SMALL IS BEAUTIFUL: HOW TO NURTURE NICHE ENTREPRENEURSHIP
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A look at the idiosyncrasies of the Swiss entrepreneurship scene, including some recommendations for its optimum survival.

Everyone knows the big-name Silicon Valley entrepreneurs that have set the global standard for startups, reshaped our lives and made billions – from Bill Gates to Jack Dorsey and Mark Zuckerberg. But the Silicon Valley entrepreneurship model – a product of the US’s liberal market economy – may not offer the best blueprint for nurturing successful startups globally, especially in countries with different types of economies, such as Switzerland.

IMD conducted an online survey of entrepreneurs to investigate the unique startup ecosystem in Switzerland’s coordinated market economy - how those businesses perform, how they secure investments and what drives them.

Our research showed that high-tech, early-stage companies in Switzerland are characterized by low financial expectations, niche technology specialisms, mostly angel and self-financed, high survival rates and clear goals for success, defined by great products and innovation, and positive impact.

Swiss entrepreneurship seems to be the exact opposite of that of Silicon Valley, in that it is either low-impact entrepreneurship or niche-centric entrepreneurship. However, more needs to be done to improve access to funding and business support for Swiss-based start-ups to help them grow, as our research showed.

Our research covered a broad-based group of 174 companies drawn from the winners of the annual IMD Startup Competition and other Swiss startups, with almost a third active in life sciences and software, as well as a significant proportion of engineering firms.

The survey found that Swiss entrepreneurs have a high survival rate of 83% and that they valued not only revenue growth, but also product achievements, innovation and positive social or environmental impact among their top measures of success.

When it came to financial performance, the majority had increased their revenue over the years. However, it is noticeable that only one tenth of the companies reached a maximum revenue over CHF 5 million. At the same time, only 5% of respondents had incurred losses for stakeholders and creditors.

This appears to suggest that entrepreneurs in Switzerland take a different approach towards their ventures than the classic Silicon Valley model. Not reaching more than CHF 5 million in revenue is certainly not a reason to label a venture a failure, but there appears to be an ethos in Switzerland that “small is beautiful”, and pushing for scale is not necessary, or even desirable.

In fact, two thirds of the disclosed companies had an employee size of fewer than 10 even at their peak period, while only 4% of the companies ever reached more than 100 employees.
However, while entrepreneurs in Switzerland may appear to prefer this “small is beautiful” approach, many are also clear on the need for greater access to funding and for more appropriate support to help them grow.

The most significant difficulty highlighted by respondents was early-stage funding, with some entrepreneurs citing a risk-averse and slow-moving investor landscape in Switzerland. The most popular types of funding were from family and friends (56%) and angel investors (52%), followed by supporting organizations such as government and universities (34%), with only 16% from venture capital.

Entrepreneurs also argued that they needed startup incubators that offered more than just cheap office space to rent, such as specialized support for specific sectors, help with basic business functions, and access to talent, capital and peer networks.

Some entrepreneurs argued that the Swiss ecosystem favors only a few select industries such as biotech and fintech, and that it is largely product dominated. It appears that entrepreneurs with new business-model driven ventures have difficulty in Switzerland. Seeing their peers being actively supported in the USA and Germany, they feel that their innovations are not respected in Switzerland.

Many enter Swiss entrepreneur competitions, such as the IMD Startup Competition, as a way to access expert help, new markets, potential funding sources, networks and stronger brand awareness. Winners from IMD’s competition, for example, get to work for free with our MBA and EMBA participants to develop their business models and to improve their chances of securing funding.

Based on our research, we offer the following recommendations for startups and supporting organizations, to enhance the entrepreneurship ecosystem in Switzerland.

For supporting organizations:

- Be careful of making comparisons with Silicon Valley
- Investors may be attracted by the low failure rate of Swiss-based startups
- Decide whether you want to transform the startup ecosystem or nurture its unique “niche-centric” characteristics
- Supporters can do more to scale up Swiss startups and to open up access to investment
- Incubators and accelerators should focus on helping startups run their businesses, not just offer rent discounted space
For entrepreneurs:

- Switzerland is an attractive base for entrepreneurs with an emphasis on technical or product achievements seeking patient capital
- For startups focused on low-tech, service-oriented or new business models with existing technology, it may prove difficult to raise money or get attention in Switzerland

Read more about IMD’s research into the Swiss entrepreneur ecosystem published in the International Business Research [here](#).