

Migrant Founders Monitor

 **STARTUP
VERBAND**
Die Unternehmen
der Zukunft.

 **FRIEDRICH NAUMANN
STIFTUNG** Für die Freiheit.

20
22

A vibrant, stylized illustration of a diverse group of people's silhouettes in profile, facing right. The silhouettes are filled with various colors including shades of blue, green, pink, purple, and white. The background is a solid dark blue. The overall composition is modern and inclusive.



The Migrant Founders Monitor is a key study in the field

The Migrant Founders Monitor...

... is the **leading report** on the role and importance of founders with a migration background in the German startup ecosystem.

... brings into focus the **relationship** between migration and entrepreneurial innovation, promoting social cohesion.

... sheds light on the **strengths and potential** offered as well as the challenges faced by startup founders with migration experience.

People with a migration background create innovation in Germany

German startups are gaining immensely in importance as an **economic factor** and already employ **415,000 people** – with an upward trend.¹

Migrant Founders significantly contribute to these developments due to their **expertise** and pronounced **startup mindset**.²

In addition, economic participation and entrepreneurial success stories associated with it strengthen **social cohesion**.

1) Roland Berger et al. (2021)

2) Hirschfeld et al. (2021), Center for American Entrepreneurship (2017)

Well-known startups with Migrant Founders

Key results

- 1 Integral part:**
22% of startup founders in Germany have a migration background. Of these, 59% are first-generation Migrant Founders: They were born abroad and have their own migration experience.
- 2 Importance across ecosystems:**
Migrant Founders are located all over Germany and thus shape all regions. At the same time, Berlin stands out as a particularly attractive place for founders from abroad.
- 3 Significant potential:**
With a 91% share of academics and a strong entrepreneurial mindset, many first-generation Migrant Founders possess key qualities for creating successful startups.
- 4 Structural barriers:**
There are challenges in the areas of collaboration, financing and growth. 43% of first-generation Migrant Founders report having difficulties in raising capital – compared to 36% of startups in general.
- 5 Openness matters:**
Every third first-generation Migrant Founder has had racist experiences in the course of founding a company – the focus is on authorities, but there have been difficulties when contacting banks and investors as well.
- 6 International high potentials:**
Founders with own migration experience and international degrees form a highly relevant group. A particularly pronounced startup mindset is evident here, but experiences of racism are also more prevalent.

Migrant Founders in Germany



Proportion of people with a migration background in Germany

25.9%

Labour force³

23.1%

Self-employed³

21.5%

Startup founders⁴



Migrant Founders shape the startup ecosystem

- People with a migration background play a **central role** among the self-employed but also as startup founders.⁵
- With 22%, Migrant Founders represent a **significant share** of the startup scene, which is growing despite COVID-19.⁶



The coronavirus crisis poses enormous challenges for the self-employed: **The high and stable share** of people with a migration background in this sector **counteracts the decline**.

3) Federal Statistical Office (2022)

4) The definition of migration background is detailed in the methods section.

5) David et al. (2022)

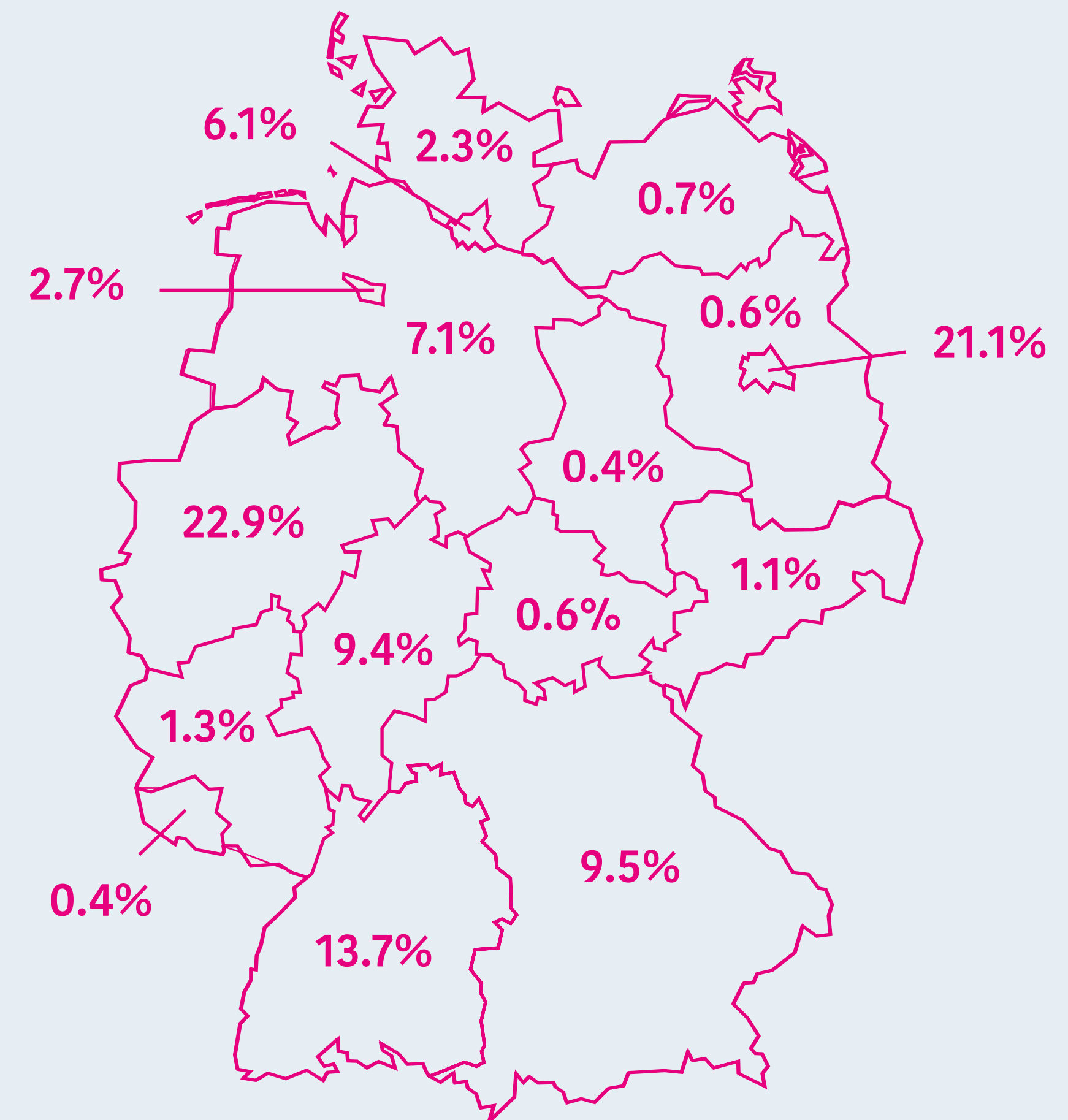
6) Startupdetector (2022)

Migrant Founders are present throughout the country

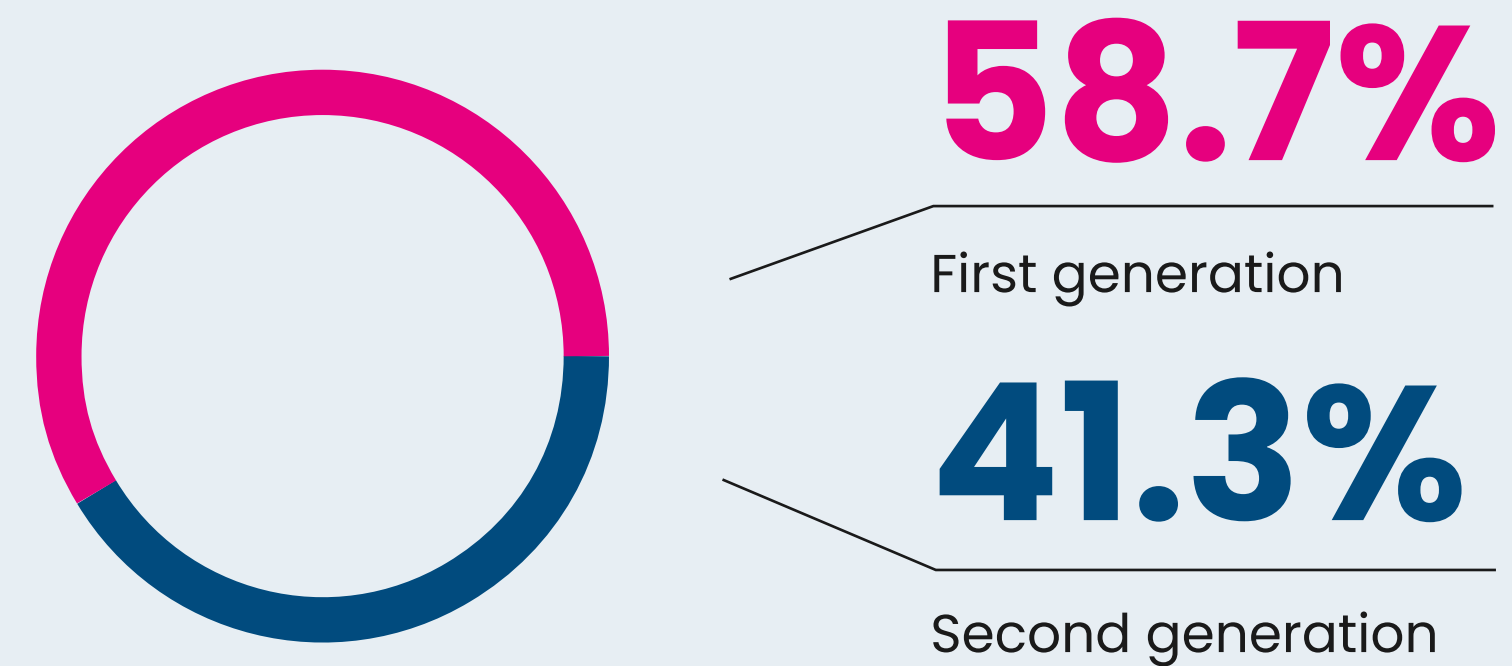
- Founders with a migration background play an important role in the various startup ecosystems **across Germany**.
- In terms of the distribution, **additional factors overlap**, such as general startup activity and the proportion of migrants in the respective state.
- Most Migrant Founders can be found in **North-Rhine Westphalia and Berlin** – the capital is particularly attractive for founders from abroad.

7) The basis for the regional distribution is the German Startup Monitor (DSM) sample – it only reflects tendencies. Values around 0% indicate that the number in these regions is very low.

Distribution of founders with a migration background in Germany (2020 and 2021)⁷



Startup founders with a migration background⁸



The first generation is the focus of attention

- A total of **394 founders with a migration background** in the first or second generation participated in the German Startup Monitor (DSM) 2021.
- **59% were born abroad**, have their own migration experience and are referred to as first-generation Migrant Founders.
- The analysis focuses on the first generation as for this group **distinct characteristics** and **special challenges** are most evident.

⁸) The definitions of the first and second generation are detailed in the methods section.

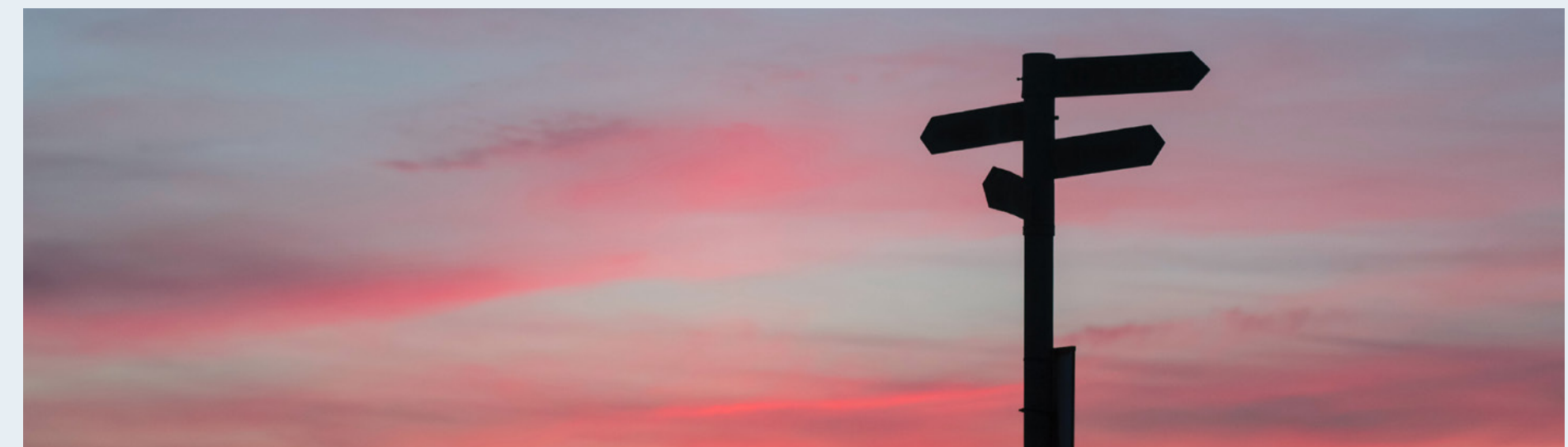
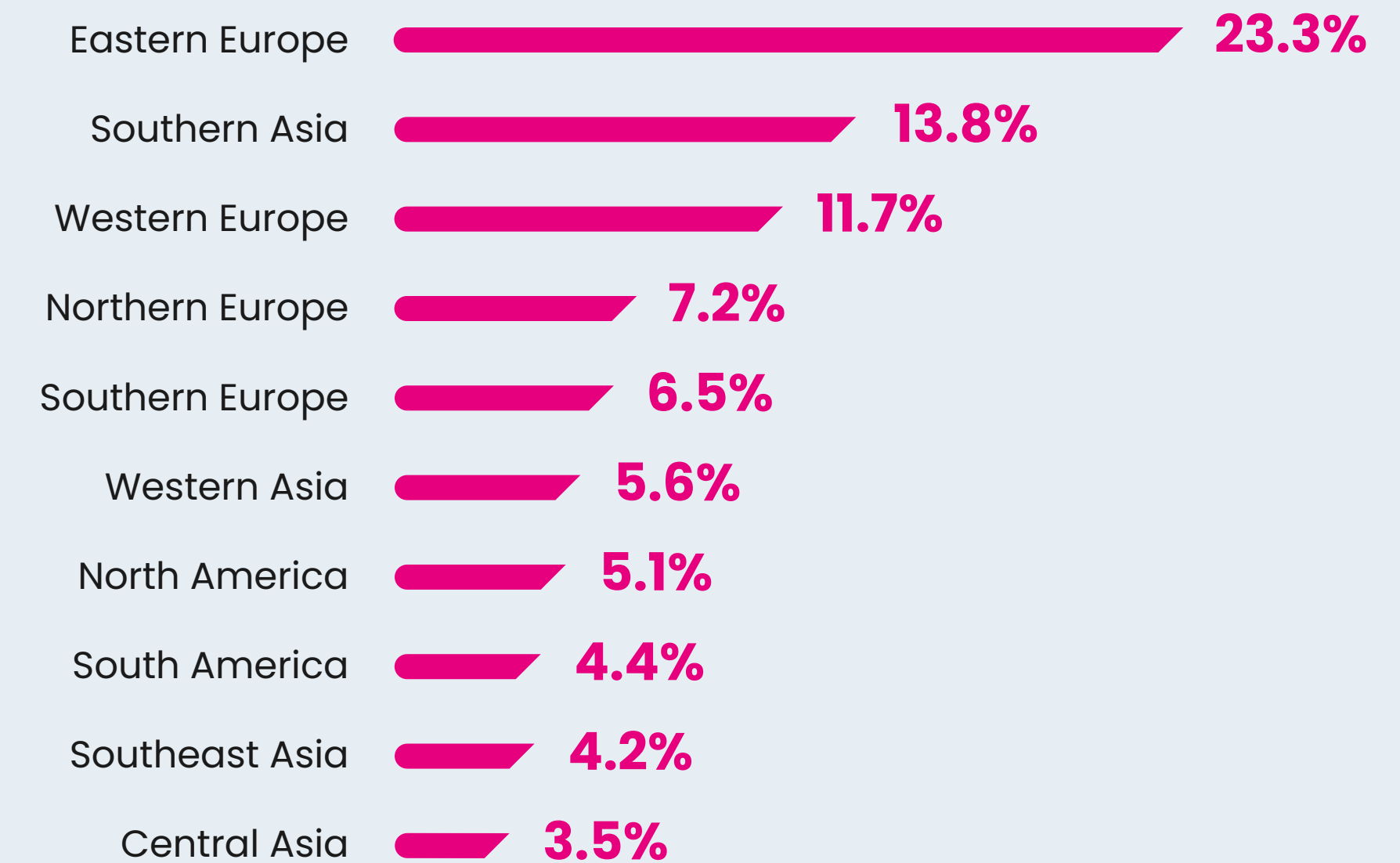
49% were born in European countries

- Eastern Europe and Southern Asia are the **most important regions** regarding the birthplaces of first-generation Migrant Founders.
- In terms of countries of origin, founders from Russia, India and Poland make up the **biggest groups** among first-generation Migrant Founders.
- In the **second generation**, the most common migration backgrounds are Turkish (18%), Polish (7%) and Italian (6%).⁹

9) The data basis for this is the citizenship of the parents of 313 founders from the 2020 and 2021 DSM surveys.

10) The regional allocation is based on the classification of the United Nations Statistics Division (United Nations, 2022). The data basis is the place of birth of 429 founders from the 2020 and 2021 DSM surveys.

Top 10 regions of origin of first-generation Migrant Founders (2020 and 2021)¹⁰



// For me, as someone who was born in the Soviet Union, Europe is incredibly attractive. Open borders, freedom and shared values. This European way of thinking is what inspired me to start Raisin and tear down Europe's financial borders."

Dr. Tamaz Georgadze
Founder and CEO Raisin



// Workademy builds a learning management system for scalable businesses that allows anyone to share knowledge in a meaningful way. As a part of our social responsibility, we cooperate with educational projects related to hybrid wars, anti-propaganda, fact-checking, etc. Being a Ukrainian founder, I feel my responsibility to leverage educational technology never to let wars come back to our lives."

Olga Filipova
Co-Founder and CEO Workademy



Expertise and mindset

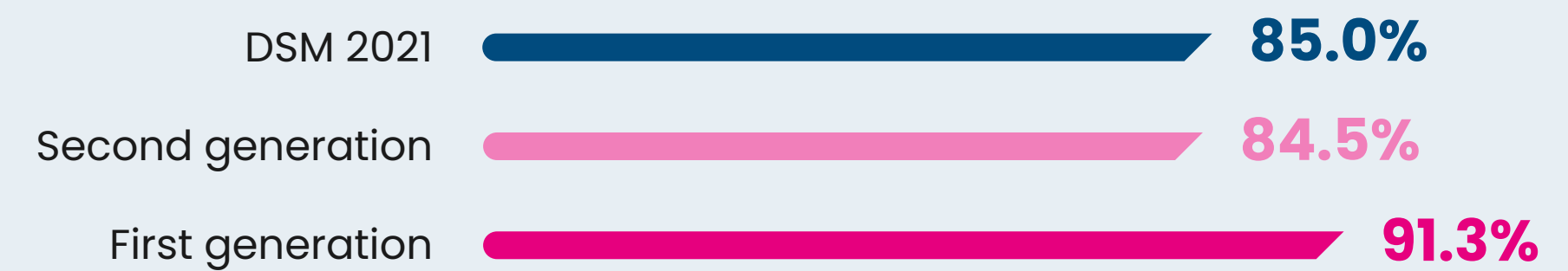


German startup scene attracts skilled founders

- Among first-generation Migrant Founders the proportion of **university graduates is higher** than for founders in general.
- In the **general population** (age 25 to 65), this share is **significantly lower** for people with (23%) and without (24%) a migration background.¹¹
- The **large majority** (89%) of first-generation Migrant Founders has a degree in the field of **economics or STEM** – similar to founders generally.

¹¹) Federal Statistical Office (2022)

Proportion of academics



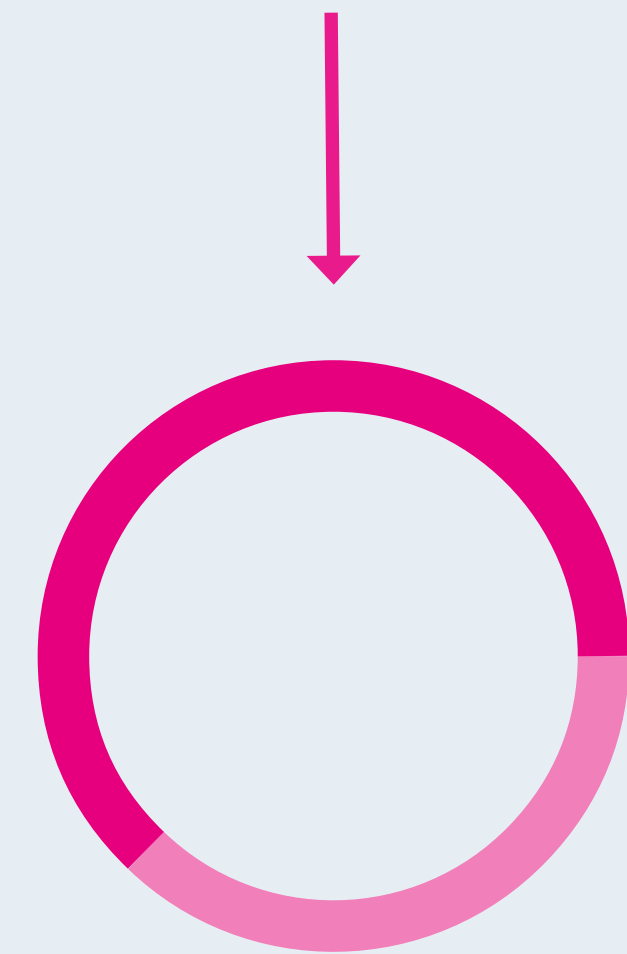
Further differentiation

58.7%

First generation

41.3%

Second generation



62.9%

of the first generation
studied in Germany

37.1%

of the first generation
studied abroad

Taking a closer look at the first generation

- With regard to the **first generation** in particular, the place of study proves to be an **important factor for differentiation**.
- Of these almost **two thirds** completed their **studies in Germany** – which means they have been living here for longer.
- First-generation Migrant Founders who studied abroad bring **significant potential** with them, but also have to overcome **bigger challenges**.

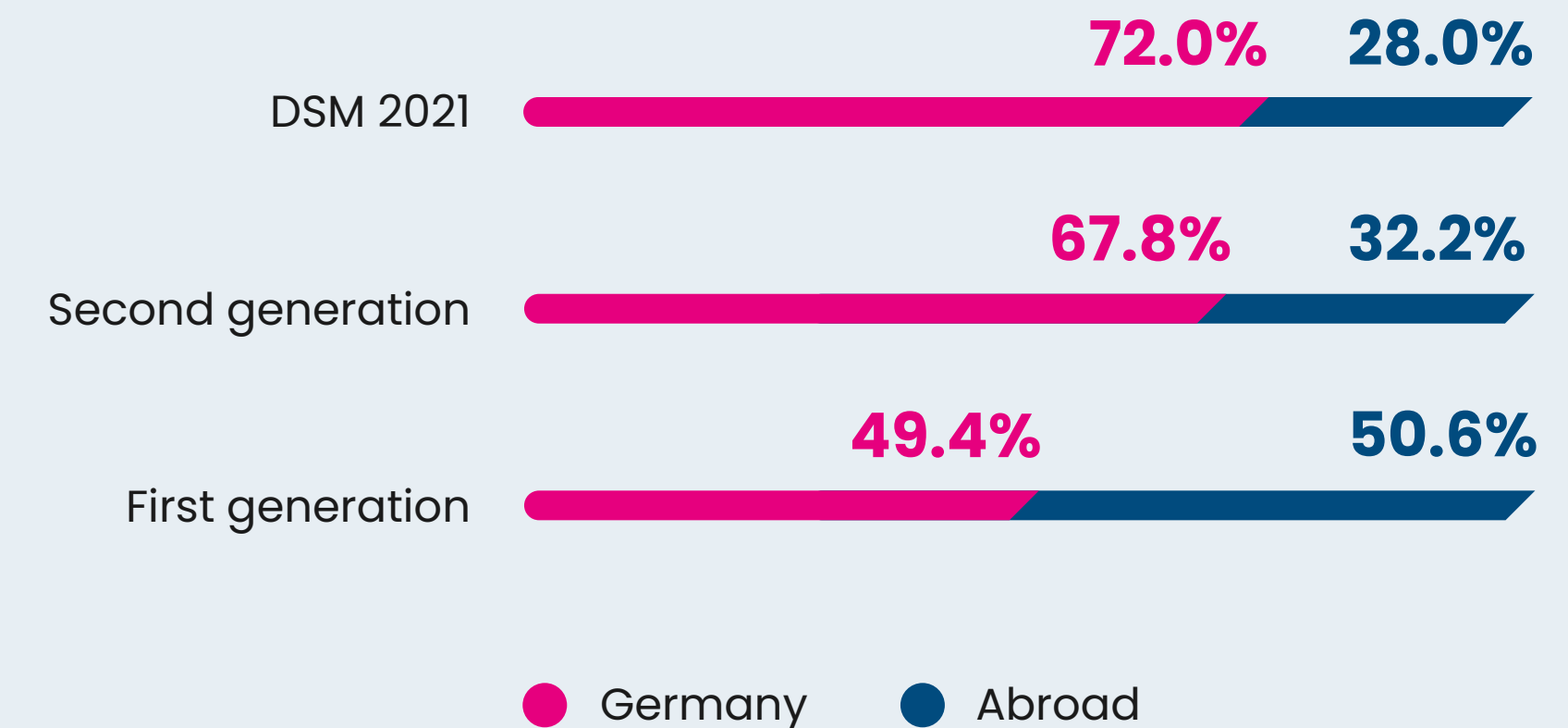
Migrant Founders strengthen international focus

- **Teams** of Migrant Founders are **internationally more diverse** and are able to draw from a broader pool of talent.
- **75%** of first-generation Migrant Founders **plan to internationalise** – more than in the general startup average (69%).
- This **impetus is important** because many startups in Germany are still very much limited to the domestic market.

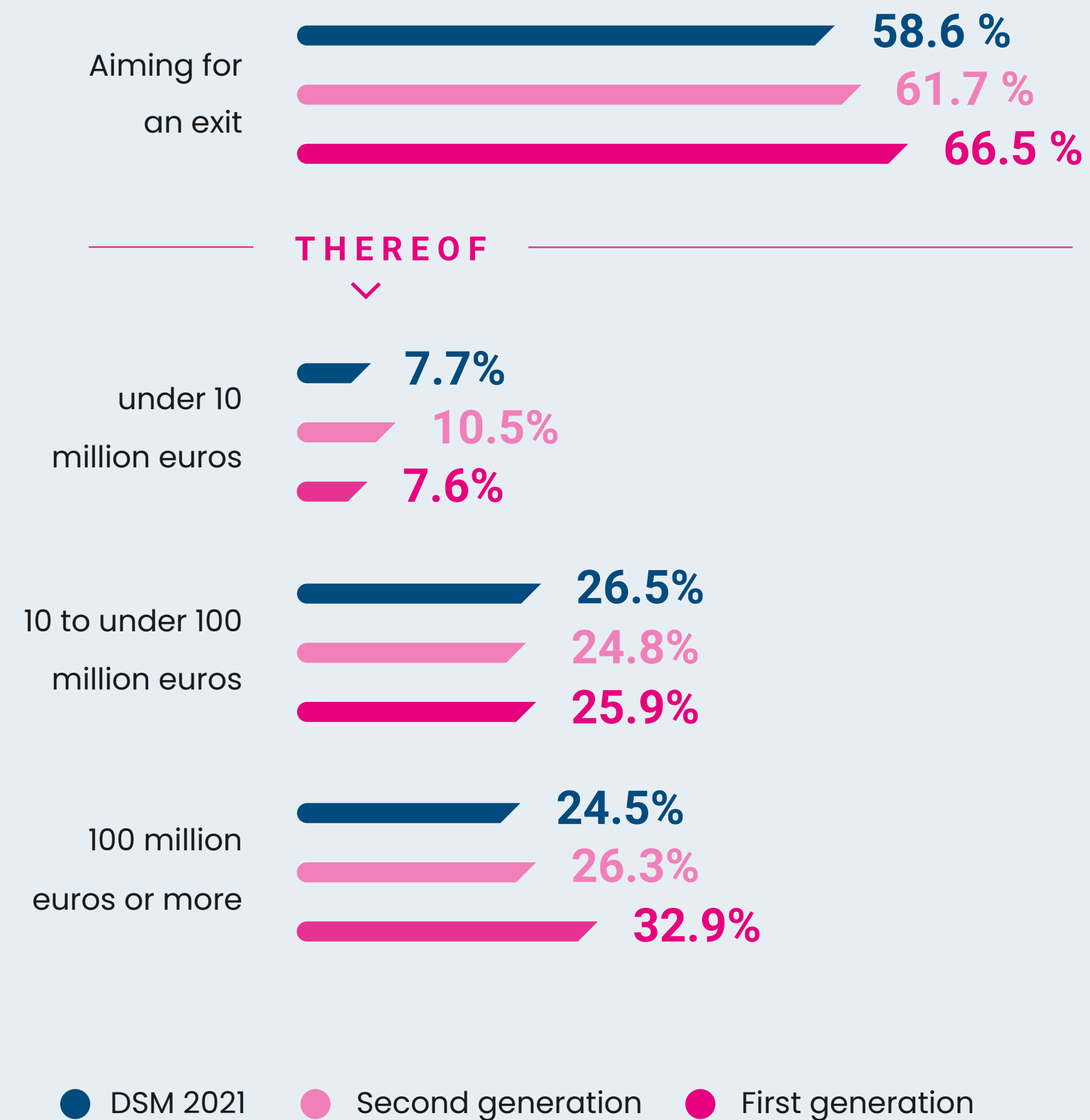


This pattern is even more evident among Migrant Founders with a foreign degree: 85% of them plan to internationalise.

National origin of employees



Exit as a target



Ambitions and willingness to take risks are more pronounced

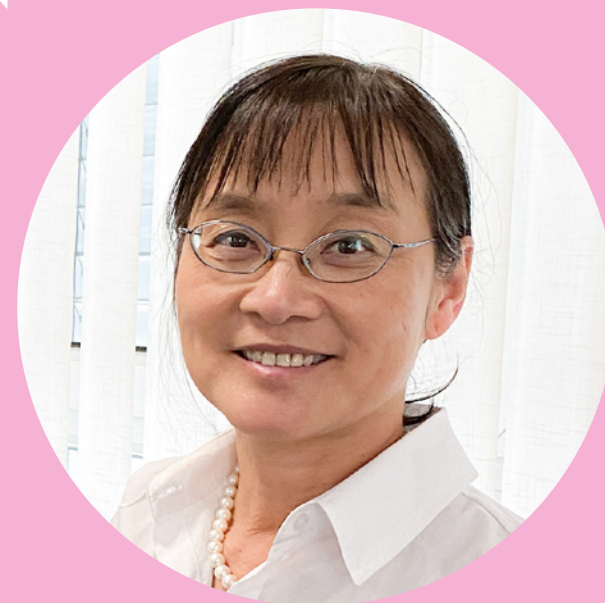
- First-generation Migrant Founders **more often have the ambition to pursue an exit** and aim for higher valuations.
- With a share of 30% – compared to 25% in the general startup average – aiming at an **IPO** as an exit-channel **is more common**.
- 53% of first-generation Migrant Founders consider themselves **more prepared to take risks** than other founders (41% on average).



The group that studied abroad stands out once again: 71% are planning an exit and 40% want to achieve a valuation of over €100m.

**// We have big plans for SAX Power.
We want to drive energy independence forward with our battery technology, both in private households and in industry. The strength of the German economy provides great opportunities for successful partnerships.”**

Lei Shen
Founder and CEO SAX Power



// Inkitt is the first data-driven multi-media powerhouse. Our in-house technology enables us to spot talented writers and our Galatea distribution platform pushes commercial success to blockbuster-level.”

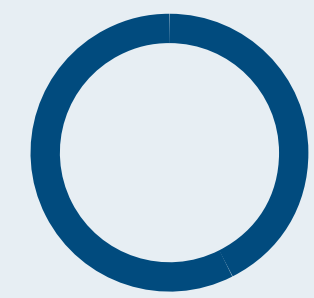
Ali Albazaz
Founder and CEO Inkitt





Growth and financing

Average number of employees



17.6

DSM 2021



9.7

First generation



Growth remains a challenge

- Besides financing, the number of employees serves as an **indicator for growth** and development in the sector.
- First-generation Migrant Founders **continue to fall behind** on this key indicator – on average their teams are significantly smaller.
- This is clearly **at odds with the enormous potential** in terms of expertise and mindset.

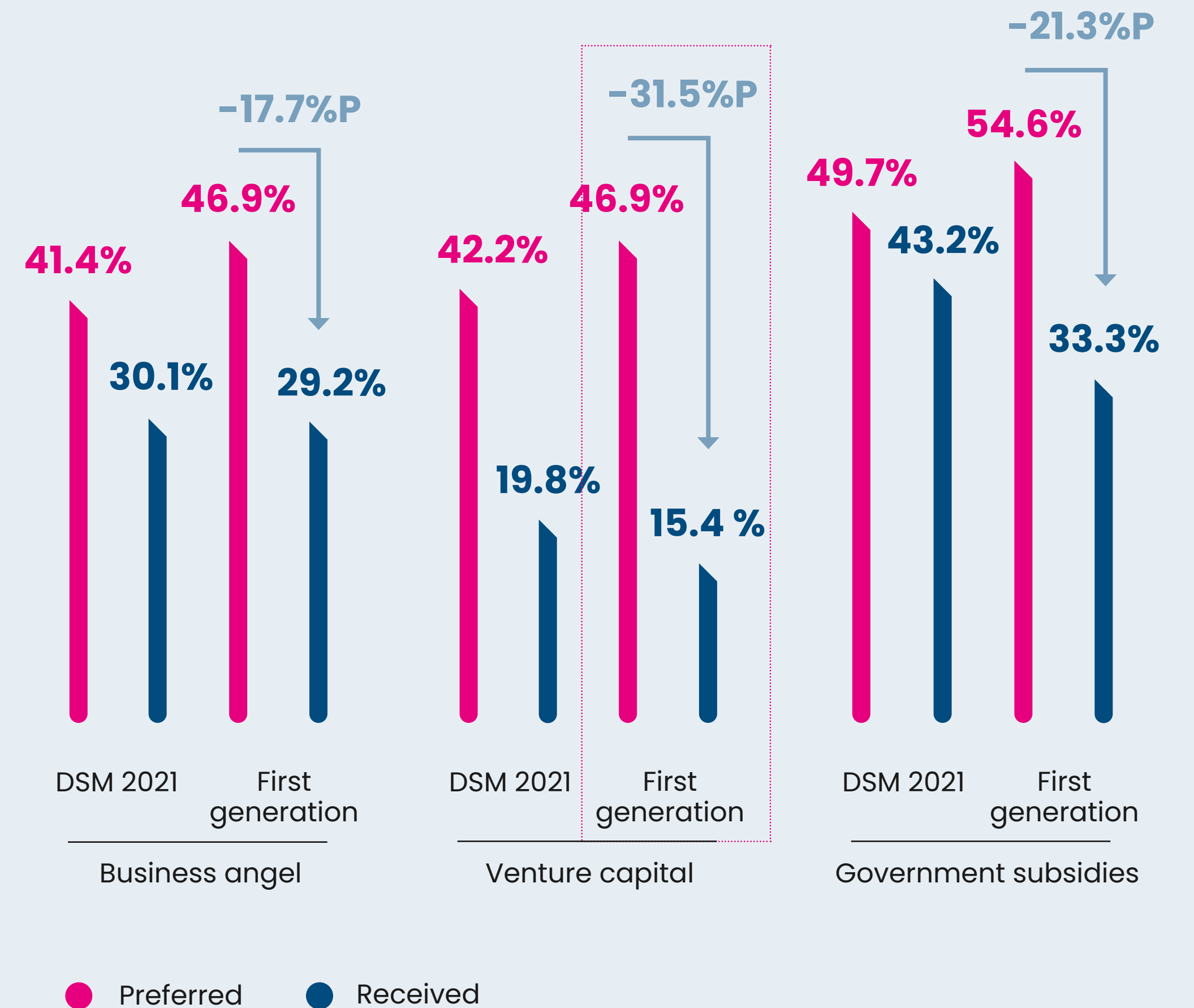


First-generation Migrant Founders are less represented among the startups with larger workforces.

Migrant Founders still benefit less from the VC-boom

- In the important early- and mid-stage **business angel sector** there are evidently still **challenges** to be overcome.
- The same applies to **government subsidies**, which are also important in the early phase and part of the incentive structure.
- In the case of **venture capital**, there is an even wider **gap between preferred and received funds**, limiting growth opportunities.

Sources of capital (selected)



Funding as a key challenge



Raising capital is more difficult

- **Raising capital** is one of the key challenges for start-ups in general, but even more so for first-generation Migrant Founders.
- This is also reflected in the financing amounts – **larger rounds are less common** for startups of Migrant Founders..
- Against the backdrop of the importance of investments and financing, it is worth taking a more **differentiated view**.

// International founders have established a multitude of impressive firms in Silicon Valley over the past few decades. We want to latch onto this in Germany and provide Migrant Founders with practical support with networking, mentoring and funding.”

Benjamin Wilkening
Vision Lab Partner Earlybird

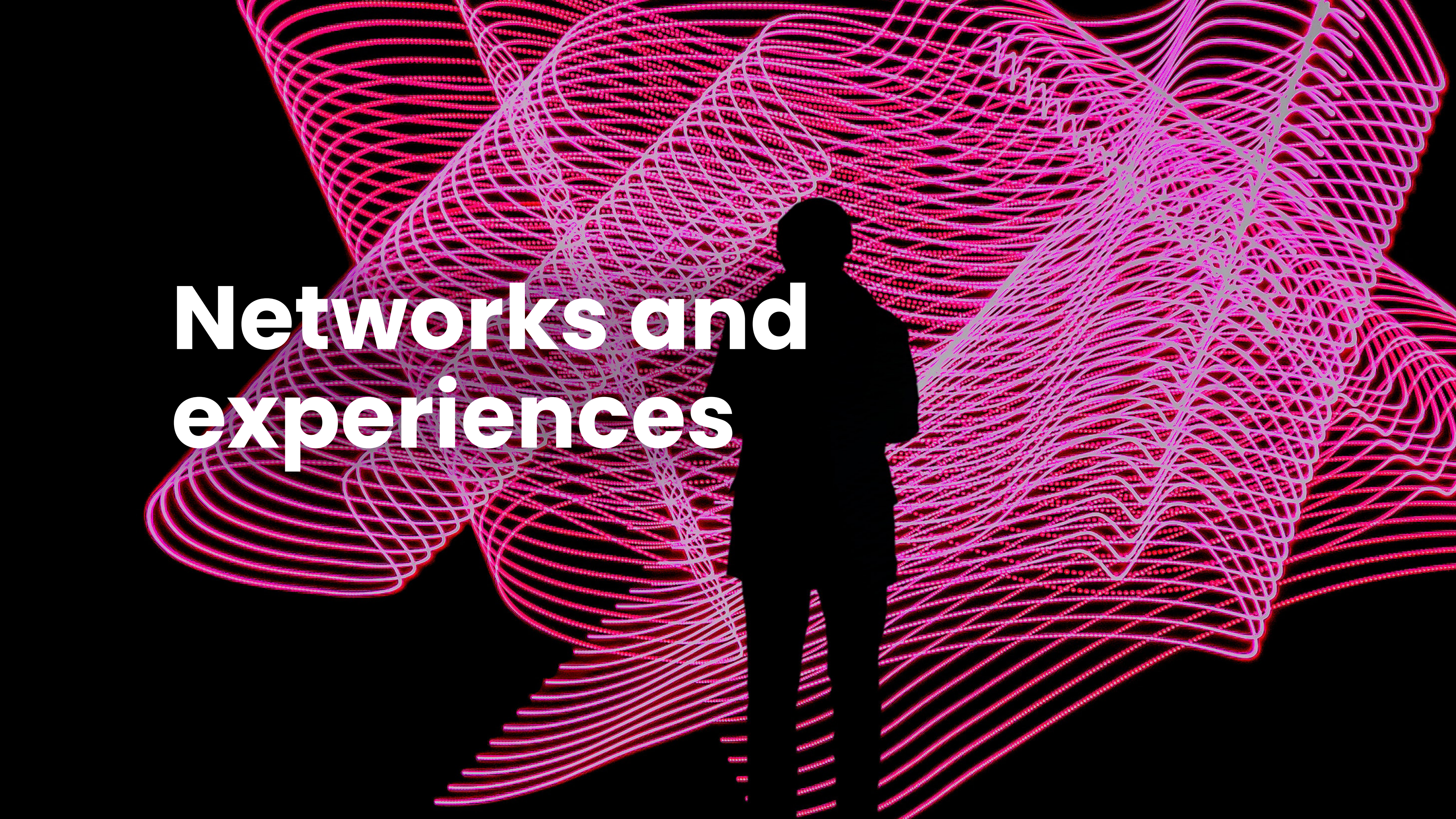


// Founders with a migration background often lack access to networks. Meanwhile, almost one in two unicorns in the USA are founded by Migrant Founders. We cannot afford to leave this potential untapped.”

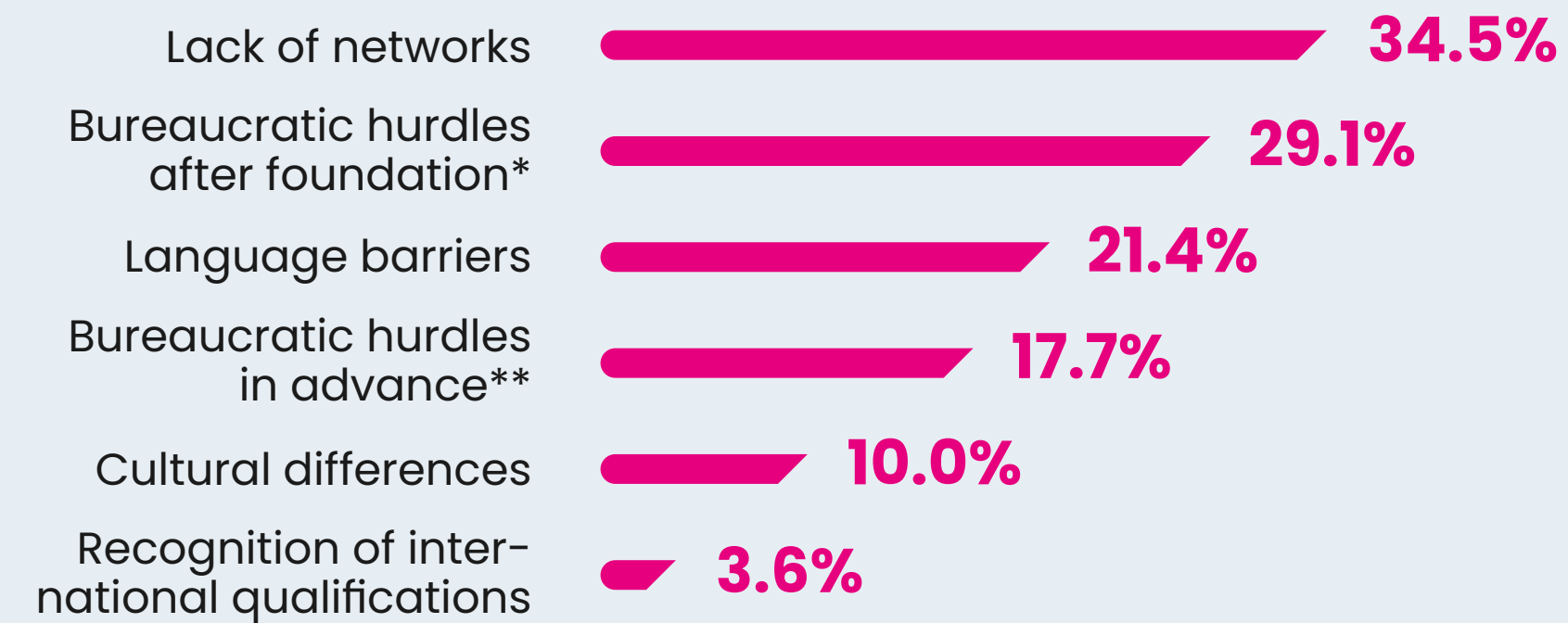
Kurosch Habibi
Founder and Co-CEO CARL



Networks and experiences

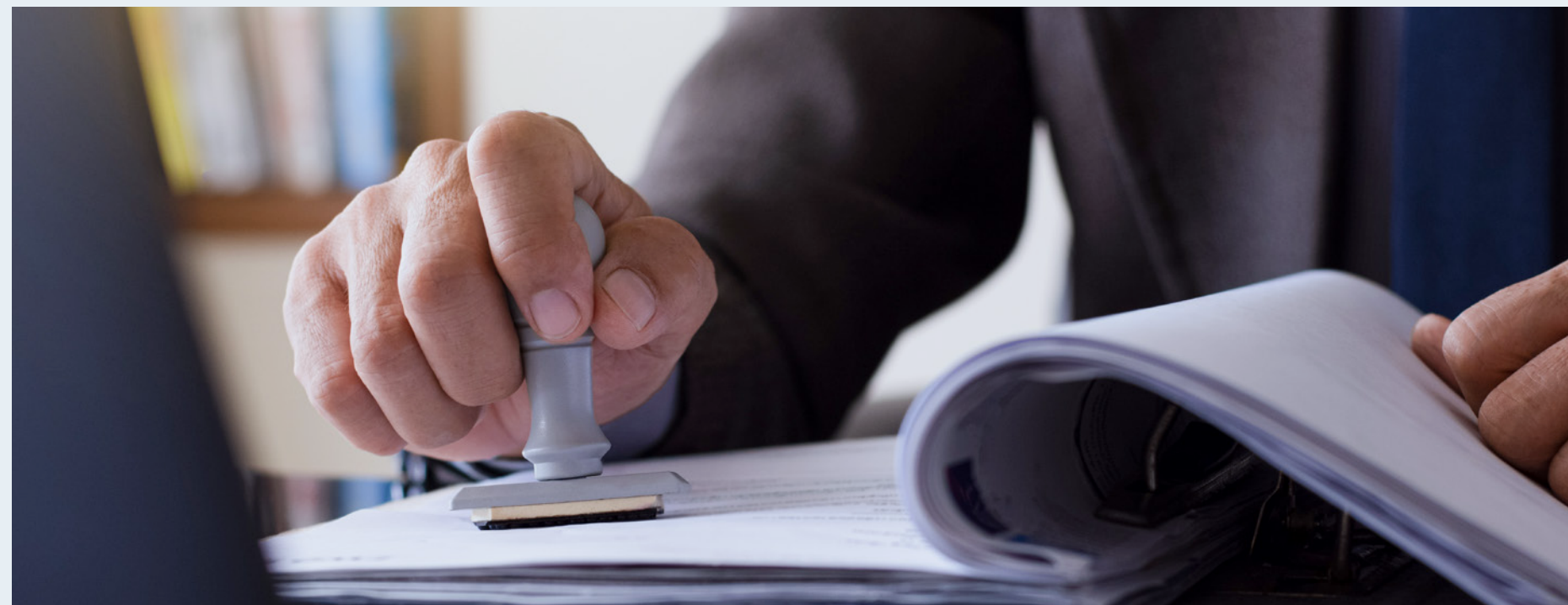
The image features a central black silhouette of a person standing with their back to the viewer, looking into a vast, intricate network of glowing pink and purple lines. These lines form a complex, web-like structure that fills the background, creating a sense of depth and connectivity. The overall aesthetic is futuristic and digital, representing the concept of networks and experiences.

Challenges for first-generation Migrant Founders



*(e.g. social security, residence registration office)

** (e.g. visa/work permit)



There is a need for action from politics and the ecosystem

- **Lack of networks is the main challenge** – among the first-generation Migrant Founders that studied abroad, the figure even rises to 57%.
- Beyond that, political action is required **to remove bureaucratic hurdles** and **language barriers** in contact to public agencies.
- These challenges **directly impact growth and financing** and hinder Migrant Founders in realizing their potential.



These numbers point to the relevance of initiatives and programmes for targeted networking – especially with regard to the attractiveness as a startup location.

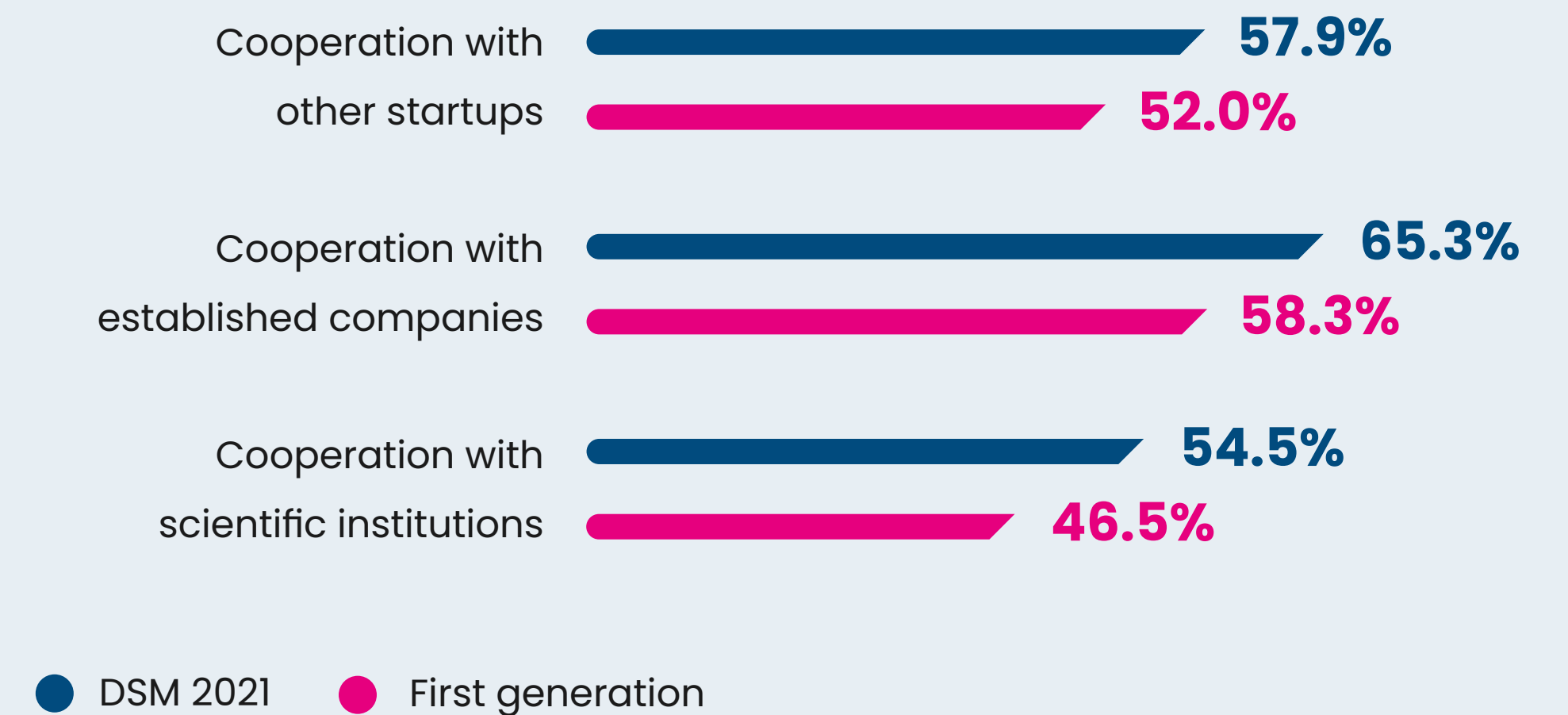
Cooperation must be strengthened

- The challenges first-generation Migrant Founders face in regard to networking are reflected in a **lack of collaborative relationships**.
- This applies in particular to partnerships **with established companies and scientific institutions**.
- These are reasons why with 60%, the share of positive evaluations of the ecosystem is **below the general startup average of 65%**.



Collaboration is even less common for those who studied abroad: 45% collaborate with other startups, 54% with companies and only 36% with academia.

Proportion of startups with cooperation projects



// Migrant Founders who want to set up and make progress with their own company often face a lack of networks or role models. Therefore, the mission of 2hearts is to support Migrant Founders with a strong community and experienced mentors from the tech scene."

Gülsah Wilke
Co-founder 2hearts and COO Ada Health



// Founders with a migration background play an essential part in Germany's startup ecosystem. As shown by the Migrant Founders Monitor, these entrepreneurs are shaping Germany's economic future and create important jobs. In order for their full potential to be realised, we need excellent educational prospects and networking opportunities, to name but two."

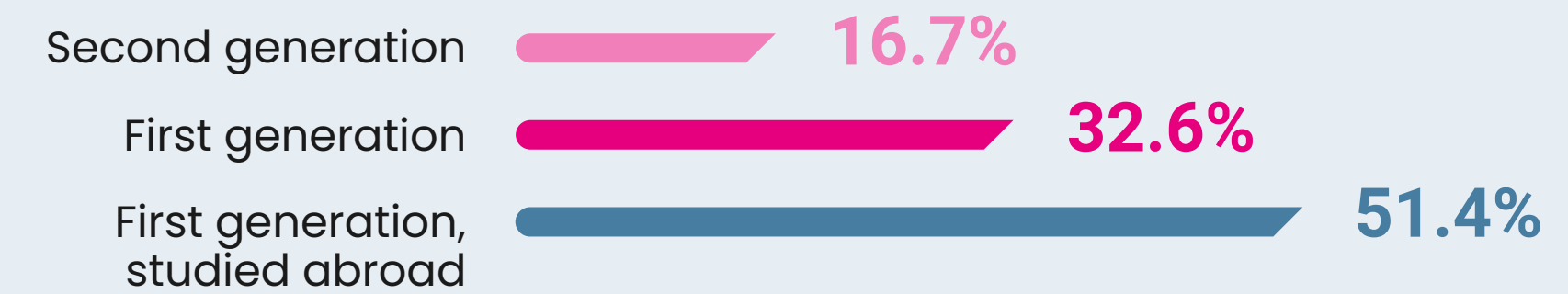
Bettina Stark-Watzinger MdB
Federal Minister of Education and Research



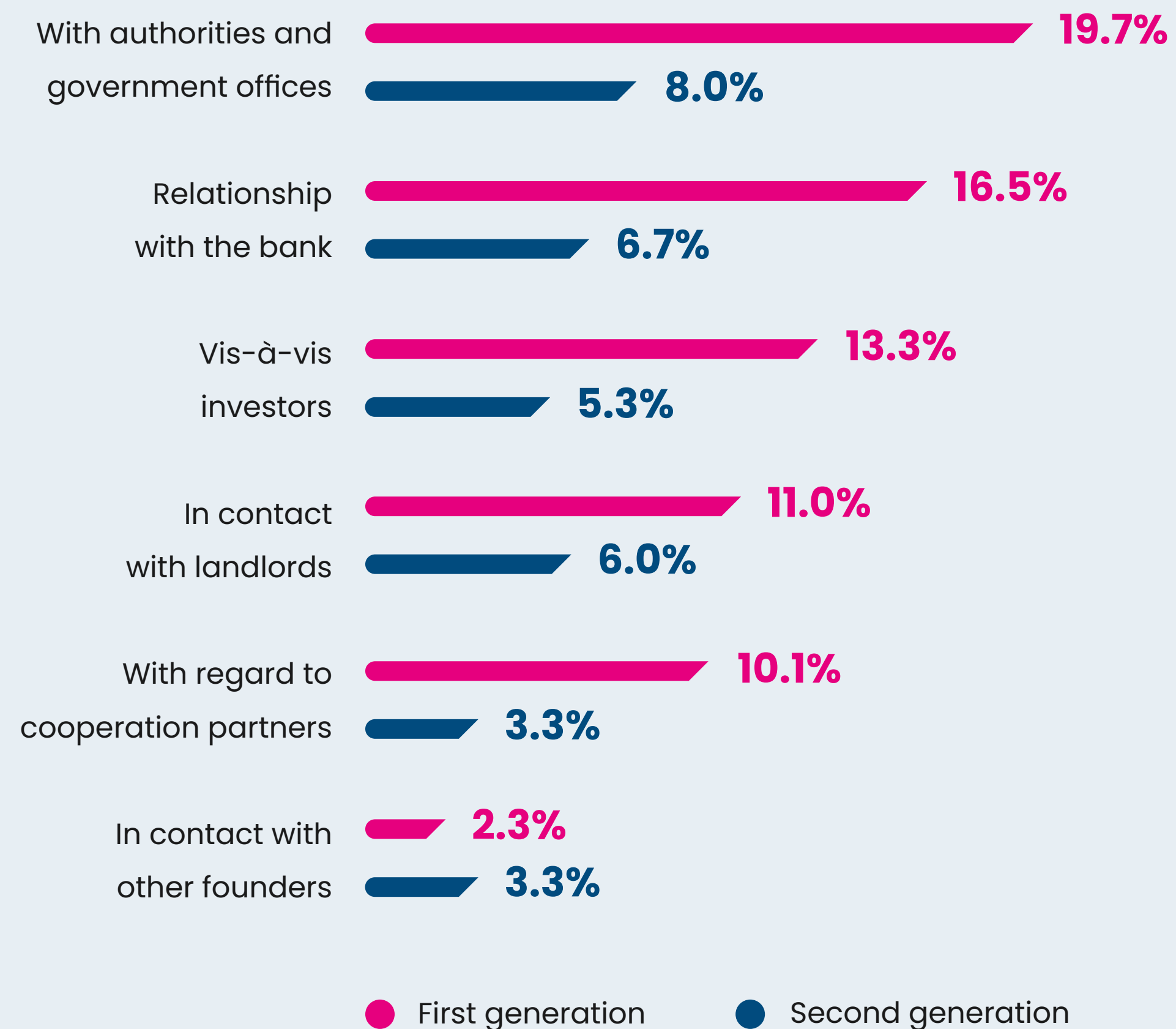
Racism can also be found in the startup sector

- Within the framework of the survey, we also asked about the **experience of racism** as a Migrant Founder in Germany.
- Looking at the different groups of Migrant Founders provides an **indication of the scale and focus** of the problem.
- The high percentage among people who have arrived in the country **after completing their studies** is striking.

Experience of racism as a startup founder



Experiences with racism



Authorities and funding in the spotlight

- Looking more specifically into the experiences with racism, **authorities and government offices become the main point of focus.**
- Issues also become apparent in **startup financing** – the situation is different however, when it comes to the interaction between founders.
- Overall, it is evident that state institutions and the startup ecosystem need to **counteract prejudice.**



Among those who studied abroad, these experiences are more frequent – in contact with authorities and government offices (36%), banks (26%) as well as investors (21%).

// With their innovative ideas, Migrant Founders are driving our economy and society forward. If we want to further leverage this potential, we need to be more open-minded and address existing challenges in a more targeted way.”

Judith Dada
General Partner La Famiglia VC
Board member German Startups Association



// „We’re disadvantaged in many aspects, and bureaucracy language is one of them. It often leads to misunderstandings with serious consequences, so we tackle this issue through our 911 Bureaucrazy line and through our network that brings opportunities and services at any stage.”

Ana Álvarez
Founder and CEO Migrapreneur





Methodology, sources and contacts

Applied definitions of the Federal Statistical Office:¹²

1. Migration background

A person has a migration background if he or she, or at least one parent, was not born with German citizenship.

- ▶ As part of the DSM survey, the nationality at birth of the respondents as well as their parents is recorded.

2. Migration experience

A person with a migration background who was born abroad has their own experience of migration. A person with a migration background who was born in Germany does not have migration experience of their own.

- ▶ To that end, the DSM asks for the founder's birthplace. If it lies outside Germany, they are referred to as the „first generation“; if the founder is born in Germany, they are referred to as „second generation“ Migrant Founders.

Methodology

- The central database is the **German Startup Monitor 2021 (DSM) – with 2,013 participants**, it is the most comprehensive survey of German startups.¹³
- The DSM 2021 includes **data on 394 startups** whose **founders have a migration background** of the first or second generation.
- The survey design regarding the migration background in the DSM follows the **definition specified by the Federal Statistical Office**.

12) Federal Statistical Office (2022)

13) Kollmann et al. (2021)

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