gov.it/media/documents/Linee%20Guida%20ISV%20ITA%2020_03_2018%20def.pdf

[125] Italian Ministry of Economic Development Directorate General for Industrial Policy, Competitiveness and SMEs, *Italia Startup Visa&Hub 4th quarterly report, 2017: Summary of main findings up to 31 December 2017*, 2017. http://www.sviluppoeconomico.gov.it/images/stories/documenti/startupvisa_4_quarterly_report_2017.pdf

[126] The Committee is composed of the Presidents of five key associations of the Italian innovation ecosystem: PNICube representing university incubators, IBAN representing business angels, AIFI representing venture capital investors, APSTI representing science and technology parks, and Netval for technology transfer offices.

Until today, Tech Silu had a central role in creating links: in 2017 it connected ten investors to seven startups, with operations for a total value of 550 thousand euro; the organization allows only investments that contribute with a participation that is lower to 8% in order to not damage the governance structure of the startup. In this phase, the job of Tech Silu consists in listen to the needs and desires of the starups that want to receive a foreign investment and connect them with the proper investors; afterwards, the investment proposal is analysed and evaluated by Tech Silu, which efficiently support the startup in making the right choice. If the choice is successful, the startup will receive an investment or a contribution in its business from a Chinese partner.

- China Lab

China Lab is the project developed in order to support innovative companies which have the commercial potential to develop relevant opportunities in the Chinese market. The task of Tech Silu in this project is understand and comprehend the startup intentions and desires in order to find the correct formula to link the startups and Chinese capitals and resources. China Lab is a Laboratory made of Chinese venture funds, accelerators, incubators, universities, European and Chinese startups and professionals and the Italian Scale Up Initiative is the first big program that goes in that direction.

3.2 ISIC2017 and its field of interest

Figure 7:Italian Scale Up Initiative in China 2017: La Fase Finale

At its first edition, the Italian Scale-Up Initiative 2017 aspires to develop concrete successful and international opportunities in China for Italian innovative startups[127].

ISIC2017 is a pioneering project of new and disruptive synergies between the Italian startup scenario and the international development, that is also at the basis

[127]Innovative startups are defined as companies with shared capital (i.e. limited companies), including cooperatives, the shares or significant registered capital shares of which are not listed on a regulated market nor on a multilateral negotiation system. These companies must also meet the following requirements: be new or have been operational for less than 5 years; have their headquarters in Italy or in another EU country, but with at least a production site branch in Italy; have a yearly turnover lower than 5 million Euros; do not distribute profits; produce, develop and commercialize innovative goods or services of high technological value; are not the result of a merger, split-up or selling-off of a company or branch; be of innovative character, which can be identified by at least one of the following criteria: at least 15% of the company's expenses can be attributed to R&D activities; at least 1/3 of the total workforce are PhD students, the holders of a PhD or researchers; alternatively, 2/3 of the total workforce must hold a Master's degree; the enterprise is the holder, depositary or licensee of a registered patent (industrial property) or the owner of a program for original registered computers.
See *Executive Summary of the Italian Startup Act:*
http://italiastartupvisa.mise.gov.it/media/documents/Executive_Summary_Italy's_Startup_Act_02_03_2016.pdf

of cross-border projects in China. The Italian Scale-Up Initiative is promoted by Tech Silu, with the support of the Italian Chamber of Commerce[128] in China and ThinkIN China[129], with partners as Innoway[130], Etihad Airways[131] , Caixin Media[132] StartupBusiness[133] and is a project that creates new and stable bridges between Italian startups and Chinese investors and stakeholders, developing relevant and real growth opportunities for Italian innovative businesses; moreover, it was the only Italian initiative to be officially included in the "Mass Entrepreneurship and Innovation Week".

The subsectors that were considered by Tech Silu as relevant to enter the Chinese market are FoodTech & AgriTech, FashionTech & Design, Life science & HealthTech, GreenTech & New Energies, Smart Manufacturing & Robotics, Smart Cities/Buildings & Home, IoT & New Materials, AI & Machine Learning. Moreover, the preference was given to those companies that had already solid business models, both B2B or B2C if convertible in B2B in the Chinese market.

The Selection Committee, composed by a member of each organizer[134], was responsible for the first screening of more than 50 applicants at the end of April

[128] The China-Italy Chamber of Commerce is the only business organization recognised by the Italian Government (Ministry of Economic Development, MiSE) and People's Republic of China (Ministry of Civil Affairs, MoCA) which main objective is to boost the internationalization and settlement of Italian business and to promote the "Made in Italy" in China. It was established in 1991 and has offices in Beijing, Chongqing, Guangzhou, Shanghai and Suzhou.
See http://www.cameraitacina.com/it

[129]ThinkIN China is an informal "agora" for debate on contemporary issues is China: its aim is to create a space of reflection, dialogue and discussion about China in Beijing.
See http://www.thinkinchina.asia/

[130] Innoway, is the innovation hub of Beijing which acts as as an innovation exchange platform between global and local Startups, corporations, institutions and Universities alike. It is located in Beijing, Haidian District.
See http://en.z-innoway.com/pages/index.html

[131] Etihad Airways is a flag carrier and the second-largest airline of the United Arab Emirates (after Emirates). Its head office is in Khalifa City, Abu Dhabi.

[132] Caixin Media Company is a media group based in Beijing providing for financial and business news and information through periodicals, online content, mobile apps, conferences, books and video programs.
See https://www.caixinglobal.com/

[133] Startupbusiness is a web platform aimed to stimulate and support relationships, matching, deals, share of information among the main actors of the innovation ecosystem.
See https://www.startupbusiness.it/

[134] One representative of CICC (Italian Chamber of Commerce in China); one representative of TSL (Tech Silu); one representative of TIC (ThinkIn China); a key representative of the Chinese startup ecosystem; a key representative of the Italian startup ecosystem.

2017. Afterwards, the startups were submitted to a Judging Panel, composed by nine relevant Chinese investors, and key stakeholders, which selected the best ten scaleups at the beginning of May for the next phase of Chinese virtualization, in which Tech Silu and its partners improved startups' growth by enhancing remote connections. In the first stage startups were screened on the sustainability and relevance of their business model and on the startup scaling-up potential in China, while the opposite players were Chinese investors engaged in incubators and accelerators and had a long experience in cross-border operations. In the second stage startups and investors worked together remotely to create or improve their business cooperation with the support of Tech Silu. Finally, the final event gave the participants the opportunity to show the outcome of their work to the public, showing their results. Successful startups had the opportunituy to share their results during the final event and obtained major and relevant resources to develop their business in China. At the end of June, three best scaleups were selected to take participation in the award ceremony in Beijing during September that was considered as the ending of ISIC and the beginning of the Italian scaleups' growth in the Chinese market. The awarded companies, chosen after a detailed and meticulous evaluation of the actual opportunities for those business models to represent authentic Italian innovation in China, operate in the fields of Aerospace, Inspection Technology and Social Entertainment, and they benefited with assistance in internationalization programs, access to the network of esteemed Chinese universities, a free desk in InnoPlanet[135] space, round-trip flight tickets, and additional services such as events, logistics and activities.

[135] InnoPlanet is a platform which objective is to connect innovators globally. It creates bridges for major players such as corporations, accelerators, startups & scale-ups and governments.

3.2.1 ISIC's 2017 Best Three Startups

Figure 8:ISIC 2017: Le Scaleup Italiane che piacciono alla Cina

The three Italian scaleups that were chosen to participate in the week of networking and cooperation with Chinese investors were three: D-Orbit, for the aerospace field, Xnext, for the inspection technology field, and Tok.tv for the social entertainment field.

- D-Orbit

Space debris is gradually damaging the space and the society on Earth; this is why D-Orbit is disrupting the space industry with the reformulation of commissioning and decommissioning, the address of shortcomings, the protection of space resources, and the creation of value in the process. End-of-life decommissioning is quickly becoming a concern for satellite operators; satellites' onboard propulsive systems are not developed for end-of-life manoeuvres, leading to end-of-life operations that are complicated, long and expensive. These operations reduce the lifetime of satellite, and in case of satellite failure cannot be performed at all in case. Based on proprietary solid-propellant technology, D-Orbit's independent commissioning and decommissioning systems conduct the initial and

the final phases of the mission, reducing system complexity and cost of operations and increasing lifetime, reliability, and revenues.

- Xnext

Xnext is the company that is going to revolutionize the real-time quality control field thanks to its disruptive, patented and proprietary technology: Xspectra. Xspectra is a new technology of multispectral X-Ray inspection method that is able to evaluate in real time the physical and chemical characteristics of the materials that compose a product. Xspectra represent an important step forward in comparison to the ordinary technologies employed today and it can also be employed in the food processing industry, where it is used to identify contaminants directly on the production line that are not detectable today.

Furthermore, thanks to its new IoT interfaces, the inspection system can be embedded in each new concept production line; the objective is to deeply improve the Quality Control Dept. in several industrial sector such as food processing and

pharma), security checks at the railway stations or airports and in the material recycling industry.

- Tok.tv

Tok.tv is the 1st social network in sports: with its new and developed technology, it allows millions and millions of fans from different countries to talk to their friends in the same moment in which they are watching their favourite game on TV; it also allows teams and brands to get in touch with the fans and monetize the experience of game. In addition, fans can take Social Selfies and share them on social medias, while sharing emotions with friends with calls, videos and messages even if they are far apart and can make noise with friends while watching TV; in this way, they will feel the energy of a stadium at their fingertips. Moreover, wherever fans go, there will be a Virtual Fan Club waiting for them: thanks to geo-location, a Virtual Fan Club allows them to meet, talk, and watch sports together with local fans, virtually.

3.2.2 Final Event

Figure 9 Picture taken at ISIC final event in Beijing on 18 September 2017

The final event of ISIC2017 consisted of a week of intense and proactive networking in Beijing, China's primary centre of innovation and technology. The week started on Sunday 17th when one of the winners, D-Orbit, joined the initiative "Mass Entrepreneurship & Innovation Week" as the only representative for the foreign Startup Ecosystem together with the most important Chinese tech-companies, in Zhongguangcun Exhibition Centre[136].

The next day, on Monday 18th, Tech Silu's founder, Francesco Rossi, introduced the CEOs[137] of D-Orbit, X-Next and Tok.tv which presented their companies to investors and people interested in their project in Innoway; after the three pitches, in which every founder highlighted the advantages and strong points of their business, along with a comment on the method for scaling up the Chinese

[136] Zhongguancun Exhibition Center is a comprehensive display platform demonstrating the independent innovation achievements of Zhongguancun, integrating innovative resources and enhancing the influence of science and technology innovation demonstration centre.
[137] Chief Executive Officers.

market and future perspectives, they had a close session of networking with interested investors.

Figure 10-11 The pictures were taken by me at the final event of ISIC in Beijing on 18 September 2017

On Tuesday 19th Luca Rossettini, D-Orbit's CEO had a meeting with Spacety[138], one of the biggest companies in the Aerospace sector in China, while Bruno Garavelli, CEO of X-Next, joined "Demo the World"[139], an event organized by Zhongguancun Innoway during the "Innovation & Entrepreneurship Festival"[140], as the only representative of Italian startups. At the event, X-Next represented the Italian innovation among scaleups from all over the world[141]. The companies that participated in this event, had to present their companies in front of an audience composed of Chinese institutions, investors and corporations.

On Wednesday 20th D-Orbit and X-Next visited Tsinghua University iCentre[142], the biggest spacemaker of the world. Afterwards, D-Orbit met Mrs Wu Xiaodan,

[138] Spacety is one of the first commercial aerospace companies in China and it is specialized in developing commercial micro/nano-satellites; they provide services to scientists, research institutes, and commercial companies, for science experiments and technology demonstrations.
[139] Demo the World is an international startups competition which attracts a lot of startups from different countries all around the world.
See http://en.spacety.com/
[140] A one-week event holding by local government in cooperation with Innoway.
[141] Eight countries participated in the competition: Italy, New Zeland, England, Singapore, Canada, Denmark, France and South Korea.
[142] Since China opened up to the world in 1978, Tsinghua University (established in 1911) has developed into a comprehensive research university. At present, the university has 14 schools

Space Law Professor and discussed together the topic of space debris mitigation regulation in China.

On Thursday 21th, D-Orbit visited Head Aerospace [143], CASIC [144] and COMMSAT[145], X-Next visited the EU SME Centre[146] and Tok.tv held a meeting with a Chinese expert for social platforms on sports, Zoe Huizheng.

The Closing Ceremony was held on September 22nd at the Italian Institute of Culture of the Embassy of Italy, in Beijing. The ceremony was opened with the Institutional greetings by the Italian Ambassador in PRC, Ettore Francesco Sequi, followed by welcome remarks by the Vice Dean of the Faculty of Foreign Languages of Peking University, Li Shujing and by the speech of the Chairman of China Grand Prosperity Investment [147], Jiang Mingming, who stressed the importance of the strategic cooperation between China and Italy. He highlighted the importance of Italian technology in specific sectors such as aerospace, maritime transport, natural resources, environmental protection and medical care. The

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and 56 departments with faculties in science, engineering, humanities, law, medicine, history, philosophy, economics, management, education and art. Tsinghua has become an important institution for fostering talent and scientific research and it is one of the most renowned Chinese universities.

[143] HEAD Aerospace (HEAD) (Hédé yǔháng 和德宇航) is a Chinese company founded in 2007 and headquartered in Beijing. HEAD provides for customized space solutions by collaborating with partners based globally, it is also dedicated to providing value-added services and applications based on big data analysis and machine learning.
See http://en.head-aerospace.com/

[144] The China Aerospace Science & Industry Corporation (Zhōngguó hángtiānkègōngjítuán yǒuxiàngōngsī 中国航天科工集团有限公司) is a large state-owned hi-tech company which is under the direct administration of the central government and is the main contractor for the Chinese space program. The company is state-owned and has a lot of subordinate entities which design, develop and manufacture a range of spacecraft, launch vehicles, strategic and tactical missile systems, and ground equipment.

[145] Commsat Technology Development Company is based in Beijing develops and launches low-track small satellites. The company develops satellites to collect real-time data to support the heavy machinery, logistics industries, maritime, and forest conservation sectors.
See http://www.commsat.cn/

[146] The EU SME Centre is a European Union initiative that provides a comprehensive range of support services to European small and medium-sized enterprises (SMEs), getting them ready to do business in China in four areas: business development, law, standards and conformity and human resources.

[147] The China Grand Prosperity Investment is the largest FOF (Fund of Funds) management institution and largest government guide fund management institution in China; it is also China's most innovative resource pool platform for innovation and venture. Through more than 100 funds it covered more than 1900 projects, mainly in the Internet, high-end manufacturing, new energy, new materials, culture, entertainment, education, medical and other industries.

evening proceeded with the presentations of the best 3 that presented again their companies and the Ceremony Awards, followed by a networking phase that allowed all the guests to undertake insightful discussions. During the Ceremony Awards, in particular, it was signed a Memorandum of Understanding between Tech Silu and China Grand Prosperity Investment, with ThinkIN China as the policy advisor, for the creation of a fund to support Italian startups while entering the Chinese market.

Figure 11 Picture taken by me at the final event of ISIC in Beijing on 22 September 2017

Conclusions

This dissertation wants to be an overview of the Chinese startup ecosystem, together with an analysis of the reasons that pushes foreign entrepreneurs to enter the Chinese market with their startup; in particular it was discussed the role of the international Organisation Tech Silu in assisting Italian innovative startups willing to enter China, and Chinese entrepreneurs willing to invest in Italy, a task that is facilitated by the policy Italia Startup Visa. Innovative startups, especially in the fields of technology and innovation, are a relatively young field, and their potential has not been exploited at the fullest; this is why it is important to discuss about their development and their impact on the business environment. China is a country rich of opportunities for domestic and foreign entrepreneurs willing to find an innovative environment for their businesses; in Italy, on the other hand, there are a lot of entrepreneurs that are investing in the fields of innovation and technology because there are two of the fields in which Italian industry is very developed: this is the reason for which the creation of a bridge between these two environments is so important and also the reason for which the governments and institutions should still do many steps forward in the improvement of the relations between the two countries. In this scenario, the role of Tech Silu is central in the empowerment of this link that generates new opportunities for and between Italian entrepreneurs and Chinese investors. In conclusion, innovative startups should be considered the new wave of innovation in the commercial relations between China and Italy, and much more attention should be paid to them.

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