Work Package 2

DIFME COUNTRY REPORT - ITALY

Contents

SECTION 1: INTRODUCTION

The main aim of this country report is to enable the development of training materials and learning outcomes that are tailored to the current needs of micro entrepreneurs in the DIFME partner countries. In order to do so, it shall identify the main digital internationalisation and financial literacy skills that should be addressed in the DIFME training programme and resources, as well as the most appropriate duration, mode/s and method/s of delivery of such a programme.

In addition to this introduction, it includes the following sections:

Section 2: Provides a general overview of the state of entrepreneurship and SMEs in Italy;

Section 3: Identifies the main courses and resources currently offered by HEIs (Higher Education Institutions) in Italy;

Section 4: Presents the main findings of the online survey that was carried out in Italy;

Section 5: Presents the main findings of the expert interviews that were carried out in Italy;

Section 6: Provides a synthesis of the above sections and a discussion of the main insights gained, together with concluding reflections on the way forward for the DIFME project.
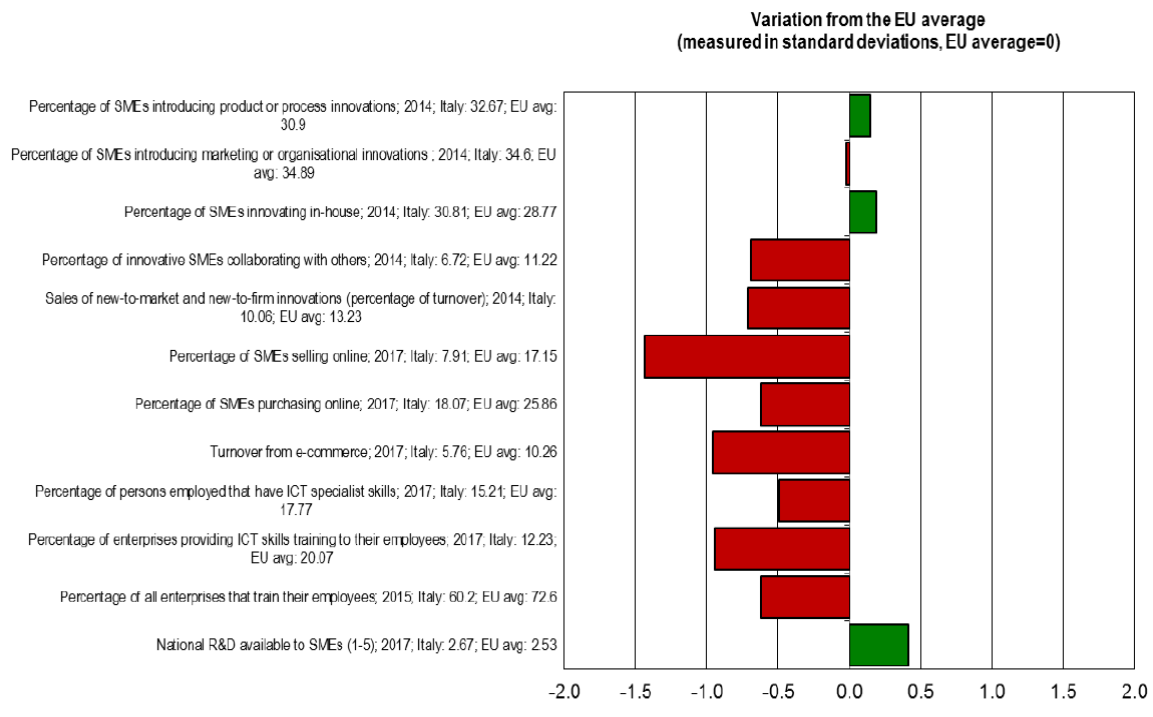
SECTION 2: SBA COUNTRY FACT SHEET ANALYSIS

The EU has a well-established body of literature concerning SMEs and their performance. In order to provide an overview of the state of SMEs and entrepreneurship in Italy, this section provides some highlights from the EU's SBA Fact Sheets report. This highlights various aspects of EU SMEs including a synopsis of the size, structure and importance of SMEs to the EU economy, whilst also providing insight into how SMEs have performed in the past and how it is anticipated they shall perform in the future.

2.1 Country Overview:

The role played by SMEs in Italy's 'non-financial business economy' is larger than the average

for the EU. SMEs generated value added of 67.1 % against an EU average of 56.8 %, while they generated 78.5 % in employment against the EU average of 66.4 %. The average number of people employed in Italian SMEs is 3.0, around 1 below the EU average. The outlook for Italian SMEs is mixed. While SME value added is expected to increase by 2.0 % in 2017-2019, SME employment is expected to fall by 1.4 % in the same period.

The Italian government has adopted a substantial number of policy measures across all 10 SBA areas but progress made remains moderate and, in some areas, limited. The implementation and development of measures should be improved in state aid & public procurement and access to finance. In the state aid and public procurement area, the percentage of businesses participating in public tenders dropped during 2017 and the first quarter of 2018, the current reference period for this year's fact sheets. In the latter area, venture capital investments in Italy lag behind other EU Member States. Moreover, more efforts are needed to reduce the red tape faced by SMEs and improve SMEs' digitalisation and training. Administrative procedures and fast-changing legislation and policies still pose problems for SMEs in doing business.

2.1 Skills and Internationalisation:

Variation from the EU average
(measured in standard deviations, EU average=0)

Indicator	
Percentage of SMEs introducing product or process innovations; 2014; Italy: 32.67; EU avg: 30.9	
Percentage of SMEs introducing marketing or organisational innovations ; 2014; Italy: 34.6; EU avg: 34.89	
Percentage of SMEs innovating in-house; 2014; Italy: 30.81; EU avg: 28.77	
Percentage of innovative SMEs collaborating with others; 2014; Italy: 6.72; EU avg: 11.22	
Sales of new-to-market and new-to-firm innovations (percentage of turnover); 2014; Italy: 10.06; EU avg: 13.23	
Percentage of SMEs selling online; 2017; Italy: 7.91; EU avg: 17.15	
Percentage of SMEs purchasing online; 2017; Italy: 18.07; EU avg: 25.86	
Turnover from e-commerce; 2017; Italy: 5.76; EU avg: 10.26	
Percentage of persons employed that have ICT specialist skills; 2017; Italy: 15.21; EU avg: 17.77	
Percentage of enterprises providing ICT skills training to their employees; 2017; Italy: 12.23; EU avg: 20.07	
Percentage of all enterprises that train their employees; 2015; Italy: 60.2; EU avg: 72.6	
National R&D available to SMEs (1-5); 2017; Italy: 2.67; EU avg: 2.53	

Italy's performance in skills & innovation is in line with the EU average. The country's performance has improved overall against the previous reference period. The availability of national R&D funding to SMEs has increased. While the number of companies providing ICT skills training to employees has also increased, Italy is one of the weaker performers in this area. While the number of SMEs selling online has increased, Italy's performance is also still weak in this indicator. The proportion of SMEs that purchase online has dropped from the previous reference period. In addition, the turnover from e-commerce also shows a negative trend since 2015. During the current reference period, several measures were adopted in this area:

- The 'Tax credit for education 4.0' (*Credito d'imposta per la formazione 4.0*) on training costs incurred by companies for improving the skills of permanent employees. For 2018, the credit is granted for investments in educational activities to acquire and consolidate knowledge on Industry 4.0 technologies.

- 'Vouchers for digitalisation in SMEs' (Voucher per la digitalizzazione delle PMI) provide incentives to invest in micro companies and SMEs so as to enable them to digitise their

business processes and boost their technology. The vouchers can be worth up to a maximum EUR 10 000, covering up to 50 % of incurred eligible expenses.


- 'Trademarks+3' (*Marchi+3*) provides incentives designed to encourage micro, small and medium-sized companies

register their national trademarks abroad (in the EU and beyond).

- 'Strengthening Institutes for Technical Higher Education' (*Potenziamento Istituti Tecnici Superiori*) has allocated funds to boost technical education for highly trained specialised technicians, so they can be recruited by firms to address new challenges in digitisation and innovation.

- 'Certified Technology Transfer Centres I4.0' (*Certificazione Centri di Trasferimento Tecnologico Industria 4.0*) provides training, technology consultancy and technology transfer services to firms in Industry 4.0 technology areas. A national registry of certified technology transfer centres will be established at Unioncamere.

Single Market
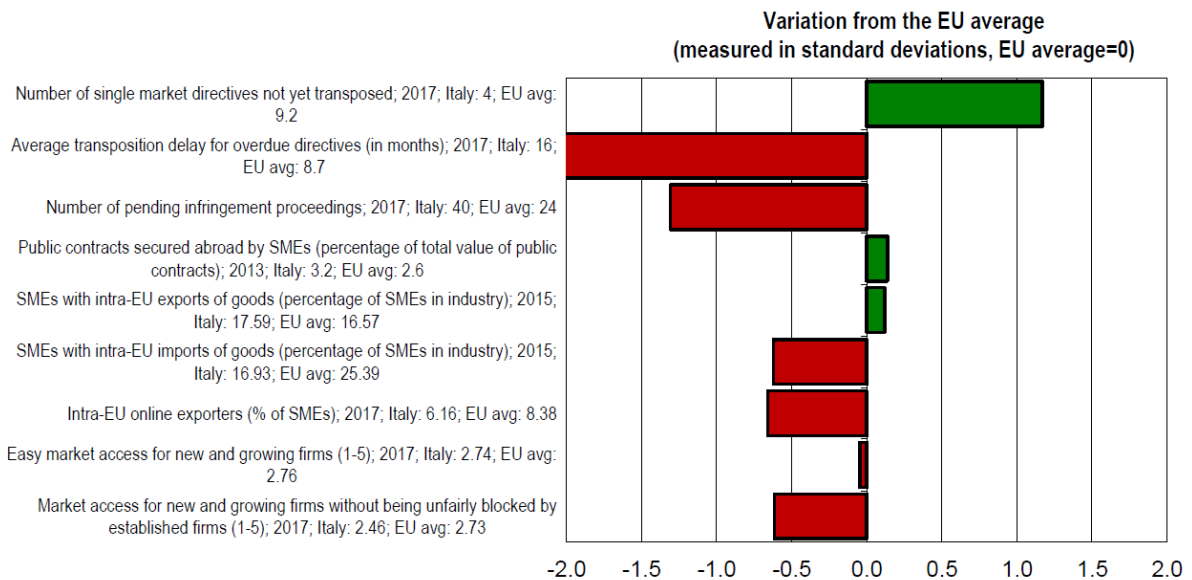
Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Italy's performance is below the EU average, having deteriorated since the previous reference period. During the current reference period, Italy has significantly reduced the number of its outstanding single market directives from 9 to 4, while the number of infringement proceedings remained stable (falling from 41 in 2016 to 40 in 2017). By contrast, the average
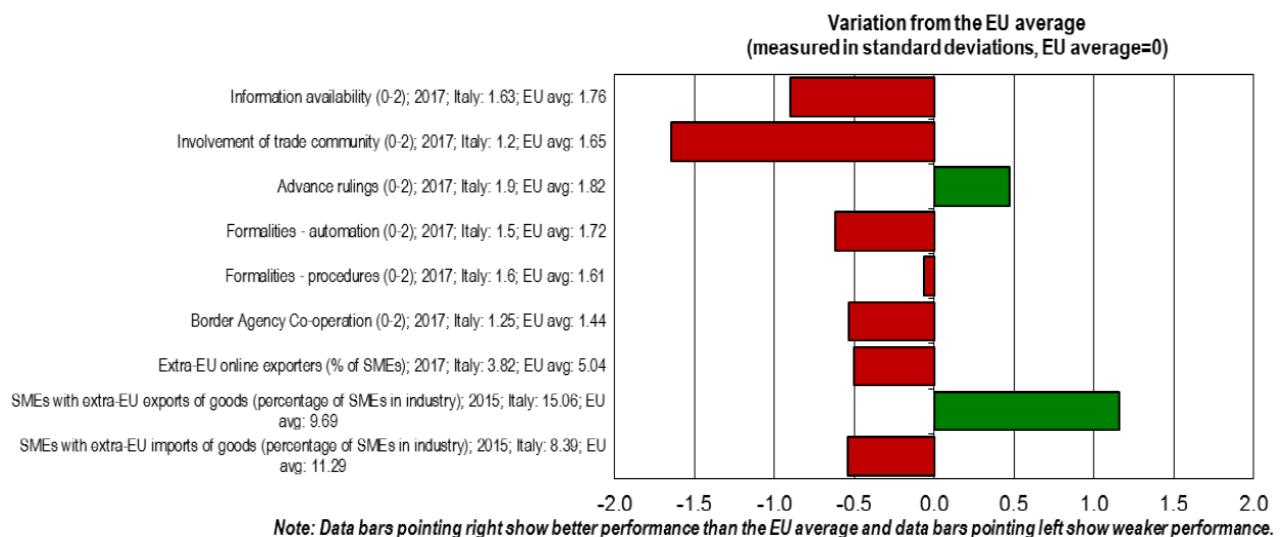
transposition delay for overdue directives has substantially increased to 16 months, the longest in the EU.

On a positive note regarding SME trade, 17.6 % of Italian SMEs in the manufacturing sector were exporting inside the single market in 2015, a slight improvement against the previous year. There was an even bigger increase (1 percentage point) in the percentage share of SMEs that export online in the manufacturing and service sectors between 2015 and 2017, though this score is still below the EU average.

Policy-wise, Italy has performed reasonably well in recent years in this SBA area. Political action has focused mainly on strengthening competitiveness and seizing opportunities generated by innovative sectors.

Internationalisation

Variation from the EU average
(measured in standard deviations, EU average=0)

Indicator	
Information availability (0-2); 2017; Italy: 1.63; EU avg: 1.76	
Involvement of trade community (0-2); 2017; Italy: 1.2; EU avg: 1.65	
Advance rulings (0-2); 2017; Italy: 1.9; EU avg: 1.82	
Formalities - automation (0-2); 2017; Italy: 1.5; EU avg: 1.72	
Formalities - procedures (0-2); 2017; Italy: 1.6; EU avg: 1.61	
Border Agency Co-operation (0-2); 2017; Italy: 1.25; EU avg: 1.44	
Extra-EU online exporters (% of SMEs); 2017; Italy: 3.82; EU avg: 5.04	
SMEs with extra-EU exports of goods (percentage of SMEs in industry); 2015; Italy: 15.06; EU avg: 9.69	
SMEs with extra-EU imports of goods (percentage of SMEs in industry); 2015; Italy: 8.39; EU avg: 11.29	

Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Italy continues to perform below the EU average in internationalisation. This is mainly due to a weak performance in a number of trade facilitation indicators. Italy has the lowest score for the 'involvement of the trade community', which continues to fall. Italy's score in formality procedures has also substantially deteriorated against the EU average since the previous reference period, but this is mainly due to the faster improvement of the Member States in this indicator.

On a positive note, there has been a big improvement in the automation of trade formalities. Thanks to better electronic processing, export and import declarations can be easily cleared electronically.

The strong point in this area is the high number of Italian manufacturing SMEs exporting beyond the EU. 15.1 % of them sell their goods in non-EU markets.

During the current reference period, two major new initiatives were launched:

- The 'New provisions to promote export and internationalisation' (*Disposizioni in materia di promozione dell'export e dell'internazionalizzazione delle imprese italiane*) introduce regulations to improve the efficiency in the use of resources of the *Mediocredito Centrale*. It includes funds to cover the risk of interest and exchange rate variations. Regarding exports by Italian companies to 'high risk countries', Invitalia will be able to provide funds and insurance policies for non-market related risks. Provisions also include further funding for the Italian Trade and Investment Agency (ICE-ITA), with EUR 7 million for the 'Made in Italy' 2018-2020 programme and a stronger role for both the Italian export credit agency (SACE) and ICE-ITA.

- 'The Strategic Plan for Tourism Development' (*Piano Strategico di Sviluppo del Turismo 2017-2022*) includes valorisation of upcoming tourist destinations; expanding, innovating and diversifying, and digitising Italy's tourism system; developing and training tourism companies; strengthening the positioning and attractiveness of the 'Italy brand'; and digitising the services for the promotion of the brand and commercialisation of products.

2.2 SME Policy Priorities and Entrepreneurship:

- Has the business environment for SMEs has improved in (your country)?

Progress made remains moderate and, in some areas, limited

- Are there any policy-related problems which still impact SMEs?

The implementation and development of measures should be improved in state aid & public procurement and access to finance.

- Has your country introduced any new policy measures in the entrepreneurship area?

During 2017 and the first quarter of 2018, Italy adopted 24 policy measures and formally announced 2 new measures, addressing all 10 principles under the Small Business Act. The most significant progress was made in the areas of entrepreneurship and skills & innovation.

Several measures were introduced to encourage entrepreneurship, especially among young people living in Southern Italy. Incentives were given to promote new businesses in the agricultural sector which is being revitalised, thanks in particular to young people establishing new companies.

- What developments have take place in local scale-up activities, initiatives and policies?

The 'Think Small First' principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SME interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

Since 2008, the Italian government has taken major steps to specifically support SMEs and help them deal with the effects of the economic crisis. For example, the government introduced measures to simplify rules and procedures that affect SMEs.

The SME Envoy, who works under the auspices of the 'Directorate-General for industrial policy, competitiveness and SMEs' and who is also the SMEs' guarantor authority, representing SMEs at national level (Garante PMI), is monitoring the implementation of the SBA and, in particular, the 'Think Small First' principle. The Envoy recently released his activity report referring to the most recent period (2017 and the first quarter of 2018)17.

The Annual SME Law introduced under the 'Statute of the Enterprises' has not been adopted yet, despite further impact assessments on policies and programmes taking place. Italy has not yet carried out a thorough 'SME Test' in policymaking at national level, to assess the impact on SMEs of proposed legislation in order to ensure a SME-friendly regulatory environment. In addition, Italy has yet to establish a common commencement date for all new legislation and amendments.

During the current reference period, a new measure was adopted in line with the 'Think Small First' principle:

- The 'Occasional Employment Discipline' measure (Disciplina delle prestazioni occasionali) introduces a new online, simplified and flexible contract that can be used for casual employment. This measure targets companies with a maximum of 5 permanent employees.

- Are there any areas for improvement?

Many

Italy offers a wide range of courses aimed at assisting individuals further their knowledge in business, management and finance. A summary of course specifications is provided in Table 3.1 below, while a detailed list is available in Appendix 1.

Whilst 85% (40 courses out of 47 courses) of the courses identified through the study programme analysis focus on the domains of business and management, only 15% (7 courses) of study programmes are dedicated towards the financial component of commercial enterprises. Despite this finding, the curricula associated with local management and business courses usually integrate principles of finance and aim to transfer basic financial know-how to students.

Table 3.1 Summary of course specifications

Course Specifications	Measurement
Number of courses formally accredited by EQF status	100%
EQF level range	EQF 6 – EQF 7
Number of courses accredited by local Institutions	100%
Range of all course type durations	1 to 3 years
Course languages	50% English – 50% Italian
Number of face-to-face courses	100%
Number of online courses	0%
Number of blended courses	50%

At a local level, the main modes of attendance offered by courses are face-to-face, and the duration of courses ranges from 40 hours, to a few months to 6 years. Through the study programme analysis it was made evident that the duration of courses is largely contingent on the mode of attendance and the accreditation offered by the institution. Thus, whilst an EQF level 6 degree is highly likely to take students between 3 years full-time to 6 years part-time to complete, an EQF level 3 diploma spans over 1 year on a full-time basis. As previously stated, Italian courses tend to show preference towards traditional face-to-face modes of teaching.

SECTION 4: DIFME ONLINE SURVEY RESULTS

4.1   General Demographics and Background of Respondents

A total of 50 responses were received for the online survey in Italy. This section describes the sample in terms of key demographics and background information. The numbers reported relate to the respondents who answered that particular question, which sometimes were less than the full sample. I.e., those who skipped particular questions are not considered in the figures presented. This will be specified by means of notes beneath the Figures illustrating the relevant descriptive statistics.

Just over half (56.41%) of the Italian respondents were male, with one third of the respondents (*41.03*%) falling within the bracket of 26-35 years of age. This was a highly educated sample, with nearly one half (*n* = 38, 46.34%) being in possession of a Masters Degree, and another 43.9% (*n* = 36) holding an undergraduate or postgraduate qualification. Further details are presented in Figures 4.1, 4.2 and 4.3 below.

Figure 4.1 Respondents' Gender Distribution
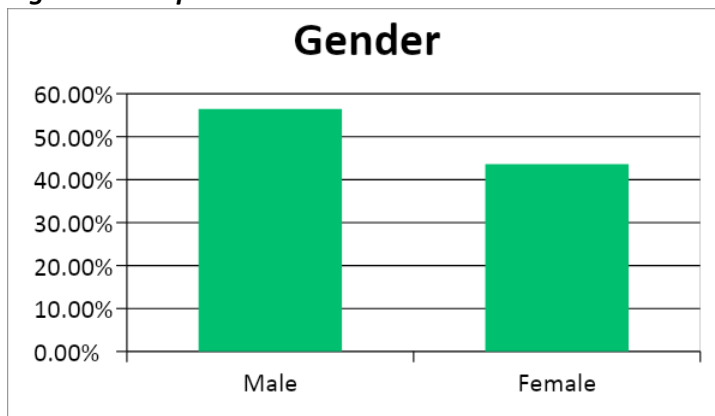
Figure 4.2 Respondents' Age Distribution
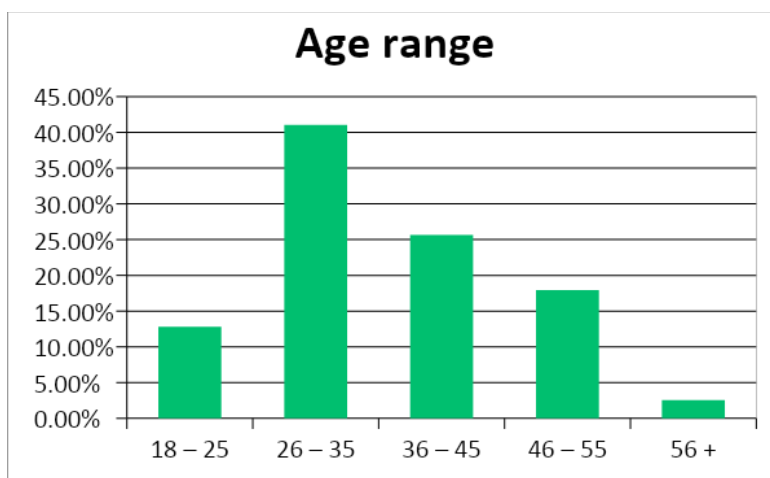
Figure 4.3 Respondents' Level of Education
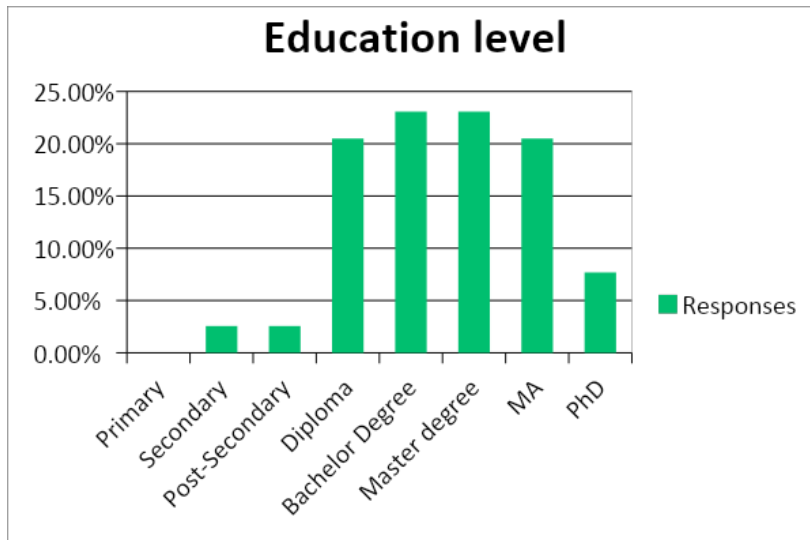
The italian respondents were classified as:

21.95% Business Owners

34.15% Planning to start a business in the next 12 months

29,27% wish to start a business someday

The majority of respondents have a business in the form of Limited Liability Company (46,15%), but the 30.77% are Self-entrepreneur. The size of business represented by our samples are mainly micro-enterprise 38.46% and small-enterprise 61.54%.

Figure 4.4 Respondents' Business Involvement

DIFME

Co-funded by the
Erasmus+ Programme
of the European Union

Which of the follwoing situations fits you the best
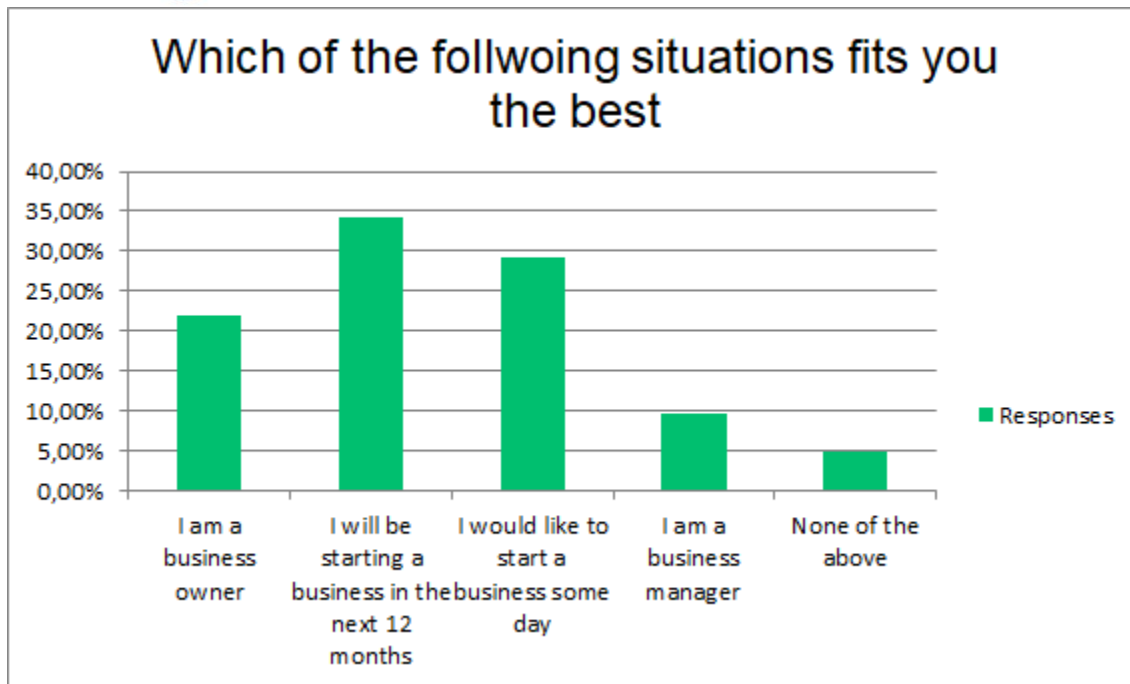
Figure 4.5 Size of Businesses Represented by Respondents

How many employees are employed in the business, including yourself?
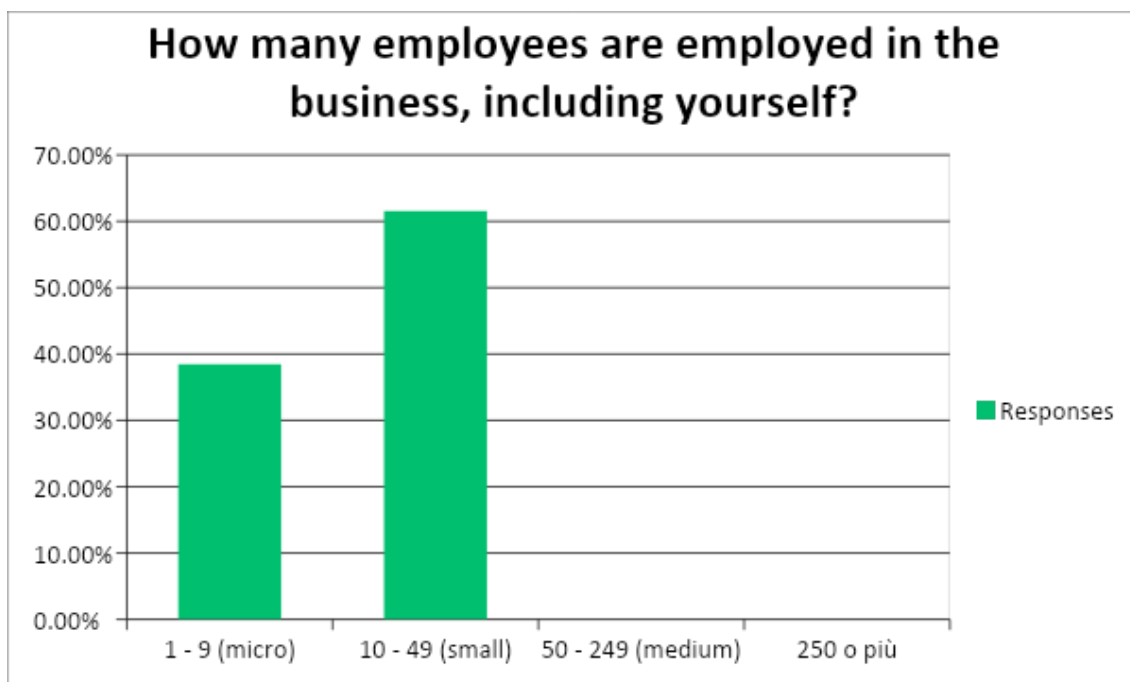
Figure 4.6 Sector of Businesses Represented by Respondents

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In which sector do you operate
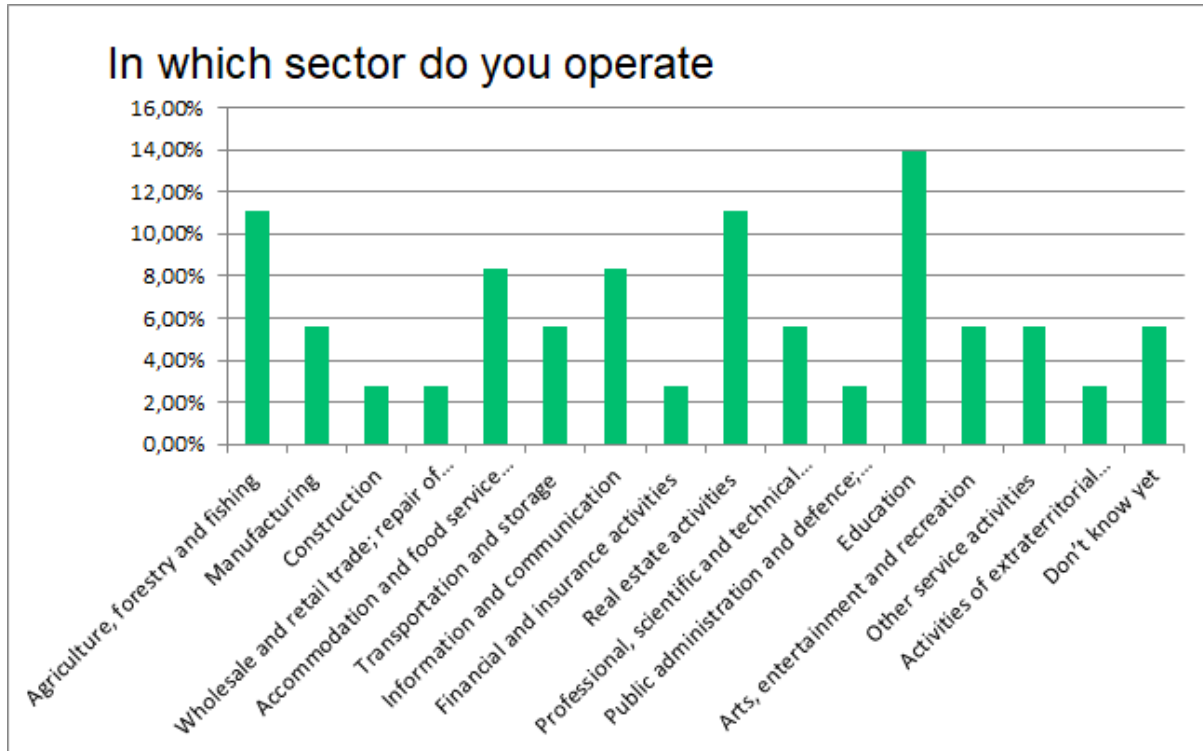
Figure 4.7 Age of Businesses Represented by Respondents

When was your business created
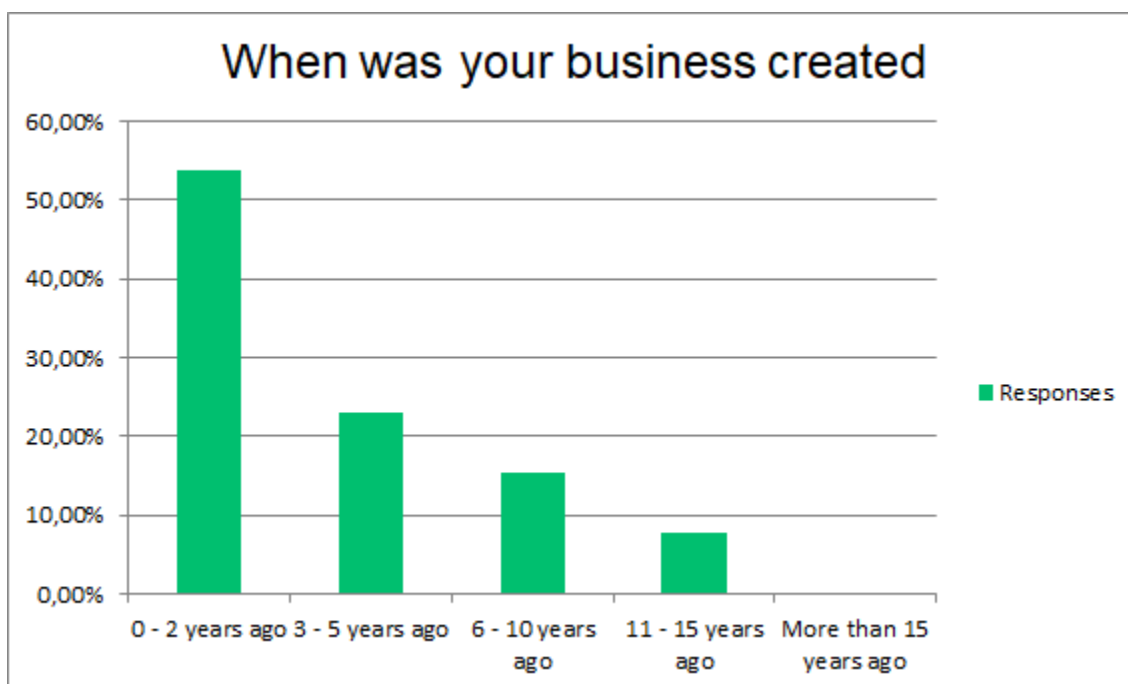
Figure 4.8 Legal Status of Businesses Represented by Respondents
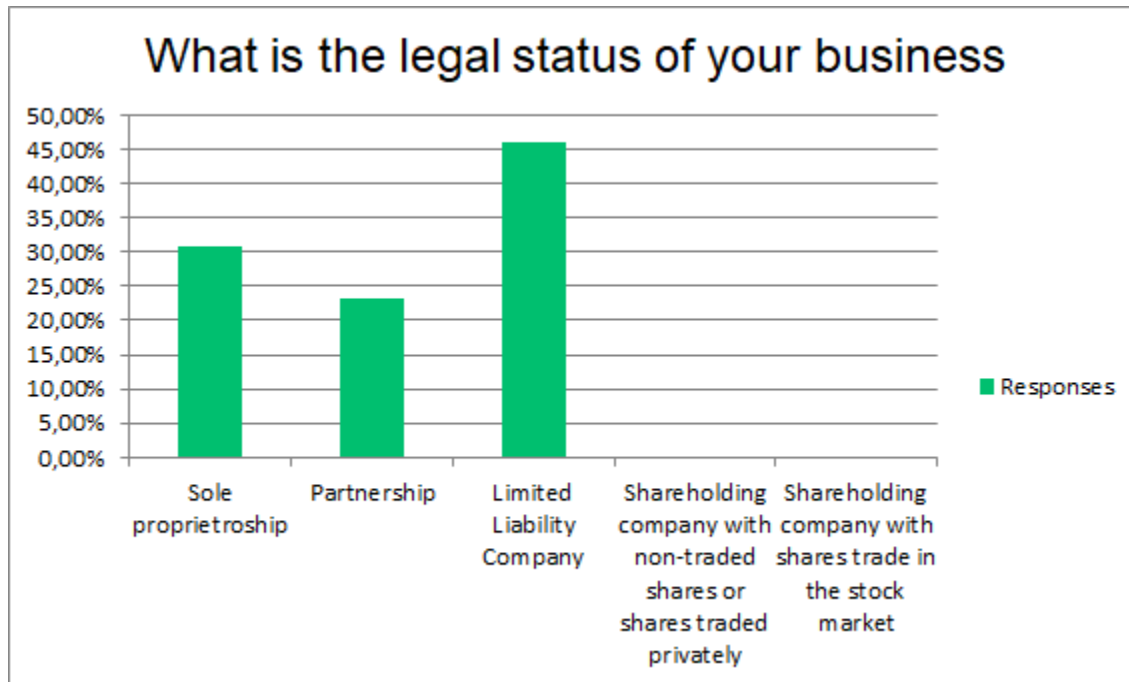
4.2   Financial Literacy

Respondents were asked to rate themselves on their financial literacy on a 5-point Likert scale, ranging from very poor (1) to very good (5). The mean self-rating of respondents who answered this question (48 out of 50) was of 2.51, which indicates that on average, these respondents have a sufficient level of financial literacy. In fact, the majority of respondents who answered this question rated their financial literacy as poor (*28.21%*), average (33.33%) good (*15.38%*) or very poor (*20.51%*). Only 2.56% rated it as very good.

The respondents were then given a list of financial products and services, and ask to indicate which ones were or had been held by their business, and which they believed might be required for their business in the future. The top three financial products / services that were held by the 50 respondents who answered this question are a current bank loan (*62.16%*), a current bank account (*54.29%*) and leasing (*50.00%*). The least popular financial products/services were swaps (13.89%), and forward contracting (*17.14%*). With regards to future requirements, the two financial products that were selected most frequently were a bank loan (29.73%) and savings bank account (28.57%).

Figure 4.9: Financial products/services held and future requirements
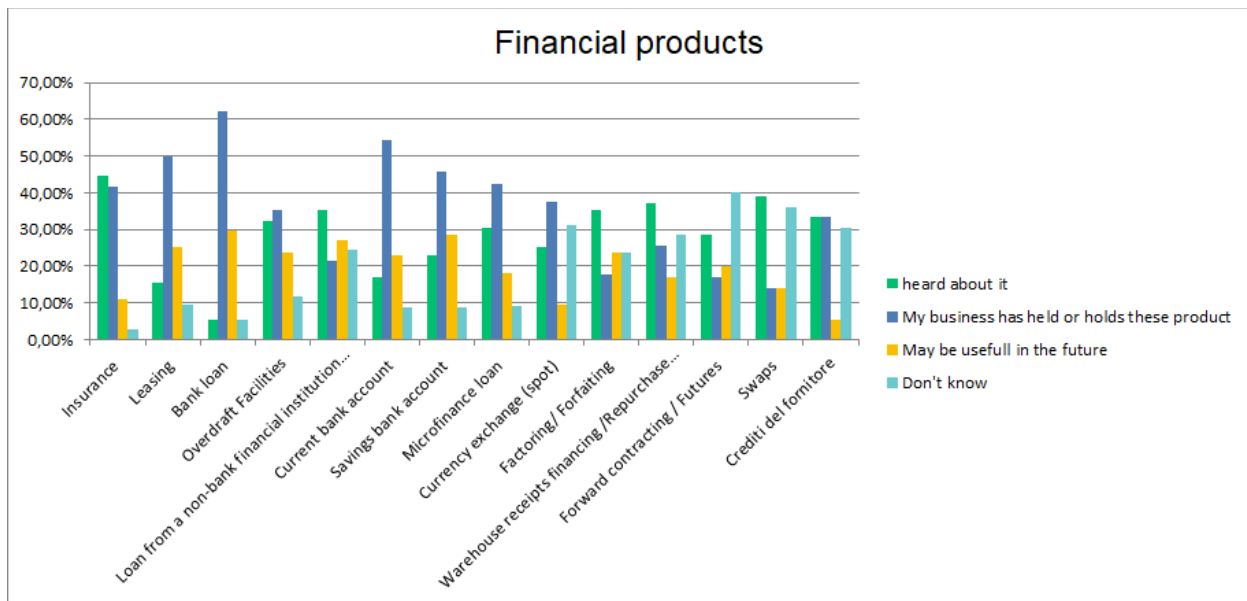
The low level of financial literacy as we analysed above is reflected in the answers that respondents provided in the questions below. In particular the 74.36% needs help in the decision making process on financial services and products. Moreover the 41% doesn't have a written financial plan for their business and the 43.59% of respondents have an external accountant. The trends that our respondents follow more are Taxation and the Job Market (respectively 51.28% and 46.15%.

Figure 4.10: Financial products/services held and future requirements
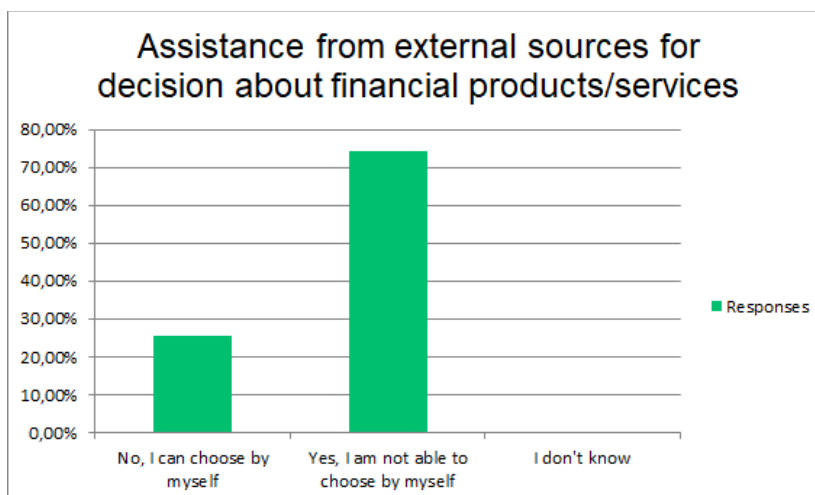
Figure 4.11: Written financial business plan

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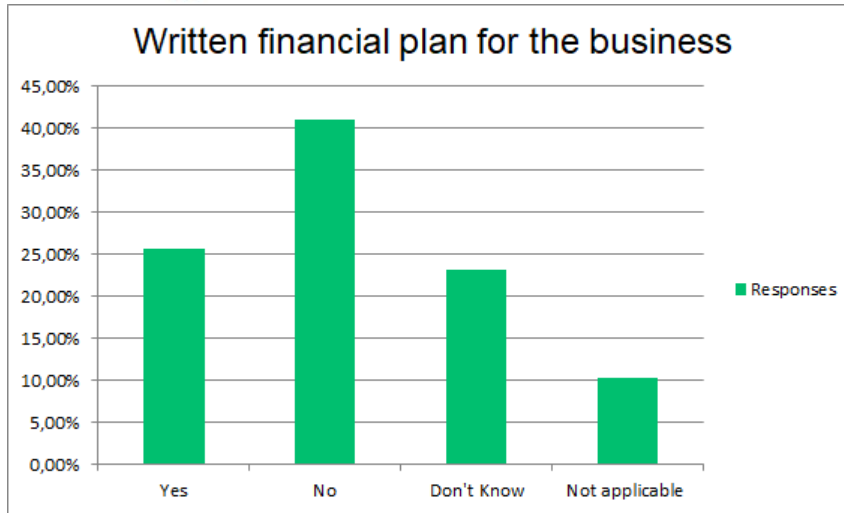
Figure 4.12: Responsible for the bookkeeping
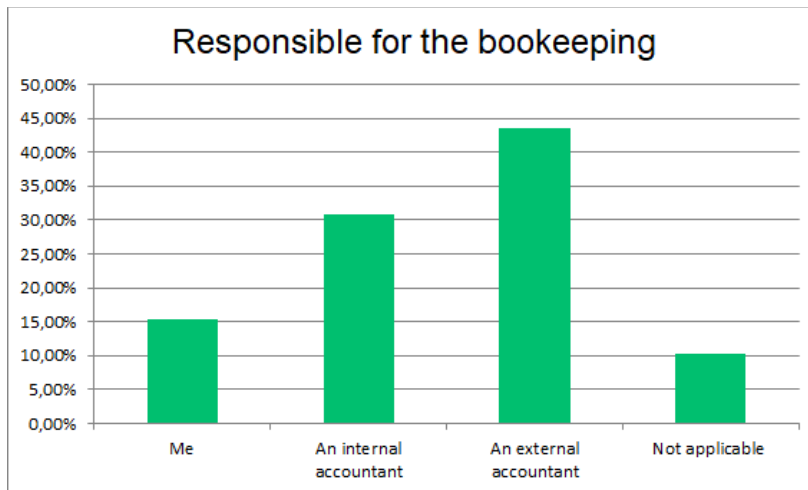
Figure 4.13: Attention to trends
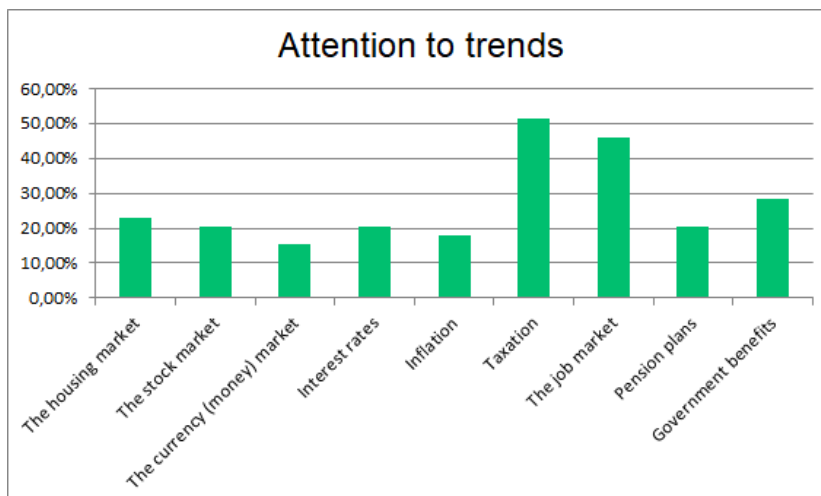
Next, respondents were given three multiple choice questions and asked to select the correct definitions for a balance sheet, a cash flow statement, and a profit and loss statement. The majority (45.95%, 41.18% and 46.15%) knew the correct answers to these questions but there is room for improvement.

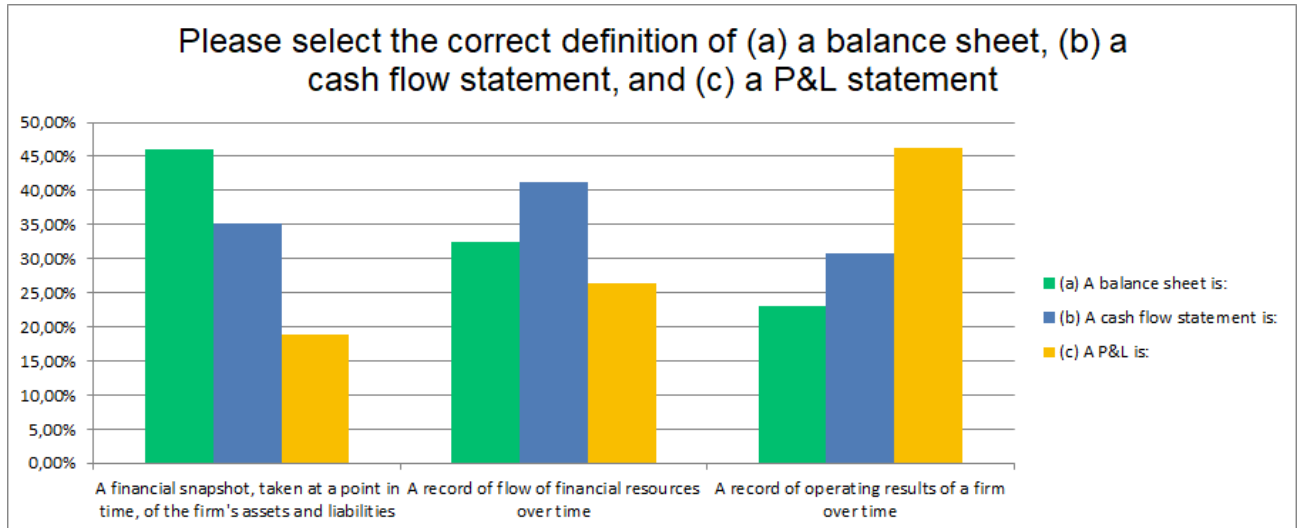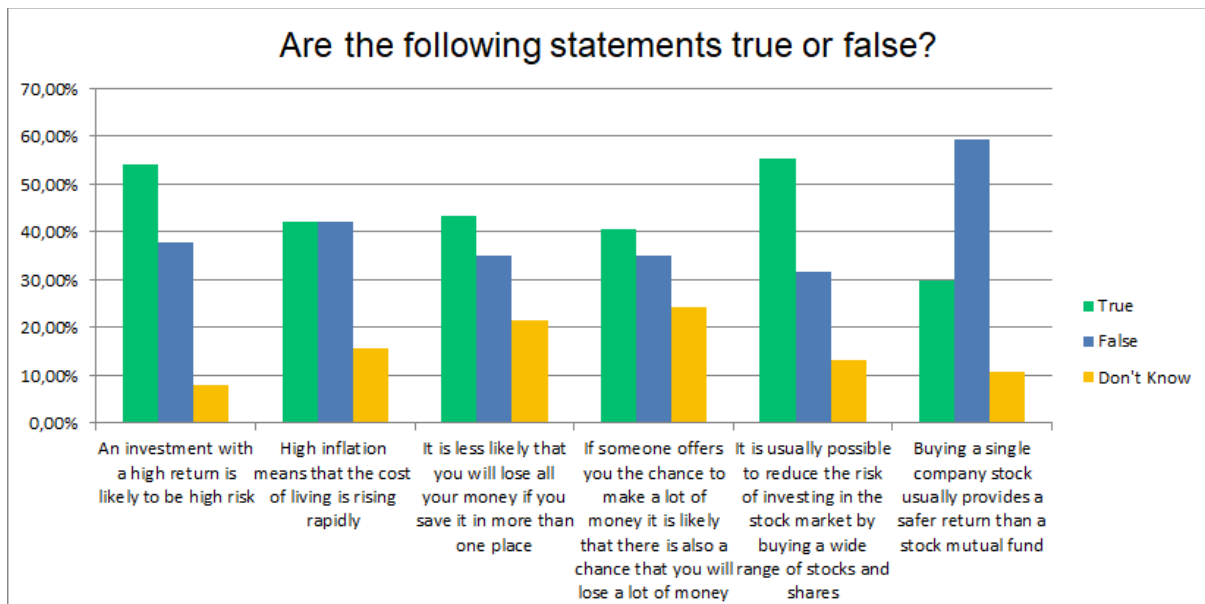Figure 4.14: Checking the correct definition

Figure 4.14: Statements True or False

Next, respondents were given a list of financial literacy skills and asked to rate on a 5-point Likerts scale (1 = low, 5 = high) how proficient they felt on each, how important they thought they are for

running a business, and whether they would be interested in attending a course or training related to these skills. The highest averages for proficiency is:

Personal risk and insurance

Planning beyond the short term

Registration, taxes and other legal requirements

Figure 4.15: Proficiency
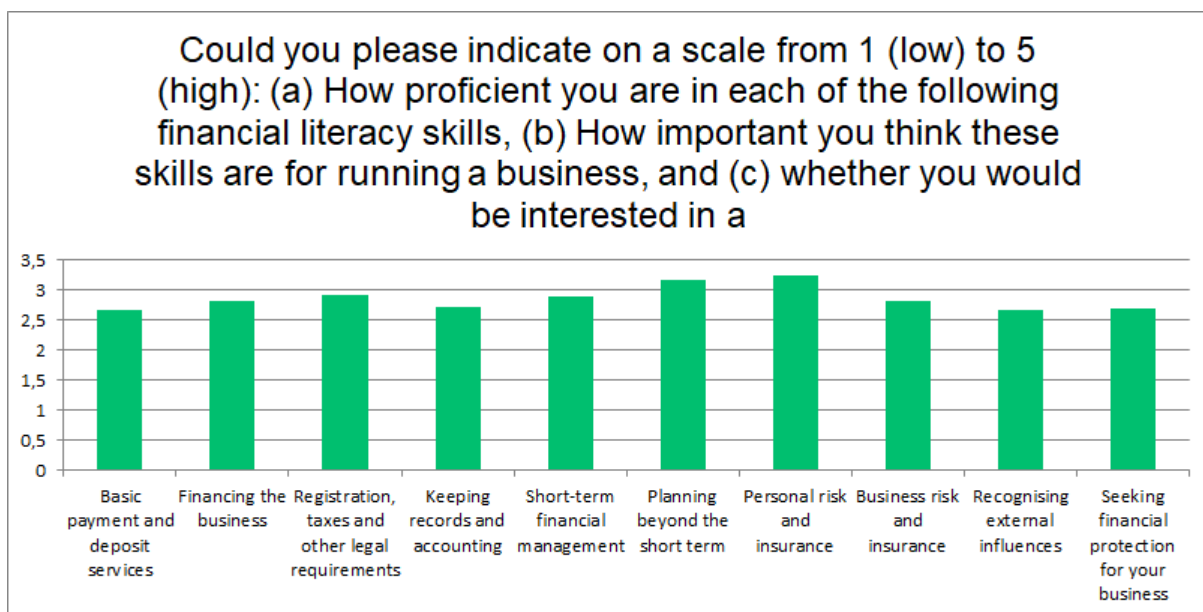
The highest averages for the importance for the business is:

Registration, taxes and other legal requirements

Planning beyond the short term

Business risk and insurance

Figure 4.16: Important for the business

Important for the business management

The highest averages about the interesting topics for a training course are:

Financing the business

Personal risk and insurance

Business risk and insurance

Figure 4.17: Interest for a training course

Interest for a training course
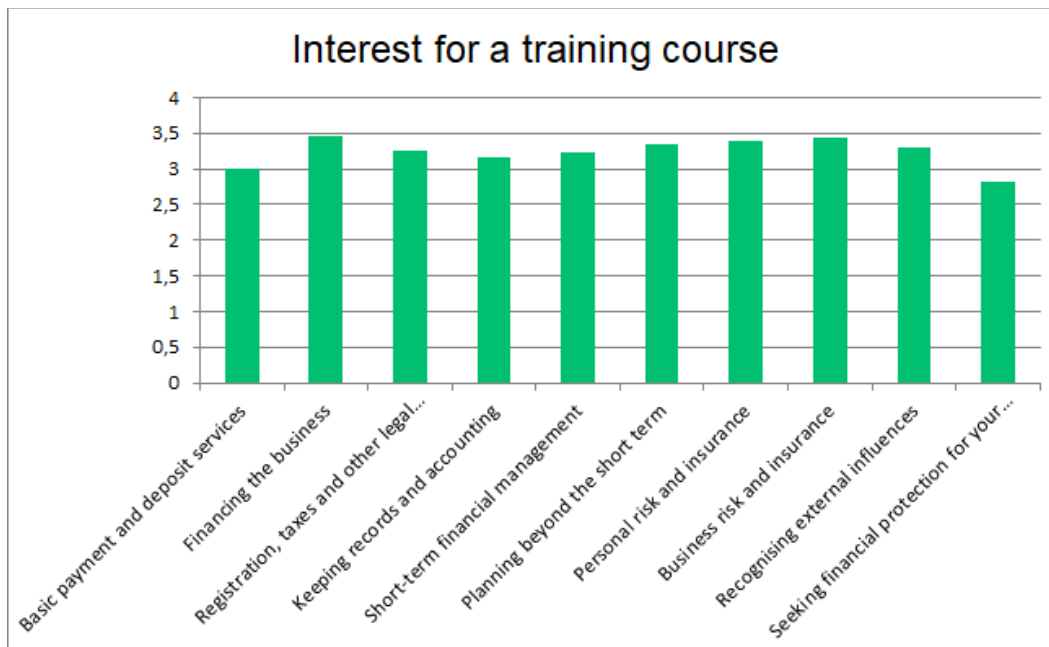
4.3   Digital Internationalisation

The majority of respondents conduct or will conduct their business in the domestic market only or in foreign markets only (both answers got 35.90% answers). For what concern product/service advertisement the vast majority of respondents are doing or will do it online

and the same is for selling channels. To conclude the majority of respondents are willing to internationalise their business.
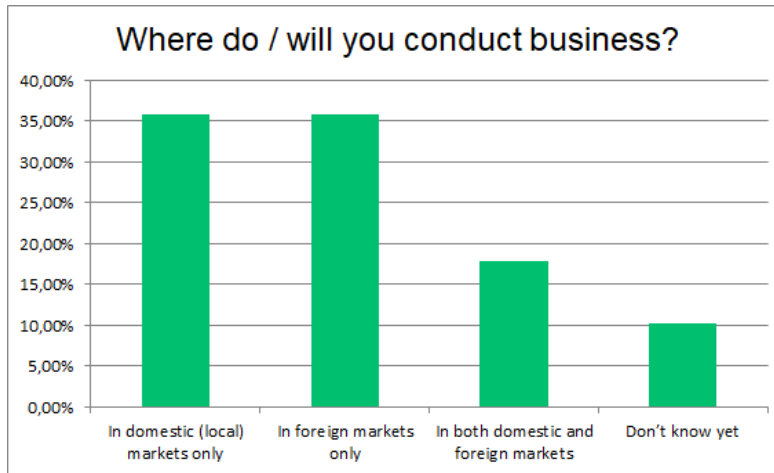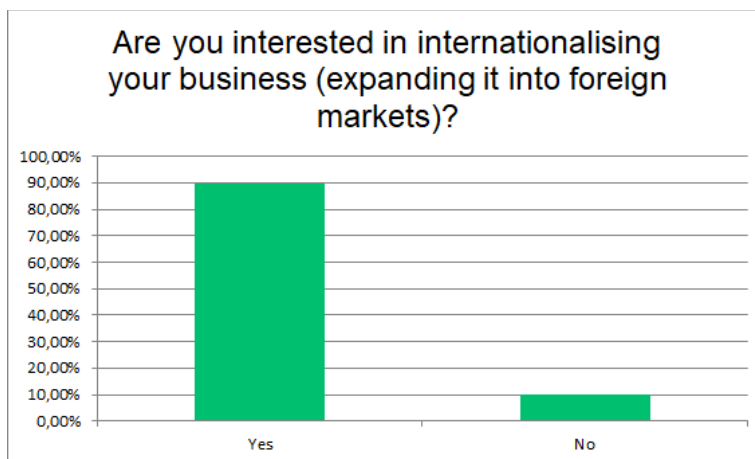
Figure 4.18: Where do/will conduct business

Figure 4.19: Product advertisement

Figure 4.20: Product selling channels


Figure 4.21: Interest in internationalisation

4.4   Training Preferences

The last group of questions is about the training preferences that respondents expressed in terms of competences needed and training delivery. First of all respondents had to express how often they use digital tools in terms of daily, weekly and monthly use.

As you can see from the graph below, respondents use daily mainly email and cloud storage. On a weekly basis digital newsletter and communication services are the most used, while monthly respondents affirmed to use business online platform at most. Very low percentage is attributed to quarterly usage or the never option.

	Daily	Weekly	Monthly	Each 4 months	Never
Email	44,44%	36,11%	13,89%	0,00%	5,56%
Digital newsletter	2,94%	50,00%	20,59%	14,71%	11,76%
Web site	27,78%	52,78%	5,56%	5,56%	8,33%
Social media	36,11%	36,11%	16,67%	8,33%	2,78%
Business online platform	21,62%	21,62%	32,43%	10,81%	13,51%
E-commenrce platform	18,92%	37,84%	16,22%	13,51%	13,51%
Communication services	23,08%	35,90%	20,51%	10,26%	10,26%
Cloud	38,89%	36,11%	19,44%	5,56%	0,00%

Figure 4.22: Digital tools

How often do you make use of the following digital tools for business purposes?
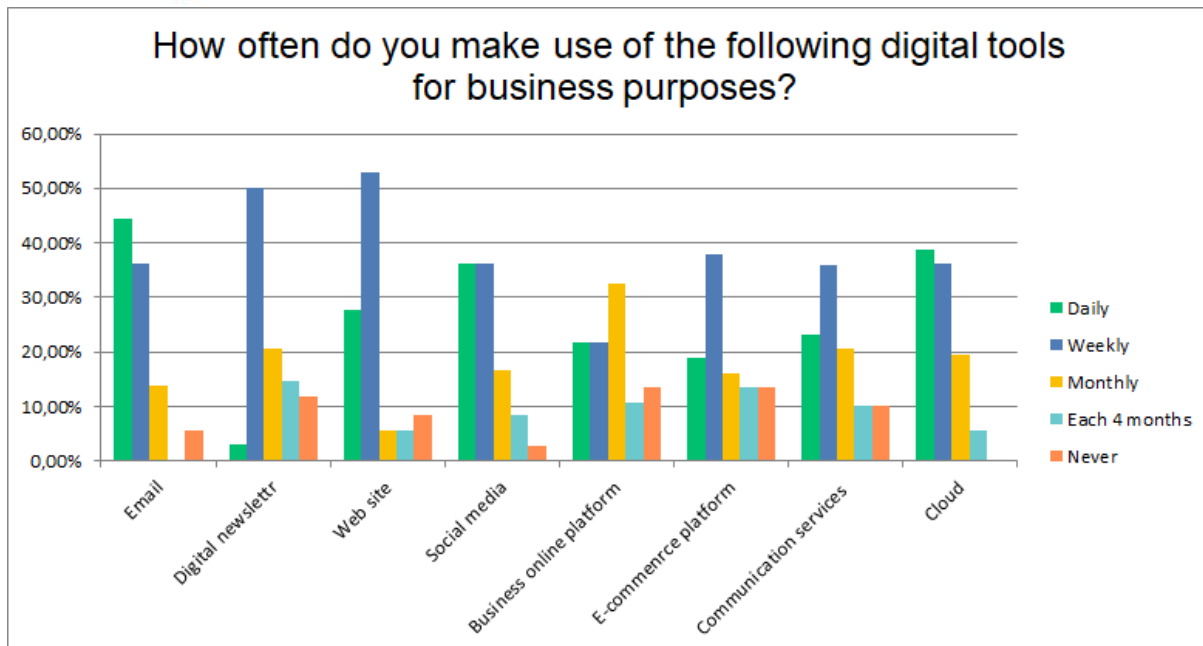
For what concerns the digital skills and the level of competence that respondents self assessed on a level from 1 (poor) to 5 (advanced) the top three are:

Digital strategy 17.65%

working remotely 17.14%

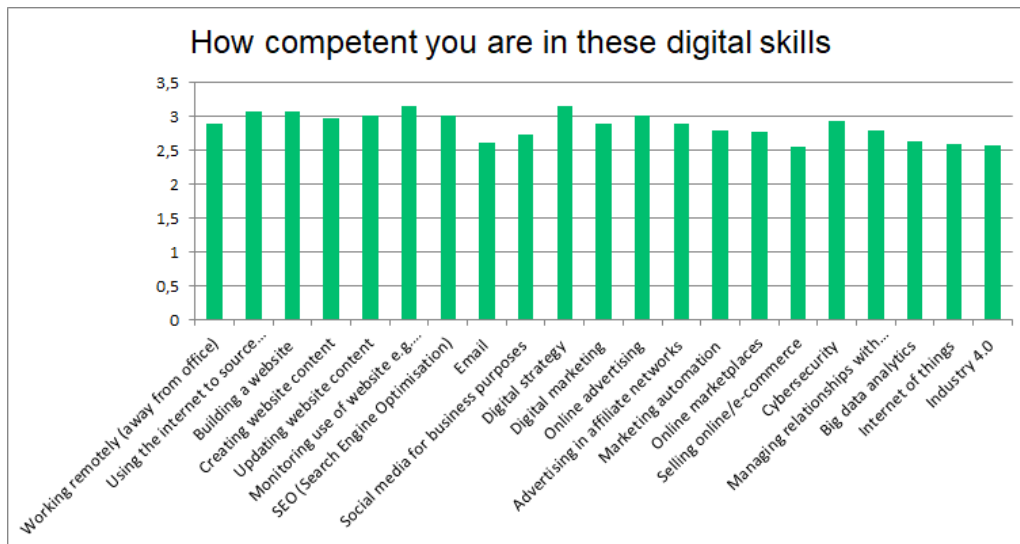Monitoring use of website e.g. through Google analytics 15.38%

However for the purpose of this project is very interesting to see for which competences the respondents declare to be less skilled. In particular:

email 23.68%

internet of things 22.22%

Managing relationships with customers online 22.22%

Figure 4.23: Digital skills

We have also asked if the same competences where important for business internationalisation and to assess them on a scale from 1 to 5 how much they are important.

The top three following the weighted average are:

Building a website 3.58

Updating website content 3.68

Creating website content 3.64

The same approach has been used for the question regarding the interesting competence for a possible training course. Respondents had to rate from 1 (not interesting) to 5 (very interesting) the competences they would like to see in a training course. The top three are:

Marketing automation 3.63

Cybersecurity 3.54

SEO (Search Engine Optimisation) and online marketplace 3.46

The least 3 are:

Digital strategy 3.15

Big data analytics 3.14

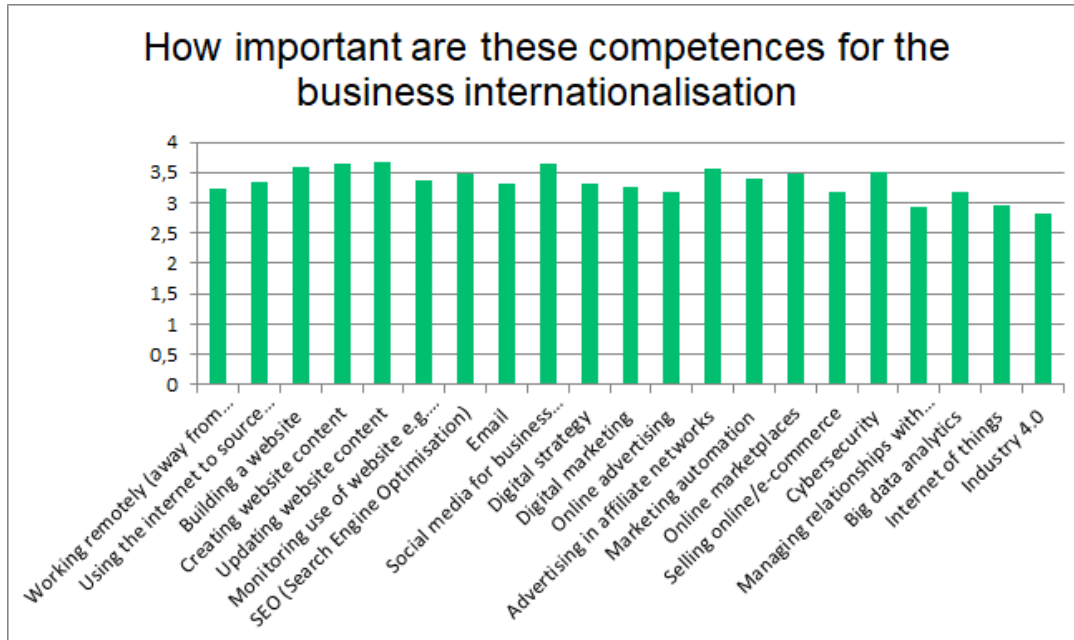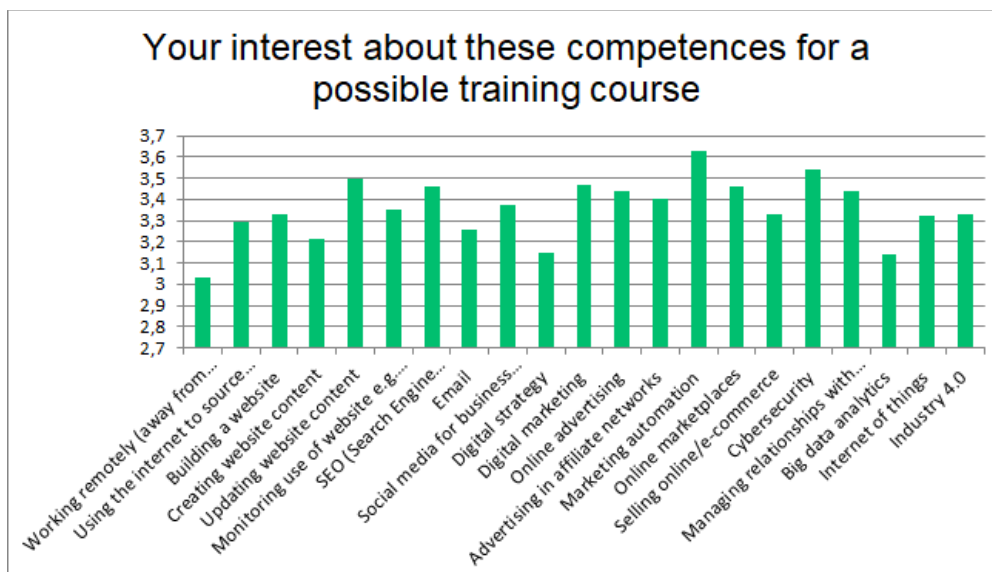Figure 4.24: Competences for business internationalisation

Figure 4.25: Interest for the training course

The graph below is self explanatory on the preferences of respondents about the training methodology: 66.67% online or e-learning. Also to availability of time of respondents is strongly defined between the 26 and 50 hours (51.28%) as well as for the methodology which should be part time or flexible.
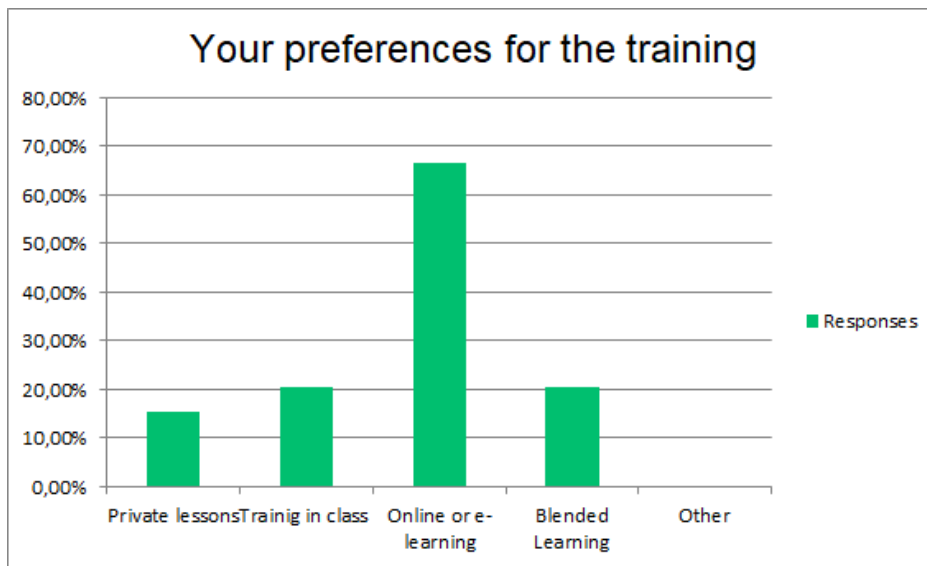
Figure 4.26: Training Preferences
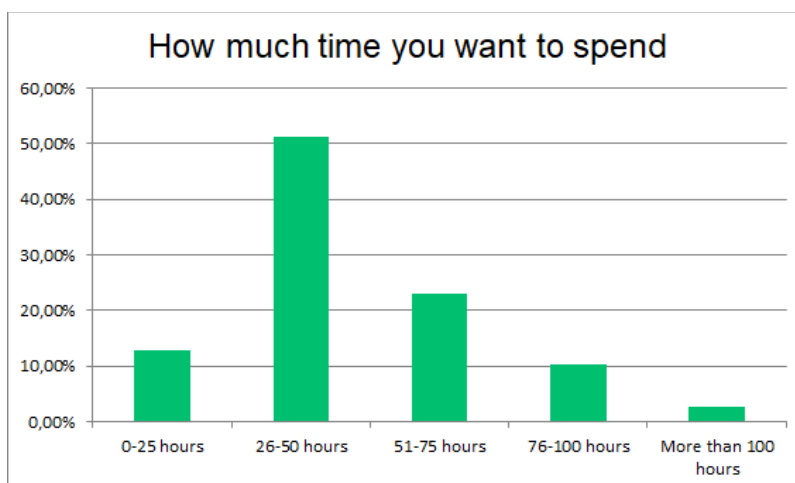

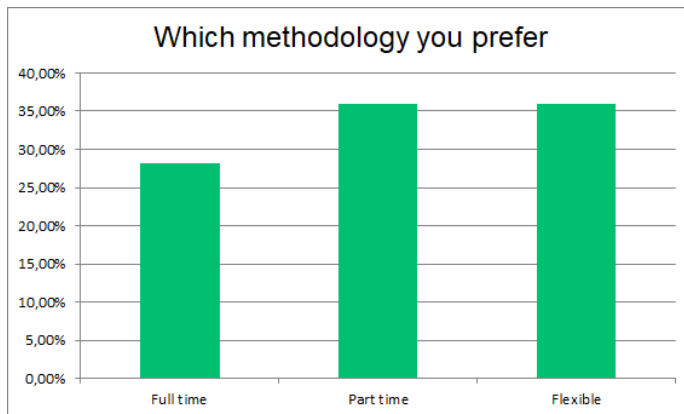Figure 4.27: Time availability

Figure 4.28: Preferred methodology
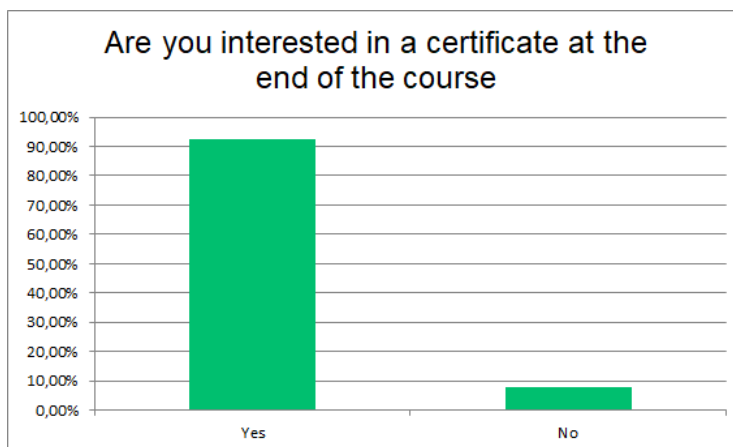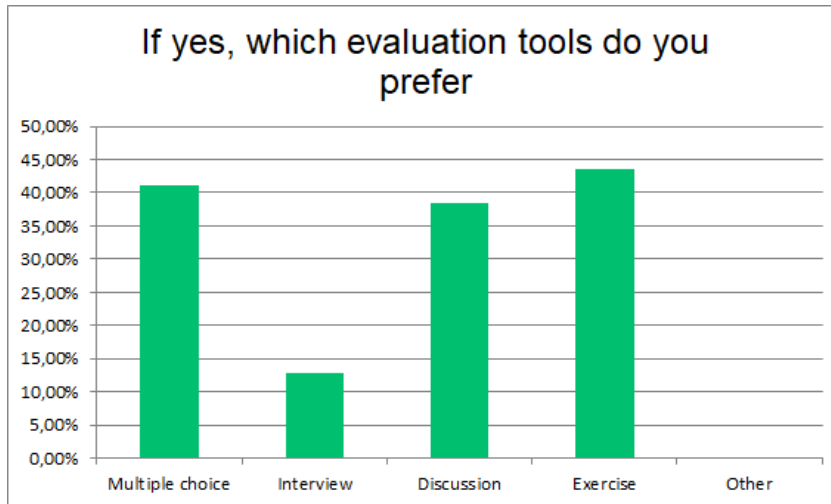

Figure 4.29: Certificate

Figure 4.30: Evaluation methods

SECTION 5: DIFME EXPERT SURVEY RESULTS

In order to further substantiate the results of the online survey, informal, semi-structured interviews were held with three micro-entrepreneurs based in Italy. These microentrepreneurs were selected and recruited through personal contacts on the basis of their business ownership experience and willingness to participate in the research. The first interview was with a goldsmith, the second was with a pop up restaurant owner, while the third was with the manager of a NGO.

The three entrepreneurs, even if they are running very different types of business, faced the same situation over the years. All of them are running their activities for more than 10 years, starting their business at a young age (25/28 years old). They have few employees mostly at part time and when they started their business had a little experience of financial literacy and were helped by external experts. They use very little digital tools mainly for their website management and social media like Facebook and Instagram. Only the pop-up restaurant uses some tools for online advertisement and reservations. About the possibility of business internationalisation the three entrepreneurs are scheptic because of high competition and lack of some skills as language, financial situation in foreigners countries and the right channels to start bringing their business abroad.

SECTION 6: DISCUSSION

The survey results revealed that participants have relatively sufficient preparation in finance, and seem to be generally not satisfied with their level of financial proficiency. Whilst the majority of survey participants affirmed that they are able to actively undertake sound financial decisions autonomously, the majority of respondents stipulated that they do make use of the services of external or internal accountants to manage bookkeeping.

Results also indicated that respondents follow financial trends, with the top trends:

- taxation
- the housing market
- the job market
- government benefits

As for what concerns digital internationalization, the DIFME survey revealed that the majority of survey respondents advertise their products online, whilst a smaller proportion of individuals sell their products online. The majority of participants (74.6%) asserted that they are interested in using digital media to expand their business into foreign markets. Participants perceive themselves to be most skilled in email, using the internet to source goods/services from suppliers, working remotely. They would be most interested in attending courses related to SEO, monitoring the use of websites, cybersecurity and Industry 4.0.