Entrepreneurial Learning Evolutions in Startup Hubs

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Entrepreneurial Learning Evolutions in Startup Hubs: A Post-Pandemic Perspective for Lean Organizations

BY

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About the Author

Nicola Capolupo, Ph.D. in Management and Information Technology, is a Research Fellow and Adjunct Professor in Organization Studies. He is a Lecturer in Organizational Health Literacy and Lean Management at the University of Salerno and Lum University Master's Programs in Management of Health Care Organizations. He is the author of numerous publications. His research interests cover several areas in the organizational field, including organizational and entrepreneurial behavior, lean management and lean Six Sigma in public organizations, healthcare management, and Metaverse for organizations.

Introduction

The COVID-19 pandemic disruptively affected the worldwide economic and social fabric. Businesses' bankruptcy, social distancing, and the "new normal" have spurred considerable changes within organizations and the way they work. Although restrictive measures have indeed been necessary to contain the infection, they have also led to the socioeconomic crisis witnessed. Hence, a new contraction affected the labor market, with a significant drop in new employment and new firms' growth. In this regard, the European response to the economic crisis triggered by the pandemic has been the launch of *NextGenerationEU*, a temporary €800 billion-plus recovery tool to help face the immediate economic and social damage of the coronavirus to enhance a more resilient and sustainable COVID-19 Europe. *NextGenerationEU* consists of a €723.8 billion plan in loans (€385.8 billion) and grants (€338 billion) for this purpose. This program helps the European Union achieve the goal of climate neutrality by 2050 and steers it toward a digital transition while creating jobs and stimulating growth.

Nevertheless, although existing Italian firms struggled to survive, the pandemic has not prevented the emergence and development of younger, leaner, and more innovative organizations – that is, startups. The current scenario conveys an encouraging message: startups have demonstrated a strong and innate capability to adapt to the crisis, providing new creative and solid solutions to cope with the effects of the pandemic. The rapid adaptation of startups to the digital wave occurred because of their nature, which comprises dynamism and prompt response to change within their classic prerogatives. These characteristics have enabled many of them to cope with the crisis more effectively than other organizations, not being burdened by cumbersome bureaucratic procedures and slowdowns in processes.

According to the Italian Ministry of Economic Development, the startup market growth trend has kept pace with that of the previous year, witnessing the spread of numerous innovative startups born online during the lockdown. To grow, startups need capital and access to the market, but there is more. They often need to be incubated; otherwise, they have a high risk of failing. Thus, the ideal structure to train future entrepreneurs and new lean organizations from their business ideas to their market introduction turns out to be that of business incubators (hubs). *Inter alia*, educational programs provided by the hubs are mainly designed to overcome gaps in startup founders' business and organizational know-how and to enhance their ability to grow successfully. Usually, startups learn from hub directors, mentors, and multidisciplinary experts, and new entrepreneurs tend to benefit from several forms of direct/indirect learning, that is, mentoring, guest speeches, lectures, seminars, and so forth. In this scenario, the concept of entrepreneurial learning is conceived of as the mixed experiential and cognitive processes "used to acquire, retain, and use entrepreneurial knowledge" in business ecosystems. Hubs offer a wide range of educational and practical support to empower future generations of entrepreneurs and to enhance the ugly duckling business idea transformed into a beautiful swan firm.

COVID-19 has certainly changed the way startups are trained and empowered, originally conceived with in-presence or mixed methods (in-house and remote learning). To cope with the pandemic and meet entrepreneurs' learning needs, hubs run fully digitized online teaching programs to assist startups and entrepreneurs in their growth. The current scenario is still a puzzle and gives us a fragmented picture of the hubs' training methods. As is well known, several hubs in different countries have remained well-anchored to online methods, whereas others prefer to return to in-person activities for experiential training and learning. Practitioners and scholars are prompted to understand how startup incubators have adapted to new entrepreneurial training methodologies, and especially what attributes of entrepreneurial learning they have leveraged to carry out their training processes. Moreover, the idea of entrepreneurial learning, which has a well-established tradition in the literature, has not been deeply explored in the realm of new lean organizations such as startups. Thus, it is useful to establish the conceptual boundaries that circumscribe it.

Driven by this compelling need for research, this book seeks to shed some light on both the nature of startups' entrepreneurial learning process shifts during the pandemic and how hubs promoted this change. Are there any differences between the pre-pandemic and pandemic timelines among the characteristics that an entrepreneur needs to train and on which incubation programs have pushed? If so, which training methodologies and processes have been adopted to enhance entrepreneurial learning? In light of these premises, the outline of this work is presented.

Chapter 1 presents a detailed scenario analysis of Italy's socioeconomic fabric in the pandemic scenario, with particular attention to data regarding economic, employment, and business growth. Next, the countertrend of startups will be illustrated, analyzing their structure as well as their characterizing factors as lean and resilient organizations. The role of business incubators, which are crucial in enabling the development of entrepreneurial know-how, is also described.

Chapter 2 comprises the theoretical background that drives the research, entrepreneurial learning in startups, and training in incubators. A literature review was conducted to trace the conceptual delimitations of the topic and contextualize it in the relatively new field of innovative startups and business incubators.

Chapter 3 illustrates the methodology employed and the results of the study. Following the explorative research method, an in-depth case study was adopted to explore this phenomenon. SEI – a business incubator of internal areas located in Avellino, Campania (Italy) – and the call for ideas launched to recruit 21 startups within the incubation were investigated to intercept this change. After a thorough and detailed description of the case, a series of semi-structured interviews were held with SEI's CEO, Mr. Vincenzo Vitale, multiple times during and after the training program, adopting a continuous narrative perspective, to depict entrepreneur and startup training progress and critical issues.

Chapter 4 discusses the results through the lens of entrepreneurial learning in the startups' hubs. Practical and conceptual directions are proposed to derive a picture of the situation of entrepreneurial learning processes in startup incubators during the pandemic and to put them to the attention of practitioners and scholars for further empirical investigation.

Lastly, Chapter 5 concludes this book with both research and practical implications. The chapter comprises an additional unstructured interview in the form of a dialogue with the expert, conducted according to a recent startup weekend session, a new streamlined program aimed at training new and potential entrepreneurs. Understand whether startups' entrepreneurial learning trends and needs are in line with those observed during the pandemic.

To summarize, this contribution provides a useful guide to exploring entrepreneurial learning in business incubators in light of the critical historical moment of entrepreneurship that worldwide communities are witnessing. Even if it is true that startups may be candidates for "light at the end of the tunnel," this is a long-term process that requires timely scholarly updates. Therefore, this contribution is only one step toward a broader goal to be reached, a reflection built around new lean organizations and generations of entrepreneurs, toward a brighter future that kicks out the ghosts.

Nicola Capolupo
University of Salerno

Chapter 1

The Italian Startup Ecosystem

1.1. The Impact of COVID-19 on the Italian Economy

The global spread of the COVID-19 pandemic has highlighted the fragilities of the Italian national healthcare system (Vicentini et al., 2020). To ease the pressure at hospital facilities, the only possible choice to reduce the infection rate was social distancing. Italy was one of the hardest affected European countries in terms of contagions and death rates; consequently, it took more measures early on than other Eurozone countries, such as Spain and Germany, and maintained them for a relatively long period (Guzzi et al., 2020; Ortenzi et al., 2020; Ruiu, 2020).

The economic crisis spurred by health emergencies strongly affected households and businesses. Since the lockdown, 68.7 percent of Italian households have managed to keep their income unchanged, and 2.7 percent have even seen their economic condition improve. By contrast, about one-third found themselves with fewer resources at their disposal, without hope of a prompt return to normalcy. Table 1 lists the change in Italian household income since the lockdown began.

The most affected households were those with lower incomes, with workers who are less likely to adopt smart working, or even in jobs that are more exposed to risks. Thus, the impact of the pandemic on households and related income overwhelms the financial measures introduced by the government. At the end of November 2020, the Bank of Italy conducted the third edition of the Extraordinary Survey on Italian Households, which showed that between April and May 2020, more than half of the population experienced a drop in income as well as a worsening on the spending expectations front (Siza, 2020; Ventura & Horioka, 2020). Factors such as shopping and social life restrictions and anxiety about the future have resulted in an unprecedented increase in the propensity to save and in risk aversion (Leppäaho & Ritala, 2022; Puliga & Ponta, 2022). The ability to manage economic and financial plans, plus an understanding of some basic elements of evaluation (inflation, simple, and compound interest regime, risk-return relationship), is an essential requirement for households to cushion themselves from the economic shocks induced by the pandemic (Fox & Bartholomae, 2020). This capacity is particularly relevant for households at lower levels of the income and wealth ladder.

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Table 1. Italian Families' Income Variations.

Income Shift	Percentage
Increased	2.7
Unchanged	68.1
Reduced ≤ 25 percent	16.0
Reduced ≥ 25 percent	7.7
Reduction ≥ 50 percent	5.5

Source: Author's elaboration from the Bank of Italy report (https://www.bancaditalia.it/pubblicazioni/note-covid).

Thus, the pandemic placed a heavy burden on two social subsystems: the healthcare sector on the one hand and the economic one on the other. Both brought different solutions to deal with the pandemic moment, often clashing with each other. However, the healthcare system asked for the implementation of red zones and constraints to confine the epidemic due to the risk of collapse (Barello et al., 2020), the economic system went through the closure of activities that would lead to a severe economic recession, especially for the Italian fabric predominantly composed of small- and medium-sized enterprises (Tan & Lee, 2022). Households were affected by the crisis and had to change spending and consumption habits, whereas businesses faced the first difficulties from the very beginning. In the first phase of the pandemic, which ended in early May 2020, 45 percent of them suspended their activities, and more than 70 percent reported a reduction in turnover in the two months of March–April 2020 compared to the same period of the previous year; among them, a large proportion of those that have reduced their demand or labor resorted to layoffs (Kraus et al., 2020), greater than those of the Great Recession, and those that suffer, instead, from a deep liquidity crisis. Businesses, on average, experienced a drop in turnover of approximately 26 percent compared to the same period last year. The expected contraction did not seem to differ in the different areas of the country: for companies under 50 employees, −29 percent, and less strong was the percentage of those with more than 500 employees (−18 percent).

Some service sectors experienced particularly sharp falls and the decline in turnover appeared most considerable for activities concerning textiles (Ferrigno & Cucino, 2021), where shifts in purchasing intention, as well as in people's lifestyles, may persist in the upcoming years, leading to the radicalization of certain trends (the rapid increase of eCommerce adoption, a split in spending between online and offline purchases, and the increase in demand for those brands perceived as sustainable; Gazzola et al., 2022). The most affected sectors in the first half of the year were services, trade, hotels, and restaurants. In the tourism sector, the first five months of the pandemic, leading to a drastic contraction in business volumes (Trono & Castronuovo, 2022), exacerbated an already fragile situation, particularly from the financial point of view. In terms of percentages, the decrease was 16 percent for trade, transportation, hotels, and restaurants; 14.6 percent for arts, entertainment, amusement, and household goods repair; and 10.4 percent for professional, scientific, technical, administrative, and business support services. In addition to the turnover of existing businesses, the birth rate of new businesses also declined. According to the Bank of Italy, the balance between business registrations and terminations in 2020 was largely negative, as it has not been for more than seven years (Table 2).

It is worth noting how the economic crisis that resulted from the health emergency affected the different economic sectors to differing degrees, causing a shock to demand. In some cases, mostly in industry, the loss in activity due to administrative shutdowns was offset, at least to a large extent, by recovery following the end of the first lockdown. In others, especially in some segments of the tertiary sector, the return to pre-crisis activity levels appeared destined to be achieved only after a long and risk-filled journey. In the tertiary sector, about half of the firms were fragile or at risk, with very high peaks in some sectors penalized by low knowledge intensity (Table 3).

Table 2. Sector Shift in Turnover in the First Half of 2020.

Sector	**Loss (percent)**
Textile industry	−32.5
Chemical, rubber, and plastic industry	−15.00
Metalworking	−22.5
Other manufacturers	−22.00
Energy sector	−12.5
Commerce, hotels, and restaurants	−38.00
Transportation, warehousing, and communications	−21.00
Services for firms and families	−20.00

Source: Author's elaboration from the Bank of Italy report (https://www.bancaditalia.it/pubblicazioni/note-covid).

Table 3. Production Sectors at Risk.

Sector	**Percentage of Firms at Risk**
Restaurant	95.00
Buildings and construction	90.00
Sports and entertainment	85.00
Clothing	73.00

Source: Author's elaboration. Adapted from Instat.it (https://www.istat.it/storage/settore-produttivi/2021/Capitolo-2.pdf).

Businesses not affected by the pandemic were those that were spared from the closures, that is, those that during the lockdown continued their activities because their products were among those listed as essential by the March 22 Prime Ministerial Decree. In addition, some businesses were organizationally capable of converting their business models (Musso et al., 2022), for example, to masks or respirators (Bergami et al., 2022; Puliga & Ponta, 2022). What citizens were surely waiting for was a full, uneasy recovery. The timing, modalities, and intensity of the recovery depend on several factors that are constantly changing: the duration and extent of the contagion, the evolution of the global economy, the effects on the confidence and spending decisions of citizens and investment decisions of organizations (Wright et al., 2020), and the possible financial repercussions. In Italy, the slight recovery in the first half of 2021 was also aided by significantly higher household and business confidence than in previous months due to several factors, such as the efficacy of the vaccination campaign, the improvement of economic and social activities, and generally improved customer confidence.

1.2. The Weaknesses of the Italian Social System

The pandemic has exposed many weaknesses in the Italian economic and social systems, contributing to exacerbating an already under-pressured financial picture. Accordingly, the economic impact has set the conditions for exacerbating an already economically, socially, and environmentally fragile situation. Between 1999 and 2019, Italy's GDP grew by a total of 7.9 percent. During the same period in Germany, France, and Spain, the increase was 30.2, 32.4, and 43.6 percent, respectively. Therefore, COVID-19 found an already weak economic system, still in a recession, and not yet recovered from the 2008 financial crisis in terms of GDP and employment (Arbolino & Di Caro, 2021). In other words, the slow and weak economic recovery that took place after the 2008 financial crisis was undermined even more in 2020. The first consequence resulted in GDP contraction (Socci et al., 2021): about 8.9 percent less than the previous year; exports of goods and services dropped by more than 13 percent, and imports fell by about 12 percent, as well as public and private investment. Public debt increased, mainly due to the rebuilding of a liquidity stockpile. The debt-to-GDP ratio in 2020 was 2,569,258 million, rising to 155.6 percent from 134.6 percent in 2019 and exceedingly almost 160 percent in 2021 (Linciano et al., 2021).

Furthermore, firms have witnessed business confidence and consumer loss, with a gradual decline in investment and consumption. In a short time, people have gone from fear of contagion to distrust and fear of the future, lack of stability, and unemployment. The health pandemic has become a real "economic pandemic" (Higginson et al., 2020). Numerous businesses, forced to temporary closures that lasted for long months, have found themselves closing permanently. Although COVID-19 configures itself as a wide-ranging and long-term crisis, its impact is asymmetrical. On the one hand, some of the population responded promptly; on the other hand, others were heavily and passively affected.

Both the Italian government and the European Central Bank have launched measures to deal with the impact of the crisis on economic activity and the financial system. Measures have been adopted by the government in five main areas: support for businesses and third-sector operators, employment, contrasting poverty, health and safety, support for local authorities, and additional sectoral interventions (Gortsos, 2020). Among the many measures adopted, the most relevant are deferment of tax compliance, refreshments for the categories most affected by restrictions, a tax credit for rent payments, and allocation of subsidies to families in difficulty. There have also been numerous measures taken by the European Central Bank to support the liquidity of the banking system and enable it to adequately finance households and businesses, such as reducing interest rates, supporting access to credit by households and businesses, and offering new longer-term refinancing operations. Due to these measures, the economic system is holding up, even though the road to recovery looks very long, and it will certainly be difficult to return to pre-crisis levels in a reasonable time.

1.3. The Labor Market Crisis

COVID-19 affected both workers and businesses disruptively, especially starting in the second quarter, when economic activity plummeted, which was then followed by a slight recovery in the third quarter and a new decline in the fourth quarter following a new surge in contagions. Businesses faced a real challenge: the difficulty, and in most cases, the impossibility of working in person, negatively affected not only turnover but also the employment rate (Brodeur et al., 2021) However, the number of people who have been unemployed over the past few years is considerable, especially in sectors such as services and manufacturing. In terms of full-time employment units and employment positions in the average of the first three quarters of 2020, the reduction was 2.4 million and 623,000, respectively; in more than nine out of ten cases, the decline is in the service sector. The dramatic effects of the crisis were more on hours worked than on employment, due to the many measures taken to protect businesses, especially workers. In total, 3.9 billion hours worked were lost in the first three quarters of 2020 alone, compared to the same period in 2019 (Pintaldi et al., 2020).

Precautionary measures introduced to protect the public's health have forced the closure of entire employment sectors, while for others, whose activities were feasible to carry out remotely, remote work has been used. The adoption of smart working has increased exponentially, and changes in the organization of work already taking place because of technological evolution have been somewhat accelerated. The development of information and communication technologies has already caused several radical changes in the organization of work, including a rapid spread of smart working methodologies (Kim, 2022; Palumbo et al., 2021; Ter Hoeven & Van Zoonen, 2015), which allows overcoming limits. Work can now be carried out in places and times no longer bound by the rules of the past, with well-defined locations and schedules; however, through the use of laptops, tablets, and smartphones, workers can perform their activities from anywhere and at any time (Maitland & Thomson, 2014). In general, remote work was made mandatory, or at least widely encouraged by governments, to curb the spread of the virus. In 2018, the share of employees regularly working from home in Italy was below

5 percent compared to 12 percent in Germany and more than 30 percent in the Netherlands, Finland, Iceland Luxembourg, and Denmark. Since the pandemic, smart working and technology adoption has become the "new normal" (Agarwal et al., 2022), and the share has risen to 37 percent in the European Union.

Although smart working might lead to a greater degree of worker autonomy and independence, it also makes the worker hyperconnected, thus polarizing private and work life and times (Palumbo, 2020). Digitization (Palumbo, 2021; Palumbo et al., 2022) remote collaboration and convergence of work on planned and shared goals have produced a consistent paradigm shift in activity performance. This resulted in the use of new tools to be employed by both workers and managers. Although smart working has been seen as an optimal solution for working remotely, not all organizations have been able to make use of it. Consider, for example, factories or manual jobs that necessarily involve being present in the workplace. By contrast, the biggest beneficiaries have been service firms or administrations (Todisco et al., 2022).

The labor market in Italy was already undergoing strong evolutions before the outbreak of the pandemic, and this accelerated them. The health emergency constituted a real stress test, imposing, as we have seen, an acceleration of the processes of digitization, recourse to smart working, and overall redesign of ways of working. According to a study carried out by Invalsi, overall, employees would not give up continuing with smart working: 34.4 percent would continue working full-time even after the emergency phase, while 59.1 percent would continue partially and only 6.5 percent, would not continue at all. The 81 percent of workers who said that they would continue with smart working in whole or in part were motivated not only by a health concern but also by satisfaction with the working arrangements adopted during this period and a desire to continue with these arrangements even after the emergency phase (Cinque et al., 2020).

A study by the Observatory on Smart Working of the School of Management of the Politecnico di Milano shows that those who benefit from agile work draw more satisfaction both from their relationships with colleagues and managers and from the organization of their work. Moreover, the main reasons for joining agile work projects relate to reducing "commuting stress" and finding a better work–life balance. Given the new context, now no longer an emergency, agile work seems to have become normal, and what seemed to be a "temporary solution" is in effect the first step toward labor market innovation and total digitization of companies.[1]

1.4. The Impact of Closures on Employment Rates

For more than a year, the labor market has been characterized by radically opposing situations: sectors experiencing very strong growth and other sectors

[1]Observatory on Smart Working of the School of Management of the Politecnico di Milano, 2021. Available online at https://www.osservatori.net/it/ricerche/comunicati-stampa/smart-working-italia-numeri-trend.

at a complete standstill and sustained by a massive reliance on passive policies, such as the layoff fund. Social safety nets, particularly the layoff fund and the layoff freeze, have largely sustained permanent employment. Businesses' temporary stops spurred the emergence of new employment relations (Butterick & Charlwood, 2021), particularly those with fixed-term contracts and their possible extension or transformation into permanent ones. Linciano et al. (2021) found that more than 900,000 fewer workers were employed in February 2021 than in the same month of 2020. The hardest hit was mainly self-employed and temporary workers. Another alarming figure is that of the inactive: about 700,000 more, as the unemployment rate dropped to 10.2 percent due to a decrease in job seekers. Restrictive measures on a regional basis have resulted in divisions across the country: the crisis has certainly affected all regions, but the strongest impact and the most negative consequences have been in the Center-South. The vulnerability of the local productive fabric depends both on the degree to which the sectors most affected by the crisis are spread within it and on how specialized it is in these activities. Contextualizing risk for both firms and employees among the different Italian regions highlights how the crisis tends to accentuate the gap between Italian geographic areas: of the six regions whose productive fabric is at high risk, five belong to the Italian Southern "Mezzogiorno" (Abruzzo, Basilicata, Calabria, Campania, and Sardinia), and one belongs to Central Italy (Umbria). By contrast, the six regions classifiable as low risk are all in northern Italy (Piedmont, Liguria, Lombardy, Emilia-Romagna, Friuli-Venezia Giulia, and the Autonomous Province of Trento).

The categories most affected by the health emergency already suffered disadvantages; these are particularly young people and migrants (De Nardi & Phillips, 2022), who were penalized because they more often occupied less stable work positions in the sectors and businesses that were hit hardest by the crisis. Young people represent one of the categories of workers most affected by the effects of the COVID-19 pandemic, especially concerning the lockdown phase (Fiaschi & Tealdi, 2022). The overall decline in employment is mainly due to the youngest segment of the population (15–34 years old), in which fixed-term employment contracts are predominant. In the 15–34 age group, the incidence of term employment as a percentage of total salaried employment increased from 19 percent in 2004 to 36.8 percent in 2019, before the onset of the health emergency. This element exposes the youth component of the labor market to economic downturns and exogenous shocks (Scandurra et al., 2021).

The employment loss has been concentrated mainly among term employees and to a lesser extent among the self-employed (Pereira & Patel, 2022; Yue & Cowling, 2021) In Italy as elsewhere, the pandemic has further exacerbated the precariousness and vulnerability of many workers, with the loss affecting mostly young people, women, and foreigners employed particularly in the hardest-hit sectors. COVID-19 has affected individuals and sectors that are thought to be relatively safe. It has also highlighted the fragmentation and unevenness of social protection tools, starting with income. In 2021, the first sign of a slight recovery in the labor market showed up: the vaccination campaign put the labor market back on track, showing signs of stabilization. In particular, the encouraging trend concerned the unemployment rate, which was lower than in 2020, although not yet at pre-COVID-19 levels. Further, this reduction was due to the increase in fixed-term employment contracts, while the emergence of permanent relationships appeared to be slowing down.

1.5. The Impact of COVID-19 on Startups

An interesting finding emerges from the impact that COVID-19 has had on startups, which have shown a proactive and, above all, more resilient attitude than traditional companies. It is worth noting that such a high-magnitude crisis has also challenged established startups, albeit with less impact. Some of them have found themselves coping with lower demand (Sreenivasan & Suresh, 2022), and others have encountered liquidity problems (Croteau et al., 2021). Many startups have found themselves resorting to drastic measures, such as cutting the salaries of their staff or laying off their employees. Nevertheless, this has not discouraged new startup creation: at the end of 2020, there were just under 12,000 startups in Italy, compared to about 10,000 in 2019. This shows how the health emergency has not stopped the growth and development of these entities. Fig. 1 shows the trend in the number of startups over time, starting in 2017 and ending in 2020:

As of April 2021, startups stand at 12,561 with a change of 5.56 percent up from the last quarter of 2020. In terms of geographic distribution, most of them are in the Lombardia region, but the number of startups in the Center-South is increasing, and the only regions that exceed 1,000 startups along with Lombardia are Lazio, Campania, and Veneto (Fig. 2).

The increase in registration of startups in the special register of chambers of commerce continued in the first quarter of 2021, where innovative startups reached a record number of 12,561, an increase of 662 (+5.6 percent) over the

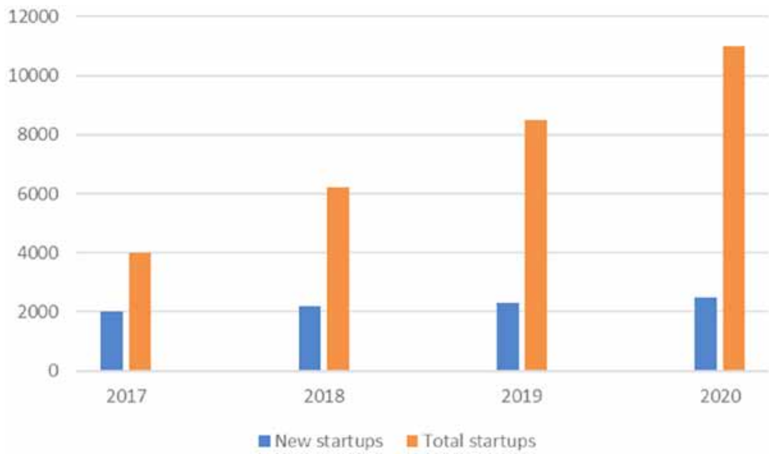

Fig. 1. Italian Startup Growing Trend. *Source*: Author's elaboration from Infocamere (https://www.agendadigitale.eu/startup/il-2021-delle-startup-italiane-sfide-da-vincere-e-ostacoli-da-superare/).