

# Malta Business Bureau and University of Malta: Starting from small!

*Msida, Malta*





# General Information

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| Title                 | Malta Business Bureau – University of Malta  |   |
| Pitch                 | Starting from small!   |   |
| Organisations         | Malta Business Bureau and University of Malta  |   |
| Country               | Malta  |   |
| Author                | Dr. Richard Woolley (Ingenio)  |   |
| Nature of interaction | <input type="checkbox"/> Collaboration in R&D<br><input checked="" type="checkbox"/> Commercialisation of R&D results<br><input type="checkbox"/> Mobility of staff<br><input checked="" type="checkbox"/> Academic entrepreneurship<br><input type="checkbox"/> Governance  | <input type="checkbox"/> Lifelong learning<br><input type="checkbox"/> Joint curriculum design and delivery<br><input type="checkbox"/> Mobility of students<br><input checked="" type="checkbox"/> Student entrepreneurship<br><input type="checkbox"/> Shared resources |
| Supporting mechanism  | <input type="checkbox"/> Strategic<br><input checked="" type="checkbox"/> Structural<br><input type="checkbox"/> Operational<br><input type="checkbox"/> Policy  |   |
| Summary               | <p>The Malta Business Bureau (MBB) and the University of Malta (UM) have developed a strategic partnership to foster University-Business Collaboration (UBC) focused on entrepreneurship. The key mechanisms that characterises this partnership are twofold. Hosted by the Centre for Entrepreneurship and Business Incubation (CEBI), TAKEOFF is Malta's first university-based, technology business incubator, specifically designed to help innovators and aspiring entrepreneurs create successful science, technology, engineering, creative media and other knowledge-based start-up businesses. Additionally, ZAAR, is Malta's first reward-based crowdfunding platform, co-founded by MBB and UM and designed to diversify access to finance for young entrepreneurs and their projects. The complementarities between TAKEOFF and ZAAR are now starting to emerge.</p> |   |



# Introduction & Overview

## 1. BACKGROUND

Building on a history of *ad hoc* collaborations between industry and university in Malta, the Foundation for the Promotion of Entrepreneurial Initiatives, and its commercial arm PEI Ltd, were set up and are controlled jointly by the Malta Business Bureau (MBB) and the University of Malta (UM).

MBB has extensive experience using EU framework and other programme funded projects to pursue policy objectives. On the university side, Professor Saviour Zammit re-joined the University of Malta from the private sector in 2008, and became the first Director of the Centre for Entrepreneurship and Business Incubation (CEBI) in 2009. It had been set up by the University alongside a new Corporate Research and Knowledge Transfer Office (CR&KTO). CEBI and CR&KTO successfully applied for a €1.1m grant from the European Social Fund (ESF), which was used to hire Oxford University Innovation as consultants to 1) set up a Master programme in Knowledge-Based Entrepreneurship at CEBI; and 2) organise a series of training programmes for the Knowledge Transfer Office and a seminar series for all Maltese stakeholders to initiate enthusiasm for building a new culture of entrepreneurship, focused on adding new elements to the strong entrepreneurial tradition that exists in Malta. CEBI and the KTO then started out by setting up and developing a start-up incubator called TAKEOFF, which is focused on knowledge-based technology start-ups.

In 2013, MBB conducted a study on access to business finance and found that start-ups were struggling and overly relying on personal finance. One recommendation was to explore the potential of crowdfunding to support start-ups. In the process of looking for strategic partners, MBB went to the University where they discovered that similar initiatives were already being discussed at CEBI (boosted by the experience of one engineering Professor in crowdfunding research projects). This was the pivotal moment, driven by a mutually but separately identified need for a financial support mechanism for entrepreneurial start-ups, from which the existing close current collaboration between MBB and CEBI was born.

## 2. OBJECTIVES AND MOTIVATIONS

CEBI were particularly motivated to collaborate on UBC with MBB to improve their access to business angels (through the Malta Chamber of Commerce, Enterprise and Industry, which is one of the MBB's governing bodies), to take advantage of MBB's experience in European funding success (including having an office in Brussels) and to develop a crowdfunding solution. MBB was particularly motivated to collaborate on UBC with CEBI due to their expertise on start-ups and their incubation experience.

The Foundation for the Promotion of Entrepreneurial Initiatives and PEI Ltd, were established with the objective of creating a formal structure for sustained and ongoing forms of UBC involving MBB, CEBI and the University. The Foundation works primarily with European and other public programme and project funds while PEI Ltd drives commercial initiatives.

The motivation for the ZAAR crowdfunding platform was to establish a mechanism to close the gap identified in the provision of early stage financing for entrepreneurship and start-up companies in Malta. ZAAR is a brand name belonging to PEI Ltd., which is co-located with the UM's TAKEOFF incubator.

TAKEOFF was inspired by the desire to capitalise on the IP generated by UM researchers and the creativity of students, and to incubate knowledge-based start-ups in Malta.

### 3. STAKEHOLDERS

MBB represents two of the main employer groups in Malta, the Malta Chamber of Commerce, Enterprise and Industry and the Malta Hotels and Restaurants Association (MHRA). The employer sector expresses its commitment to collaborate extensively with academia on entrepreneurship development through the MBB.

CEBI is the focal point for entrepreneurship education, research and practice at UM. As such it provides access to a pool of students and emerging entrepreneurs. Along with CP&KTO, CEBI also links to the IP and the development of commercialisation opportunities within UM.

Students of UM have the opportunity to develop their projects through TAKEOFF with the potential for early stage funding via ZAAR. Academics provide foundational courses and specific entrepreneurial project support.





# Implementation

## 4. INPUTS

Students of UM, academics and Maltese entrepreneurs are the sources of ideas and projects that can be the subject of incubation.

UM staff and local entrepreneurs can apply for the TAKEOFF Seed Fund Award (TOSFA) grant competition, which distributes €100,000 amongst winning entries. TOSFA is funded by the Ministry for the Economy Investment and Small Business (MEIB).

The local business community contributes as investors and corporate partners of ZAAR, including through in-kind and other support provided by MBB.

UM is the host of the TAKEOFF incubator facility and linked UBC events and activities.

## 5. ACTIVITIES

The word 'Zaar' is a play on the word 'Zghar' in the Maltese language, which refers to both 'small change' in monetary terms and the bud of a flower. This reflects also the guiding motto of the emerging entrepreneurial culture: 'Starting from Small'.

ZAAR is the first donation/reward-based crowdfunding platform devoted to promoting entrepreneurship in Malta and supporting local start-ups. Participation in ZAAR is either through submission of a project for crowdfunding or by contributing as an investor to the project offers. These processes can be undertaken entirely through the ZAAR online platform.

Entrepreneurs are also supported in how to run a crowdfunding campaign. The first step is to educate the company regarding the approach to take. ZAAR marketing is spread across the needs of all users, while there is emerging evidence that success is linked to a complementary publicity efforts conducted by the firms themselves. Thanks to a strategic partnership, Grant Thornton, an audit and consulting firm also provides specialised services on branding, marketing and promotion to start-ups intending to promote their project ideas on the crowdfunding platform. ZAAR also features a special access for philanthropic project proposals.

**Business Development Support:** The TAKEOFF incubator works with start-ups to create a tailored business development programme plan, providing oversight and facilitating access to resources that meet the start-ups' needs as they arise.

**Networking and Relationships:** TAKEOFF takes an active role in developing connections, 'know-how' and other resources needed to address members' unique needs for partnerships, suppliers, and potential sources of financing that otherwise may be challenging to access.

**Mentors:** These are drawn from the University and the local/international business community. TAKEOFF connects a network of seasoned entrepreneurs, talented executives and professional service providers to offer practical, hands-on support and guidance for the start-ups as required.

**Capital and Financing Network:** TAKEOFF maintains relationships with a network of public funding organisations, angel investors and corporate equity investors through capital networks, brokers and

personal contacts. TAKEOFF provides introductions between members and appropriate investment resources.

Offices, Shared Space and Facilities: The TAKEOFF facility offers a vibrant, creative environment, where entrepreneurs and innovators can collaborate and be productive. The facility thus serves as a suitable space for entrepreneurs looking to build and launch their start-ups, as well as an ideal space for private offices, specifically designed for start-up teams needing their own space to grow.

The interaction between TAKEOFF and ZAAR is relatively young as the two initiatives that have been operating in concert for around two years. The donations and rewards based model adopted by ZAAR has already proven to be a successful move to date. Through its access to mentors and guidance on funding campaigns, TAKEOFF provides direct support to ZAAR projects. In the meantime, ZAAR is already considering the possibility of providing lending and equity crowdfunding solutions in order to widen its target audience.

## **6. OUTPUTS**

A total of 30 companies have been incubated at TAKEOFF, including 20 which are still in existence.

One incubated gaming company raised \$300,000 (€288,000) for a game on Kickstarter crowdfunding, targeting a global audience. This provided confirmation that linking incubation with early stage crowdfunding could be successful.

The success rate of ZAAR projects that reach their funding target is running at 40%, although the total funding raised is not large in absolute terms.

An employability programme recently developed at UM has placed 30 students into on-the-job internship training with 29 obtaining a job directly. This programme is linked to TAKEOFF as a connecting hub for matching students with companies in the area of their entrepreneurial interests.

## **7. IMPACTS**

It is probably too early to make claims about social and economic impacts of the MBB-UM partnership for UBC and the ZAAR-TAKEOFF initiatives. However, the creation of a new entrepreneurial community that has created start-ups and generated seed funding for business projects are all promising proxy indicators of potential financial and labour market impacts in the medium-term.



# Support & Influencing factors

## 8. SUPPORTING MECHANISMS

A strategic vehicle to support UBC activities was started as a joint initiative of MBB and UM. It takes the form of a Foundation (the Foundation for the Promotion of Entrepreneurial Initiatives) and its commercial arm PEI Ltd. This vehicle is an equally owned partnership between the Malta University Holding Company Ltd and the Malta Business Bureau. The focus at this time is on entrepreneurship, start-up businesses and accessing seed funding, but future UBC is not limited to these elements in the future.

## 9. BARRIERS AND DRIVERS

A temporary barrier to full development of the UBC model in place is the absence of a legal framework for equity-based crowd funding and the uncertainty about how this will be designed at the European and/or national level.

The close-knit community linking business and education in Malta (total population less than half a million people) is a driver of a sustained approach to UBC that combines a strategic model with strong formal and informal interpersonal relationships.

## 10. FUTURE CHALLENGES

Resource challenges, both financial and human capital remain crucial.

Adapting to the eventual form of equity-based crowdfunding innovations that will be established in Europe and Malta is another challenge.

Unlocking potential collaborations in areas including social enterprise, corporate social responsibility, education, and the arts and culture sectors that the partnership would like to expand into is a future goal. Further engagement with other technology focused services sectors such as IT and gaming is also planned.

## 11. CONTEXT

There are only 55 non-SMEs in Malta, the motto 'from the small' taps into the relative scale of Malta and its economy. The focus on services shapes the type of companies being developed.

## 12. KEY SUCCESS FACTORS

The ecosystem of collaborative work that exists between MBB and UM, that is driven by constant contact and collaboration and joint decision-making. A step-wise expansion of this model is being followed, for example through new agreements with the creative sector in Malta.

Success is built on strong interpersonal and trust relationships between those representing the University and MBB partners.

From the MBB perspective, a key success factor is that over time partners 'start to think as a family', meeting regularly and keeping channels open to further collaboration as new opportunities present themselves –this becomes the normal way of working.

From the UM perspective, developing the ZAAR-TAKEOFF connection in concert with MBB has been successful particularly as a catalysing agent among students, inspiring entrepreneurial activities oriented toward the concrete incubation-seed funding pathway that has been jointly established.





# Further Information

## 13. MONITORING AND EVALUATION

The UBC partnership monitors simple ratios such as the proportion of start-ups that continue to exist at various milestone points after their creation (One, two years etc.) and the ratio of successful crowd-funding initiatives.

## 14. SUSTAINABILITY MEASURES

PEI Ltd can be viewed as a start-up initiative itself and has been working actively to broaden its funding base. The Ministry for the Economy, Investment and Small Business partly supported the start-up phase of the initiative and the Malta Arts Council concluded a strategic partnership agreement to create a hybrid instrument through which ZAAR is used as a mechanism to test the concept of proposals in the creative and arts community.

The strategy behind ZAAR is also to build a community of investors who are supporting the development of an entrepreneurial culture in Malta. The hope is a snowball effect and the involvement of key individuals which will enable the investor network to grow, also through social ties.

MBB and UM are extending in-kind support mechanisms within the TAKEOFF incubation centre to deal with space and human-resource needs and providing additional marketing, telecoms and administrative to the ZAAR platform.

A hands-on informal team made up of the CEOs of MBB and the Malta University Holding Company (MUHC), and the UM Pro-Rector for Research and Knowledge Transfer, maintain strategic oversight of day-to-day activities linked to the direction of the UBC partnership through regular discussions.



## 15. TRANSFERABILITY

The structural framework for UBC utilising a Foundation and a Limited Company for different activities can be reproduced in many locations. The linking of start-up incubation and crowdfunding seed finance is also not new. The transferability of the model in principle seems straightforward but would be contingent on local institutional arrangements.

## 16. AWARDS AND RECOGNITION

National Enterprise Support Award 2016 was won by ZAAR.

MBB has been invited to contribute the experience of ZAAR to date to the European Crowdfunding Network during its annual Convention.

ZAAR featured in Eurochambres 'Mapping of Access to Finance' published by Chambers of Commerce and presented to DG FISMA.

## 17. LINKS

ZAAR <http://www.zaar.com.mt/>

TAKEOFF <http://takeoff.org.mt>

Centre for Entrepreneurship and Business Incubation <https://www.um.edu.mt/cebi>

Malta Business Bureau <http://mbb.org.mt/>

National Enterprise Support Award <http://mbb.org.mt/mbb-news/mbb-wins-national-enterprise-support-award-2/>

## 18. CONTACT PERSONS



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