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Supporting Entrepreneurship of Generation Y: Success Factors for Polish Science and Technology Parks

Parallel Session 6
"The future: lessons, methodologies and new to-dos"

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Executive Summary

The research problem that is addressed by the paper concerns motivation of *Gen Y* to setting up a business and their expectations towards the level of support from STPs and AOIs. Our research has been carried out in Poland among the Millenials in the period from March to April 2017. In total 157 people, mostly in the age 19-35 were interviewed to derive answers to research questions defined for this research. The paper is a part of a project, studying needs of Gen Y entrepreneurs carried out under the umbrella of Gen_Y City URBACT project[1].

1 Introduction

Almost every day we can come across media discussions on so-called *Millenials*, their expectations and preferences towards jobs and workplaces but also challenges the group is putting on drivers for motivation. The term *Millennials* refers to a generation being born between 1980 and 2000. Until 2022 they will become the largest segment in the workforce shaping the world's economy (Hershatter & Epstein, 2010). In the literature this generation is also referred to as *Gen Y*. *Millenials* change the way the work is done, as they work more in teams and usually apply technological solutions to solving problems. They tend to be more civically engaged than previous generations. They also prefer to have instant feedback on how they perform and apply agile methodologies (Gilbert, 2011). It is important from the entrepreneurial perspective that their motivation for work and setting up their own companies differs significantly from what was driving previous generations. Their major interest is to "afford useful things that enrich our lives: a comfortable home, safe transportation, a quality education, a satisfying holiday and more" (Glassdoor, 2016).

Their attitudes, however, keep on evolving. For the past two decades, *Gen Y* was known for globalist attitudes and open-mindedness on most political issues (Howe, 2015). The aftermaths of 2008-economic crisis are still reflected in high levels of unemployment rates among young people and increased level of migration. While migrating, people do not take into account the

[0] http://urbact.eu/gen-y-city

wages or increase in median salary within a country, but the overall standard of living and potential for development within the country they migrate to (Reinis Fischer, 2016).

One of opportunities for Millenials to tackle the workplace challenges and secure their professional future is setting up and growing their own businesses. There are over 8000 accelerators around the world that support this process (Mitra, 2016). The ecosystem of different entities supporting young businesses is growing, however some of them offer only a limited level of support to young companies. A typical accelerator or incubator offers preferential (or even free) lease of space, co-working areas or office space with phone and Internet connection. The usual add-on comprises of discounted legal services, accounting or other kinds of commodity services (Mitra, 2013). There is a lot of research devoted to the scope of services that should be offered by incubators, accelerators and science & technology parks. Some important conclusions concern the level of mentorship offered, establishing contacts with customers, relations between companies, education of entrepreneurs (regarding capabilities they do not yet possess) (Al-Mubaraki & Busler, 2012; Guadix, 2016). The level of cooperation of STPs with universities has also been addressed (Jamil et al., 2015).

Emerging networks of incubators such as Talent Garden[2] or tech hub[3] are worth noting. They enable having a distributed workspace in different countries. Incubators or technology parks organize various events to support networking, finding investors or employees. The types of services offered not only vary, but also evolve. Assuring help in accessing public funding, angel investors or venture capital, dealing with intellectual property rights, supporting team building, participating in business training programs is currently a state of the art offer. The question is however: how this offer should evolve? What are the needs of the current and future entrepreneurs?

The research problem that is addressed by the paper concerns motivation of *Gen Y* to setting up a business and their expectations towards the level of support from STPs and AOIs. Our research is carried out in Poland among the Millenials. We study motivation for setting up a start-up (or, respectively, reasons for a lack of motivation) and aim to identify the level of support that is needed to catalyze this process. In the literature, authors often focus on analysis of companies that emerge from incubation and gain success (GP.Bullhound, 2016) or market offerings of STPs or AOIs e.g. (Al-Mubaraki & Busler, 2012; Guadix, 2016). We research the existing and future customers of the STPs, identifying the services that are the most attractive for them. The paper is to answer the following research questions:

3 How to motivate *Millenials* to setting up a company?

- http://talentgarden.org
- https://www.techhub.com/

4 What services should be offered by STPs from the perspective of *Gen Y* entrepreneurs? How STPs should develop in response to needs of *Gen Y*, taking into account trends in technology, communications and business models?
5 How to support innovativeness of *Gen Y*? How they would like to cooperate with their customers on development of products / services?
6 How the *Gen Y* would divide the financial support received?

The paper presents the results of the survey on representatives of *Generation Y* in Poland. The questionnaire was distributed among universities in Poland to answer the research questions identified above. The discussion however, provides insights into various points of views of researchers around the world, considering also cultural differences that may be observed between home countries of authors of the proposed paper.

2 Related work

There are many reports studying the situation of the Polish startups, especially from the perspective of awarding financial support by the country or European Commission. A recently published report titled “Polskie Startupy 2016”(Polish Startups 2016)[4] analyses existing Polish startups. It is based on a research on 692 entities that are acting in the field of digital economy and have at least one Polish partner. 75% of these startups are currently working on evolution of their product (value proposition), so are on a quite early stage of development. Important conclusions that may be drawn from this research are:

- About 50% of all startups is financing their activities from their own resources (bootstrapers). If not having the capital, startups apply for the EU support, or collaborate with Venture Capital or business angels.
- About 75% of interviewees plan to use external capital in the future.
- Most of the needs of startups concerns finding funding.
- 42% of startupers confirm collaboration with an R&D institute on creating value

  proposition. This may be mostly to the nature of financing of startups in Poland that demands this kind of an approach (regional or EU-supported projects are funded, only if business-company collaboration is envisioned).

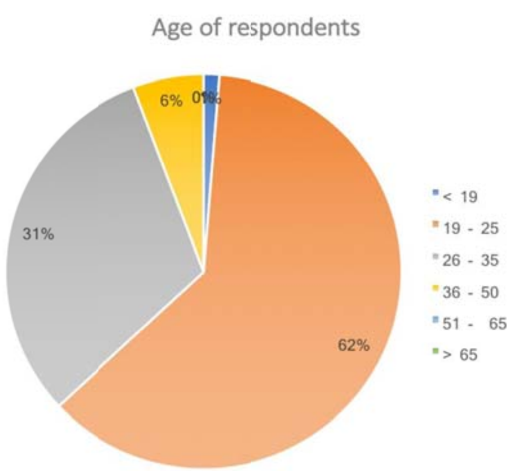
The report also covered finding sources of knowledge and networking platforms by young entrepreneurs. The most frequently mentioned sources of knowledge and inspiration are meetings, participations in various contests (e.g. hackathons, events organized during fairs) and mentoring.

[4] http://www.citibank.pl/poland/kronenberg/polish/files/Startup_Poland_Raport_2016_16.pdf

3 Research results

3.1 Research group

Our research was carried out in the period from March to April 2017, using an online tool WebAnkieta.pl. The questionnaire has been promoted in various channels and among various communities (incubators, startups, students, Facebook groups on startups, etc.). In total, we received 157 filled in questionnaires: mostly from students (62%). Overall 93% of interviewees represented the Gen Y community (as envisioned in our research). The people in majority came from the Wielkopolska region (65%), however other regions of Poland are also represented. 68% of interviewees came from cities with over 200 thousand of inhabitants and had at least a bachelor degree (79%). Details on the population studied are presented in the figure below.



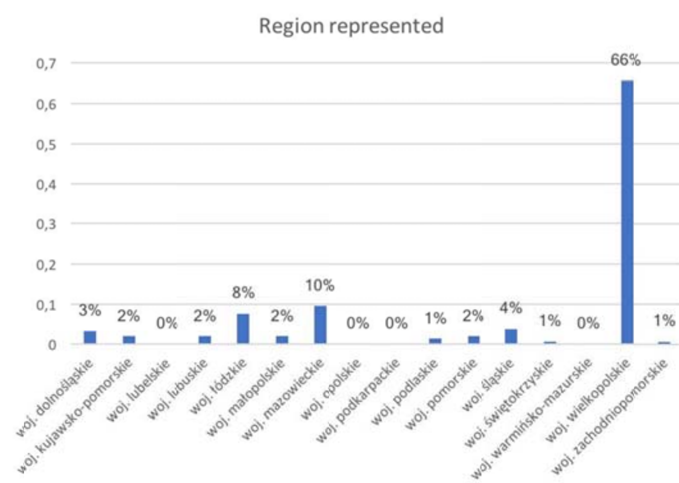


Figure 1. Overview of respondents. Source: own study

Most of the respondents have not yet started their own company. It should be noted however that about 50% of all young people interviewed do not plan to set up their own business at all. The percentage answers to the question on the current and future plans of young people regarding setting up startups were as follows:

- I have been running my own company for more than one year (12,1% of respondents).
- I have been running my own company for less than a year (7,6% of respondents).
- I plan to set up a company in the future, but I have not yet taken any steps towards (30,6% of respondents).
- Almost half of the respondents (49,7%) do not plan to set up a company. They point out mainly to lack of proper skills (38.7%) and the fear of failure (34.3%).

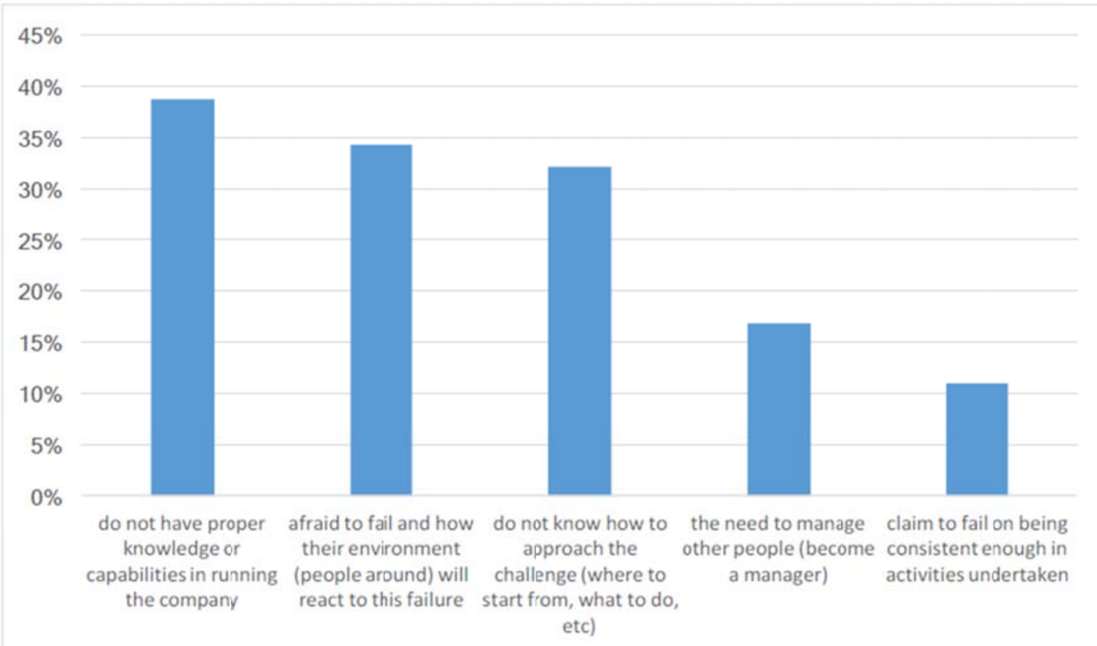


Figure 2. Reasons for not considering opening a business. Source: own study

The reasons as may be easily noticed do not concern lack of ideas but dealing with the risk that is to be taken. This indicates a real need for evangelization of young people and providing them with inspiration towards addressing their needs or ideas as well as making them to know that it is not a problem to fail while being an entrepreneur.

3.2 Research results

In the following section of the paper we discuss answers to our research questions:

1. How to motivate *Millenials* to setting up a company?
2. What services should be offered by STPs from the perspective of *Gen Y* entrepreneurs? How the STPs should develop in response to needs of *Gen Y* and considering trends in technology, communications and business models?
3. How to support innovativeness of *Gen Y*? How they would like to cooperate with their customers on development of products / services?
4. How the *Gen Y* would divide the financial support received?

3.2.1 Motivation of Millenials

The first issue studied was motivation of young people towards setting up a company. The prevailing amount of people claimed that they set up or would like to set up a company because they have an idea and would like to be financially independent (over 55%). In the top three of the most frequent answers, we may also find idealists, who would like to change the world with their business idea (31,65%) and people tired of working for companies as contractual employees (22,78%). While selecting the answer “other”, people indicated that they had to set up their business as a “one-person company” because of being hired on so-called contracts (and this was a demand of their employer). Details of answers are presented in the chart below (please note that the question was of type multiple-choice).

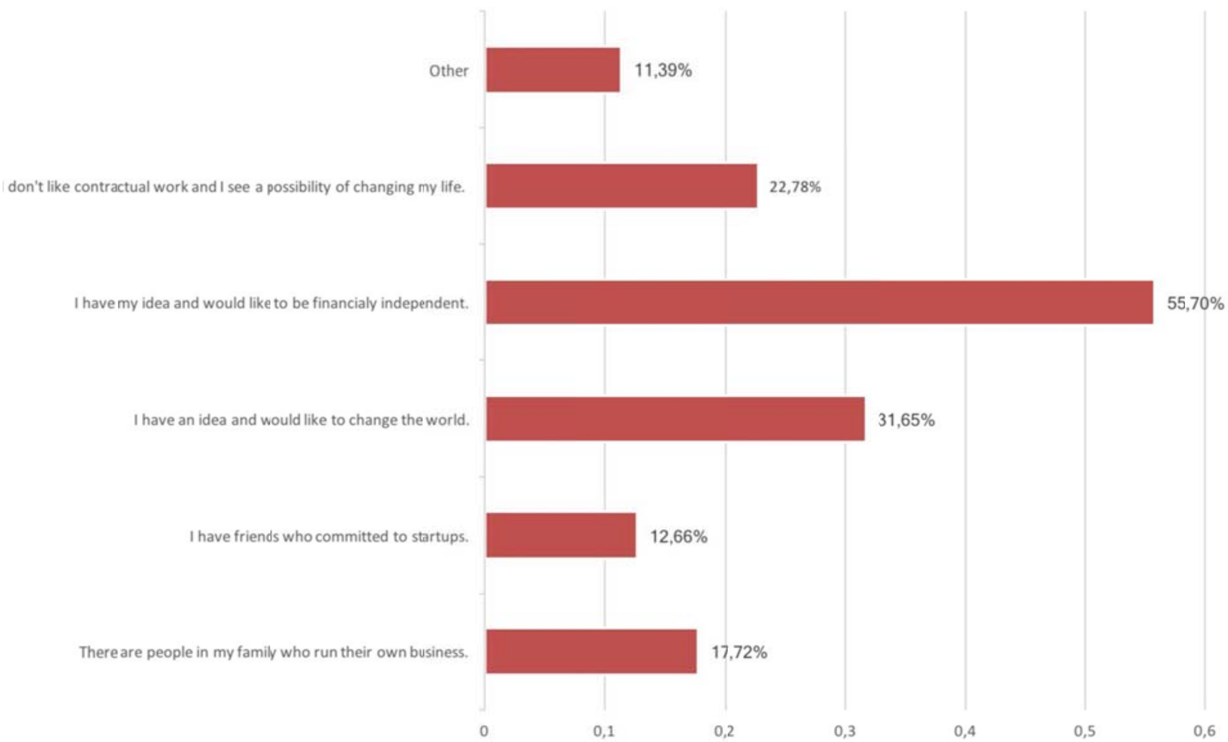


Figure 3. Motivation for setting up a company. Source: own study

We may however easily notice that many people are motivated by the idea itself, not by the community (family or friends).

On the other hand, it should be noted that respondents in Poland indicate proper building of a network of contacts and searching the information you need yourself (mostly on the Internet) as one of the most important factors while preparing business. This enables to build a detailed plan of activities to be undertaken. It means that people even while having an idea, tend to minimize the risk, so they focus on a proper preparation to launch and try to learn as much as possible (Table 1).

How did you / do you prepare for setting up a business?	*Not at all*	*Rather no*	*Neither yes or no*	*Rather yes*	*Definitely yes*
	% of answers				
Participation in conferences	25,32%	24,05%	8,86%	27,85%	13,92%
Participation in fairs	21,52%	26,58%	22,78%	21,52%	7,59%
Training	12,66%	15,19%	10,13%	35,44%	26,58%
Building a network of contacts	6,33%	7,59%	6,33%	34,18%	45,57%
Searching and reading information of the internet	5,06%	3,80%	7,59%	29,11%	54,43%
Building a plan of activities	7,59%	8,86%	21,52%	32,91%	29,11%
Gathering financial input	10,13%	15,19%	17,72%	32,91%	24,05%
Consulting on law and financials	10,13%	17,72%	18,99%	31,65%	21,52%

Table 1. Means of preparation for setting up a business. Source: Own study.

Also fair are not perceived as a proper place to start from, especially by the people interviewed (99% of interviewees represented domains such as engineering, computer science, economics and management).

3.2.2 Services offered STP: directions of evolution

For young entrepreneurs two environments are the most important ones: family and friends and specialized institutions such as STPs, incubators or accelerators. It should however be underlined that the respondents highlighted the role of mentors and of the Internet. This means that what they need is knowledge and validation of their ideas, rather than procedures, office or even tax or law advice. The early stage of development focuses on prototyping and this needs to be supported however without imposing additional burden (Table 2).

Who is the most important support for an early entrepreneur?[5]	*0 (lowest importance)*	*1*	*2*	*3*	*4*	*5 (highest importance)*
	% of answers					
Family and/or friends	5,06%	5,06%	15,19%	21,52%	26,58%	26,58%
STP, incubators, accelerators	2,53%	7,59%	18,99%	12,66%	34,18%	24,05%
Public institutions (tax offices, etc.)	29,11%	22,78%	18,99%	15,19%	5,06%	8,86%
Local administration	22,78%	30,38%	21,52%	10,13%	7,59%	7,59%
Universities/schools	15,19%	27,85%	12,66%	25,32%	13,92%	5,06%
Mentors	6,33%	6,33%	13,92%	17,72%	29,11%	26,58%
Internet and other	2,53%	2,53%	7,59%	26,58%	32,91%	27,85%

Table 2. Preferred sources of support at an early stage. Source: Own study.

When asked directly about the support that should be provided by STPs and incubators interviewees indicated that capital and contact with investors as most desired services (Table 3). This means that they may develop the idea themselves as long as their own funds will be sufficient or they would like to mitigate the risk towards the investors. Please note that the need for the office space is lower than for the marketing services. This means that the era while STPs were0 is the lowest, 5 the highest score. The same meaning of the Likert scale will be applied in the following questions.

investing in the office space, often without no other value proposition (mentoring, linking to funding) is going towards the end or has finished.

What kind of support do you expect from STP or incubators?	*0 (lowest importance)*	*1*	*2*	*3*	*4*	*5 (highest importance)*
			% of answers			
Capital for setting up a business.	5,06%	7,59%	13,92%	16,46%	21,52%	35,44%
Free office space.	18,99%	12,66%	16,46%	24,05%	12,66%	15,19%
Law and accounting services at a lowest price possible.	12,66%	10,13%	10,13%	17,72%	17,72%	31,65%
Contact with investors.	8,86%	1,27%	6,33%	16,46%	25,32%	41,77%
Help in finding employees (contributors).	8,86%	16,46%	17,72%	22,78%	16,46%	17,72%
Contact with a business angel.	10,13%	10,13%	3,80%	21,52%	15,19%	39,24%
Marketing services.	7,59%	12,66%	21,52%	25,32%	13,92%	18,99%
Mentoring.	7,59%	6,33%	18,99%	20,25%	21,52%	25,32%

Table 3. Preferred support from STPs and incubators. Source: Own study.

3.2.3 Collaboration with customers

The scope of services offered by STPs should also concern enabling an easy contact with potential customers (Figure 4). While answering a question of what are the critical success factors for a young company, respondents indicated the close access to potential customers. Even, if the question is of a multiple-choice type, we may still see the difference (and advantage over) with other answers. Among other important aspects besides an innovative idea, we see that the contacts with business partners as well as an efficient marketing campaign (to reach the customers) are also of importance.

Interesting research results concern the issue of product development. The respondents indicated that they would like to work with their customers from the early beginning (43%) or just after creation of a first prototype (70%). It seems that the Lean Development and Minimum Viable Product ideas are not only the theory, but also the practice and that the design thinking approaches are getting on importance even in Poland.

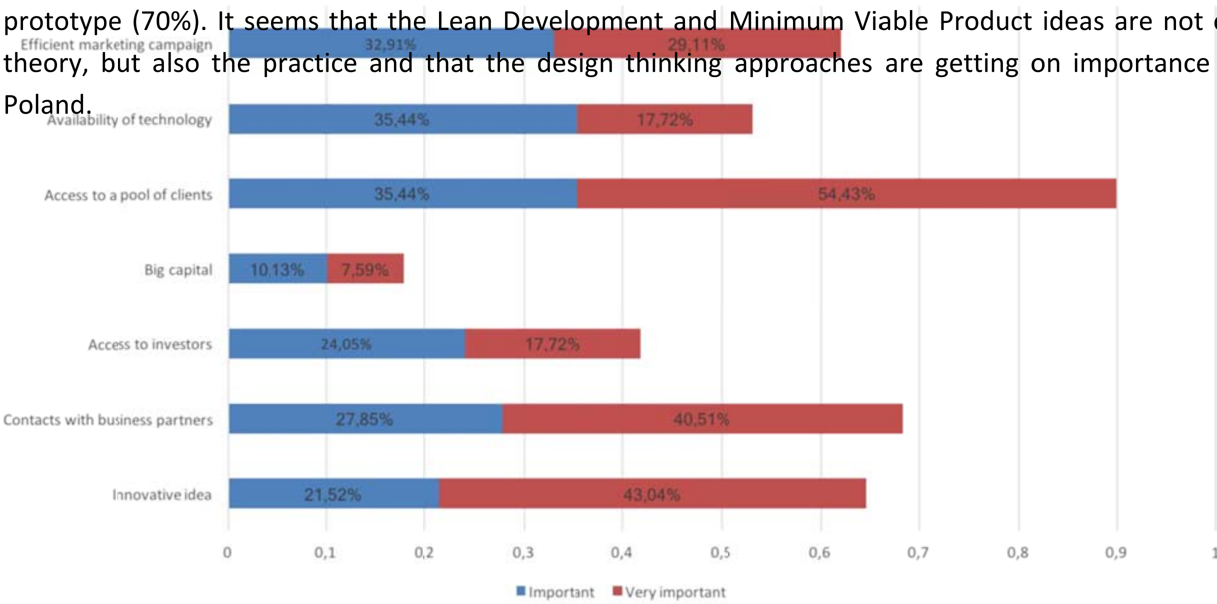


Figure 4. Success factors while setting up a company. Source: own study

International programmes[6] run by Polish Ministry of Higher Education and Research that made people attending Stanford, MIT, University of Alberta, KTH and other widely recognized research institutions, contributed to popularization of the idea and creation of the awareness on the role of a customer in the product development (Table 4). What however needs to be noted, is that we still have people who believe that they may develop a product without the direct contact to the customer (0 and 1 in Table 4).

When do you plan to include your future customer in the product development?	*0 (lowest importance)*	*1*	*2*	*3*	*4*	*5 (highest importance)*
			% of	***answers***		
Conceptual phase (drawings, designs, concept)	11,39%	12,66%	16,46%	16,46%	13,92%	29,11%
After creating the first prototype.	7,59%	1,27%	6,33%	16,46%	29,11%	39,24%
During testing a first version of the product.	3,80%	2,53%	6,33%	22,78%	27,85%	36,71%
During testing a final version of the product (just before introducing the product to the market.	6,33%	3,80%	8,86%	11,39%	20,25%	49,37%

Table 4. Inclusion of a customer in product development. Source: Own study.

Another issue concerns the communication channels used while contacting the customer. It seems that most of the people interviewed believe that Facebook, own website and personalized emailing are the best ways to contact customers. This may be because the interviewees are still

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[6] E.g. http://top500innovators.org/, http://www.nauka.gov.pl/transformation-doc/

on an early stage of a development with their companies and products, and have not yet investigated the potential of the loyalty programmes. Currently, more and more companies build mobile applications to link customers from the online and offline channels (e.g. by asking for promotion codes from an application while shopping) to enable for personalized marketing and quick contact with a customer. Low scores for snapchat and Twitter emerge from a low popularity of these tools in Poland (Table 5).

What kind of tools do you plan to employ in contacting your customer?	*0 (lowest importance)*	*1*	*2*	*3*	*4*	*5 (highest importance)*
			% of	***answers***		
Website (constantly updated)	2,53%	1,27%	3,80%	10,13%	25,32%	56,96%
Facebook	5,06%	2,53%	6,33%	11,39%	16,46%	58,23%
Twitter	27,85%	13,92%	12,66%	20,25%	12,66%	12,66%
Snapchat	44,30%	16,46%	11,39%	10,13%	11,39%	6,33%
LinkedIn	17,72%	7,59%	12,66%	18,99%	16,46%	26,58%
Goldenline (Polish portal for professionals – similar to LinkedIn)	41,77%	10,13%	11,39%	18,99%	15,19%	2,53%
Personalised emailing	10,13%	8,86%	8,86%	11,39%	30,38%	30,38%
Instagram	30,38%	12,66%	5,06%	20,25%	12,66%	18,99%
Blog (developed by a company)	29,11%	10,13%	15,19%	11,39%	13,92%	20,25%

Table 5. On-line communication channels. Source: Own study.

3.2.4 Financial support needed

The last research question relates to receiving financial support (Table 6). Majority of respondents (80%) has indicated that they would need additional capital for starting their own business. However, it must be noted which sources of financial support are the most attractive for people. The least attractive is debt financing (as then the main risk is on the entrepreneur). The most attractive are financing by incubators, ventures or business angels. This is similar to the outcomes of the previously cited report on startups in Poland ("Polskie Startupy 2016"). Surprisingly, a large group of entrepreneurs is against application for grants (when compared to the ones that would definitely apply). This may be because of long lasting procedures, need of alignment to general indicative topics and many bureaucratic guidelines that need to be followed.

What kind of financial support did you use / do you plan to use within first 6 months of your activities?	*0 (lowest importance)*	*1*	*2*	*3*	*4 (highest importance)*
	% of answers				
Venture capital	37,50%	11,11%	15,28%	16,67%	19,44%
EU support (application for funding)	20,69%	8,62%	15,52%	27,59%	27,59%
Business angel	25,00%	11,76%	11,76%	22,06%	29,41%
Accelerator / Incubator	29,73%	6,76%	9,46%	16,22%	37,84%

Crowdfunding	31,94%	15,28%	19,44%	18,06%	15,28%
Credit financing (from bank)	34,78%	20,29%	17,39%	15,94%	11,59%
None	80,00%	8,57%	1,43%	4,29%	5,71%

Table 6. Preferred types of financing. Source: Own study.

While analyzing importance of different kinds of costs that need to be covered by a starting entrepreneur, three groups of spending were indicated as the most important ones: cost of equipment, software and employees/collaborators. The costs of meetings with potential investors and customers, participation in events as well as providing materials and durables were selected as the least important ones. This is different from expectations as usually people (employees, collaborators) and contacts (business partners, customers) are perceived as the most important spending. The ranking of different spending is presented in the chart below. The average depicted in the chart comes from the position (from 1 to 8) of a given cost in rankings of various respondents.

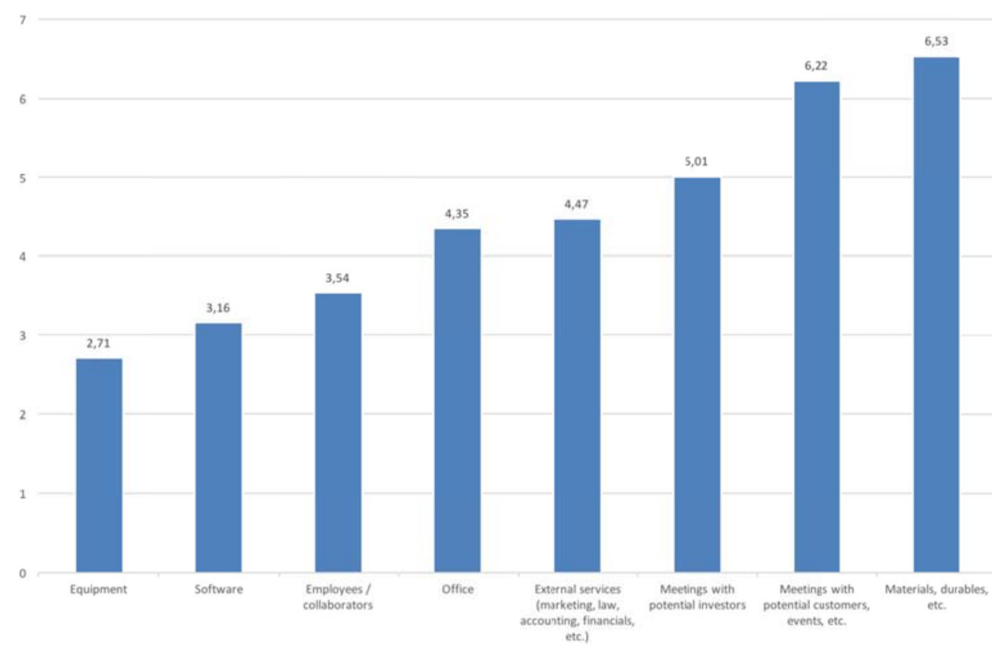

Figure 5. Spending envisioned in the first 6 months after company set up (1 means the most important). Source: own study

3.2.5 Risk of failing

Finally, after an analysis of various reports on startups on the Polish market, we studied what kind of risks are identified as the biggest, when it comes to an idea failing, by our respondents. The two biggest group of risks concern:

2. problem with a definition of a customer (having a nice idea without a proper application scenario),being afraid to lose own money (what makes people invest less risky, take decisions that

   other people make – what means that the company enters Red Ocean instead of a Blue one).

What may also be symptomatic, because most of the respondents identified that they would need additional capital for their business, especially from an external entity other than a bank, the interviewees do not see the risk of external pressure of an investor on results. This may be because of a misunderstanding of a role of a business angel or a venture on the way the company is managed, or perception that this kind of institutions because of experience and mentorship offered, focuses on entrepreneurs rather than on results.

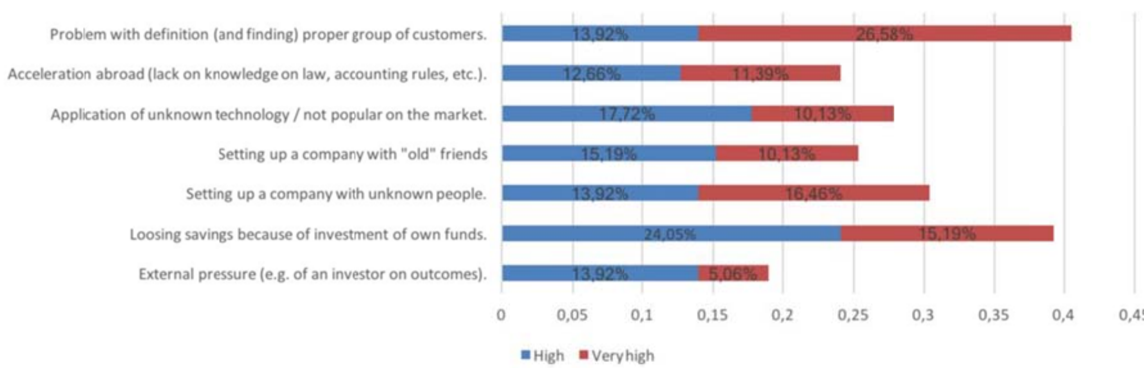

Figure 6. What may contribute to a startup failing? Source: own study

4 Summary

The paper addressed the research problem concerning motivation of *Gen Y* to setting up a business and their expectations towards the level of support from STPs and AOIs. The presented research was carried out in Poland among the Millenials, in the period from March to April 2017. The major outcomes of this research in relation to the research questions that were identified in the introduction concern:

4. Low interest of Gen Y representatives to setting up a company (about 50% of interviewed people do not plan to set up a company in the future). The major motivation of Gen Y however concerns the fact of having an idea for a startup. The major obstacle identified is the risk of failure and the perception of the community afterwards (lack of acceptance for failures).

5. Services that should be offered by STPs, incubators and accelerators concern mostly quick access to investors (to enable proper financing of a startup) and establishing links to customer communities. The respondents awarded the lowest grades to services such as renting an office space or law/accounting services, showing that links to the real business environment are crucial.
3. The Generation Y also sees the potential of the Lean Development and Minimum Viable Product approaches. Therefore, they would like to approach their customers as early as possible and work with them on product development.
4. The financial support needed concerns mainly need for creation of links with business partners and customers. The respondents do not plan to invest in software and equipment, instead they would like to focus on development or promotion of their ideas

   in the target communities.

A similar research was also carried out outside Poland. Following publications will present comparison of attitude towards startups of the Polish Gen Y representatives with participants from other countries in the world (the results are still under analysis).

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