



Two thirds of founders are working for other companies when they start their own business

2021 study on the startup market in Switzerland

PostFinance 

The dream of greater freedom is what inspires many founders to create their own company. The current study “The startup market in Switzerland 2021” reveals where the financial means for this come from, what concerns company founders are facing and how many of them handle a double workload.

As a key partner for company founders and startups, PostFinance promotes the interests of founders. In particular, this includes advising startups and providing them with expertise. For this reason, PostFinance joined forces with the IFJ Institut für Jungunternehmen

and the LINK Institute to launch the study “The startup market in Switzerland”. What’s the goal? To gather facts and figures that will provide an even better understanding of the startup scene and to stay at the cutting edge in the long term.

So much new potential

In 2021, the global economic situation was not easy. The unthinkable came face to face with the inevitable. Right in the middle of a world market that was only slowly recovering. And yet, in these turbulent times, more people than ever decided to strike out on their own: projections suggest that more than 33,000 new startups were founded in Switzerland in 2021. That equates to around 67 percent of all new entries in the Swiss commercial register.

Two thirds of these companies were individual startups. Only 4 percent were launched with more than ten employees already in place. That said, 24 percent of these newly founded companies have already added extra people to their teams. The GmbH continued to be very popular as a legal form, with 40 percent of company founders choosing this option. Only slightly over a fifth of the newly founded businesses were private limited companies.

It is interesting to note how the figures for decisiveness have changed: while a quarter of respondents in the 2020 study said they had decided to start their own company in less than three months, this segment fell to 19 percent in 2021. Meanwhile, the number of respondents who needed between three and 12 months to be ready to start a business remained almost the same. Once they had made their decision, the company was established within two to four weeks for a full 74 percent of those surveyed.

It is likely that these numbers remained so low because most of those who were newly self-employed invested a lot of time in research beforehand. For example, more than 65 percent of all respondents said that they had found sufficient information online about legal forms, the startup process, legal issues and startup costs.

How quickly the startup process was completed was often related to the legal form chosen. The majority of sole proprietorships were founded directly at the commercial registry, while 52 percent of both GmbHs and private limited companies were established using legal entities – i.e. lawyers or notaries. Online startup services also continue to enjoy unflinching popularity: one in ten startups were established through the IFJ Institut für Jungunternehmen, making the national support body, where founders can also pick up practical knowledge of the market, receive legal advice and apply for funding, the most in-demand organization in Switzerland.

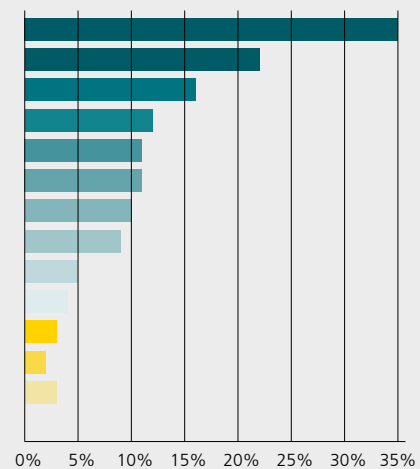
For the majority of those striking out on their own, the approach was pragmatic and cost-effective, with 63 percent of startups registered at their home address. This means that respondents were at least able to avoid lengthy searches for property and high initial expenditure on operating facilities.

One particular figure reflected how important it is for entrepreneurs to strike an ideal balance between boldness and common sense: at the time when their company was founded, 66 percent of those surveyed were still employed by another company. After their company was founded, this number dropped to around 40 percent. It is therefore perfectly possible to combine the need for security with a desire for greater freedom.

Why establish a company in the first place?

In response to the question of why, Swiss company founders gave a clear answer: by establishing their own company, they saw an opportunity to gain more freedom. An almost poetic answer, followed by economic reasons – though a few percentage points behind, it should be noted – such as unfulfilled target group needs, tax advantages or, very pragmatically, a higher income.

Reasons for setting up a company



- Desire for more freedom **35%**
- Customer needs **22%**
- Ability to contribute own skills **16%**
- Personal fulfilment **12%**
- Search for something more challenging **11%**
- Turn passion into profession **11%**
- Work situation: job loss, etc. **10%**
- Tax/legal reasons **9%**
- New start/new direction **5%**
- Higher income **4%**
- Develop a second source of income **3%**
- Employment in retirement **2%**
- Other **3%**
- Don't know/no answer **0%**

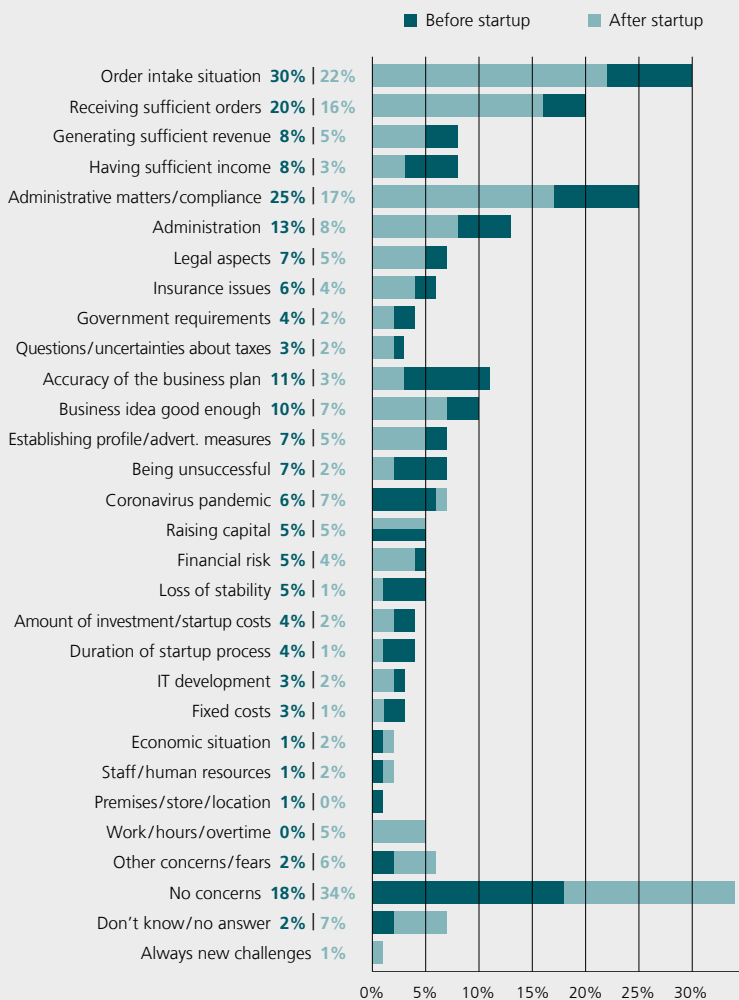
The answers to the question: "What made you decide to set up your own company?"

However, the company founders' view of their future was about more than just their dreams: almost a third worried during the startup phase about whether they would receive enough orders and generate enough turnover in future. 25 percent of respondents also said that administrative costs, legal provisions and compliance with government requirements were a cause for concern.

The founders also felt that choosing the right insurance provider and drawing up their business plan were particularly challenging.

And yet many of their concerns appear to have vanished into thin air shortly after starting their company, when far fewer respondents said that order quantities and administrative work still made them nervous. And the share of the newly carefree increased by a hopeful 16 percent to 34 percent.

Comparison of concerns before and after startup



Most common concerns before startup on the left, concerns after startup on the right. It seems that things tend to get easier. You just have to trust yourself.

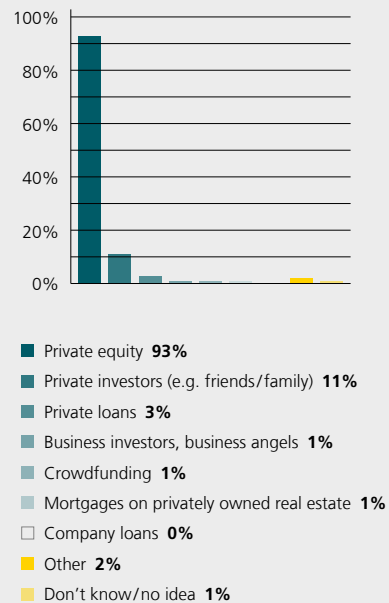
Where the money goes

A very short but intensive startup phase, a comprehensive legal framework and compliance with an array of government requirements: there are dozens of good reasons why you shouldn't take setting up a company lightly. However, it is fascinating that the issues of "startup costs" and "procuring capital" were a cause for concern for only four percent of those surveyed. Why is that?

The startup costs are manageable: around a third of those surveyed indicated that they spent less than 500 francs on setting up their company. 20 percent of survey participants invested 2,000 francs or more, in most cases for legal and fiduciary services.

And Swiss entrepreneurs appear to have no problem raising the capital required. The study shows that almost half of all sole proprietorships had starting capital of less than 5,000 francs. A full 64 percent of new GmbHs had starting capital of 20,000 francs. And more than half of the private limited companies brought between 50,000 and 100,000 francs to the table.

Origin of capital



The answers to the question: "Where does the capital used for your company come from?"

According to the study, 93 percent of the capital for all respondents – i.e. for all legal forms – comes from private equity. Private investors were involved in 11 percent of cases.

As to whether and when the capital invested bears fruit, it seems to be a balancing act, at least according to the study. Of the total number of respondents, 35 percent said that they had exceeded their set revenue targets in the first year after startup, while 29 percent reported the opposite.

And yet the staying power and self-confidence of Swiss company founders can be seen at every stage of their journey. Asked whether they would in retrospect change anything if they were to launch a new startup, an overwhelming 51 percent answered with a clear no.

What about coronavirus?

In 2021, we experienced a second year of coronavirus worldwide. With this in mind, it is interesting to pose the question of what changed in this regard for Swiss entrepreneurs between 2020 and 2021.*

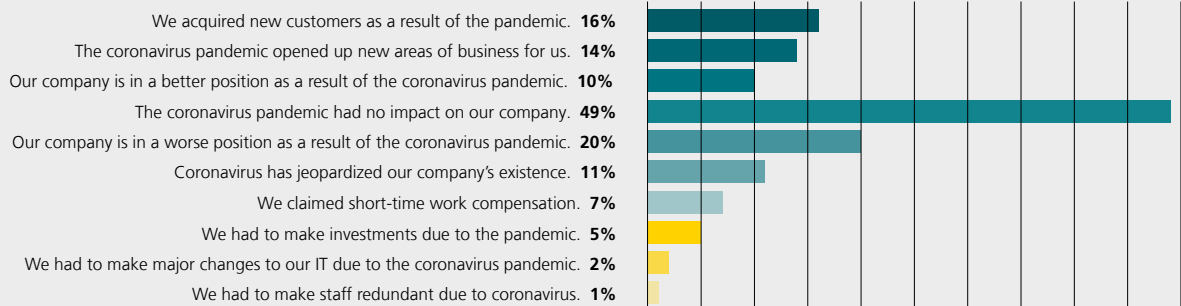
First and foremost, with a record-breaking number of newly founded companies, the Swiss startup scene has clearly shown that it believes in itself, especially in times of change beyond its control.

Where in the previous year a third of those surveyed said that they were worse off as a result of the pandemic, this figure improved to just 20 percent of startups in 2021. Only 11 percent said they felt their livelihood was threatened by the coronavirus situation – a figure that was still at 20 percent the year before. And some respondents even managed to benefit from the new situation. This figure also improved – from 7 percent in 2020 to 10 percent in 2021.

* Important note: the number of respondents was not the same in the two years (2020 = 912, 2021 = 725). The percentages therefore cannot be compared directly with each other and are intended only to illustrate a tendency.

Alongside the IFJ Institut für Jungunternehmen, PostFinance supports company founders with the overall startup process by providing attractive services, invaluable expertise and useful tools. More information can be found at: postfinance.ch/startup or ifj.ch.

Impact of coronavirus



The answers to the question: "Which of the following statements about the coronavirus pandemic applies to your company?"

All data comes from the study "The startup market in Switzerland 2021". This was conducted by PostFinance in cooperation with the IFJ and the LINK Institute. For the study, 725 interviews were carried out with people who have founded companies in the past 24 months. The interviews and evaluations were conducted between 10 and 24 January 2022.

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