

Migrant Founders Monitor



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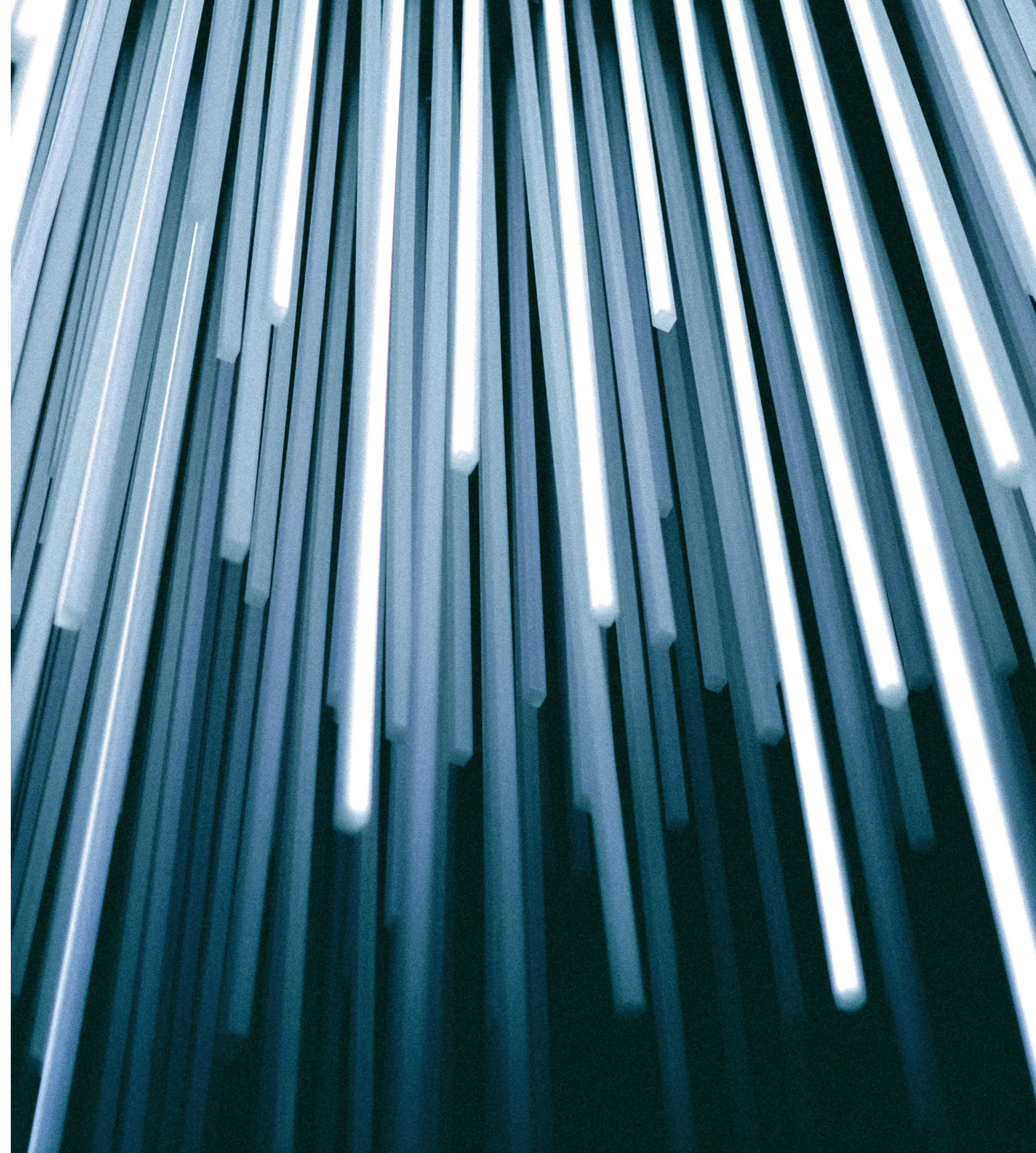


**FRIEDRICH NAUMANN
STIFTUNG** Für die Freiheit.

Objective of the report

- The report focuses on the connection between **migration and innovation**, analyzing the German startup ecosystem.
- It highlights the **strengths and challenges** as well as the potential of **startup founders with migration background**.
- Whereas there is plenty of documentation on migrants who have set up traditional businesses, there is a **lack of data and information** regarding startups.

1) Unless otherwise stated, all following diagrams are based on analyses of data from the German Startup Monitor (GSM) 2020.



Well-known startups with migrant founders

 raisin.

ResearchGate

 GORILLAS

 AUTO 1 .com

 omio

 Delivery Hero

 GET YOUR GUIDE

 Qunomedical

 MAMBU

 BIONTECH

Diversity as a success factor

- Studies in the US point to the huge **significance of migrant founders** for innovative companies.²
- Also in Germany, **numerous successful startups** point to the relevance of migrants for the startup ecosystem.
- The **Migrant Founders Monitor** provides **quantitative insights** based on data from the German Startup Monitor (GSM).

2) Center for American Entrepreneurship (2017)



Key results

- 1 Central significance**

With a share of 20 %, founders with a migration background play an important role in the startup ecosystem and are consequently a driving force behind economic innovation in Germany.
- 2 Current dynamics**

Migrant founders are particularly strongly represented in early startup-stages – this is especially true of first-generation migrants. This indicates the international appeal of German startup hotspots.
- 3 High level of expertise**

91 % of first-generation migrant founders have an academic degree, compared with 84 % in the ecosystem as a whole. In addition, many have a background in STEM subjects.
- 4 Strong mindset**

First-generation migrant founders are characterized by a strong startup mindset. They are more willing to take risks and 68 % aim for an exit.
- 5 The challenge of growth**

When it comes to funding and collaboration, founders with a migration background are still facing difficulties, pointing to cultural and structural barriers.

Migrant Founders in Germany

The background of the slide is a scenic landscape during a sunset or sunrise. The sky transitions from a deep, dark blue at the top to a vibrant orange and red near the horizon. Silhouettes of rolling hills and scattered clouds are visible against the bright lower portion of the sky. The overall mood is serene and contemplative.

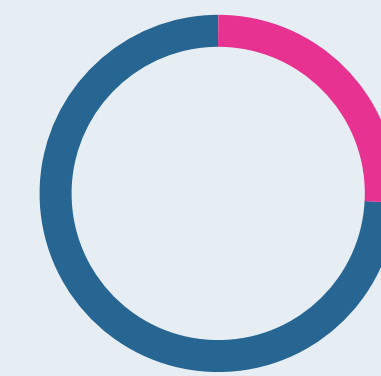
Migrant founders play a key role in the ecosystem

- Startups have become a **relevant economic factor** in recent years.
- **Metropolitan regions** in particular are **attracting** more and more international talent and capital.

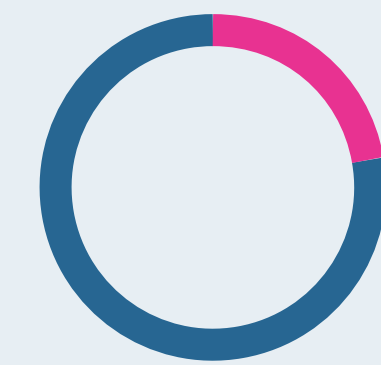


The number of self-employed people with a migration background has increased significantly from 567,000 (2005) to 773,000 (2018).⁴

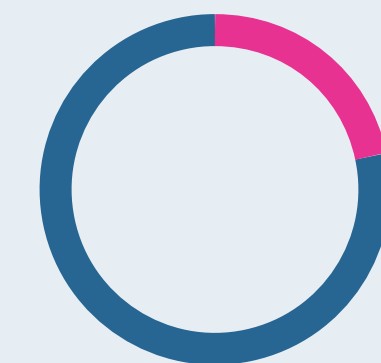
Share of people with a migration background



25.0 %
Working population³



21.7 %
Self-employed⁴



20.3 %
Startup founders



3) Federal Statistical Office (2021b)

4) Bertelsmann Foundation (2020)



“Diversity is not an option. It is a social necessity that we have to advocate for as early as possible, not just when people have already become founders. Entrepreneurial talent should be promoted as early as in childhood: If we succeed in breaking down the mental and the real barriers at a young age, then we can leverage the enormous potential that so far has been left untapped.”

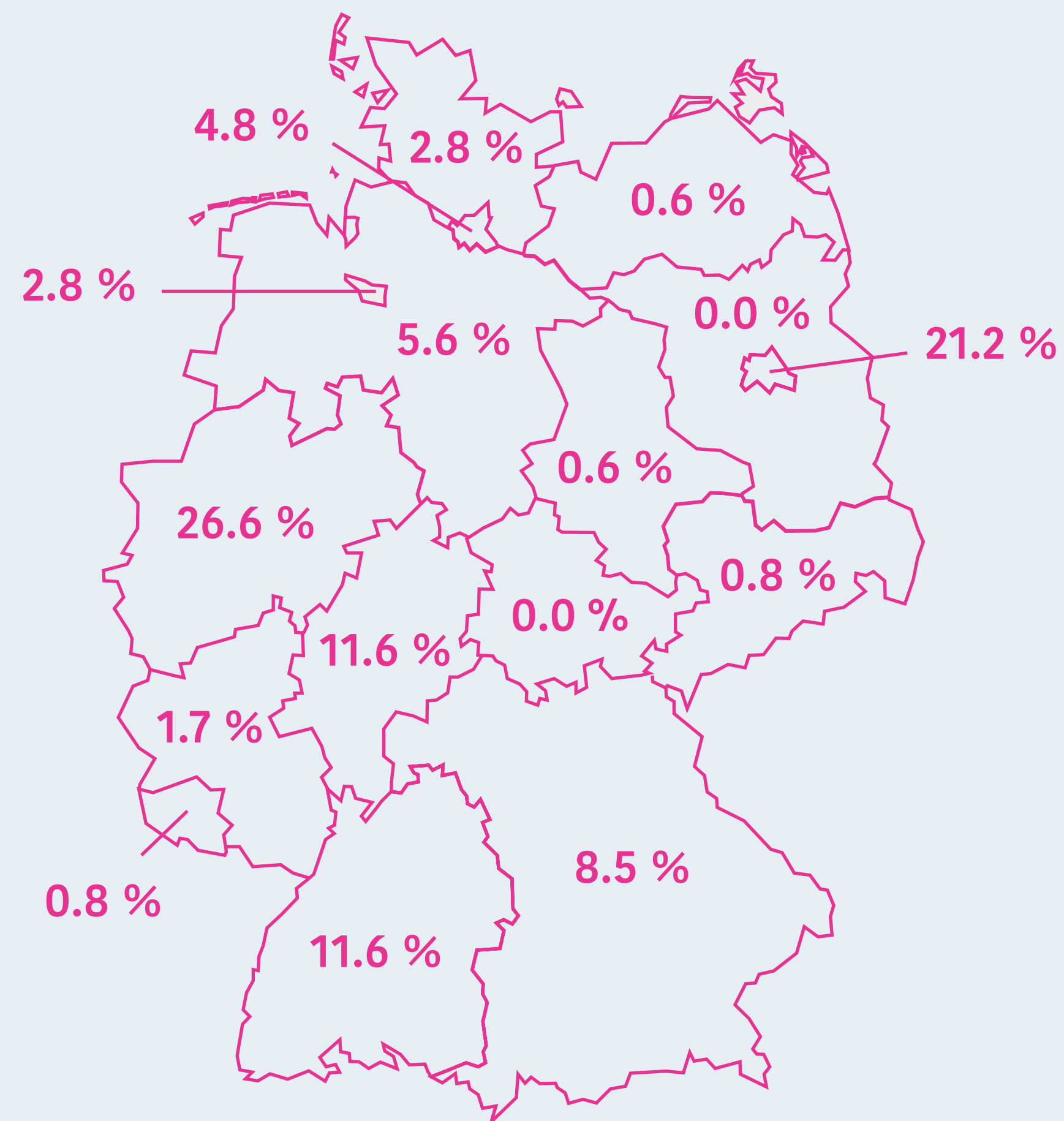
– **Dr. Sophie Chung, Founder and CEO Qunomedical and board member of the German Startups Association**

“As a child, I dreamed of winning a Nobel Prize, and when I abandoned my academic medical career, many of my colleagues didn’t understand - they thought I was throwing away my career. But I wanted to concentrate wholly on ResearchGate and had a feeling that founding my own company would have a much greater impact. Today, more than 20 million scientists are connected through ResearchGate and our platform is advancing research all over the world.”

– **Dr. Ijad Madisch, Founder and CEO ResearchGate**



Distribution of migrant founders in the German Startup Monitor



Most migrant founders are located in North Rhine-Westphalia and in Berlin

- **Berlin and North Rhine-Westphalia** have the **highest proportion** of startup founders with a migration background.
- **Berlin** in particular is seen as a very **attractive location for people from abroad** to found a startup in Germany.
- In **North Rhine-Westphalia**, on the other hand, **founders** with a migration background but **born in Germany** shape the ecosystem.



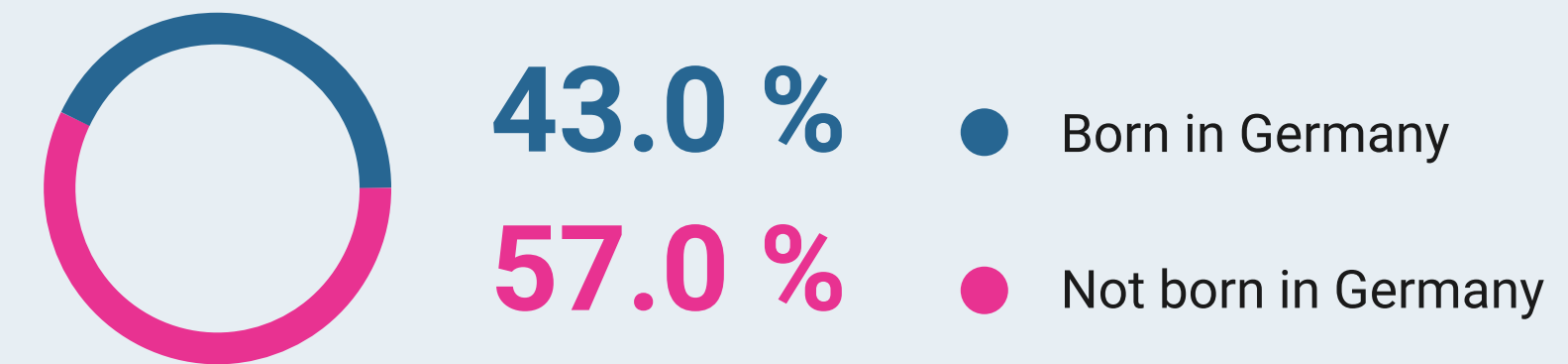
The regional **distribution** is based on the GSM sample – it **only reflects trends**. Values around 0 % indicate that the number in these regions is very low.

A majority has migration experience

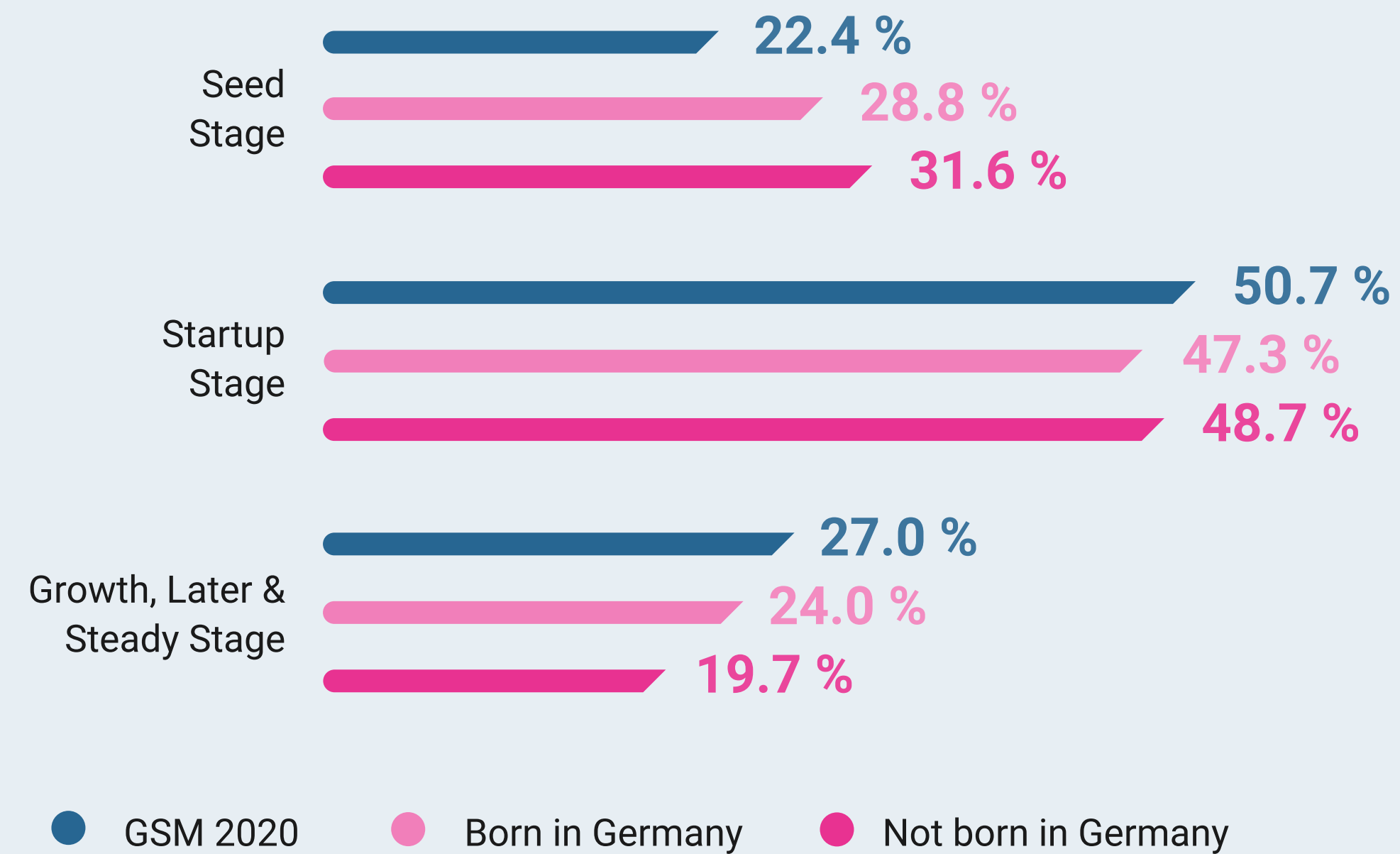
- In total, **354 founders with a migration background**⁵ of the first or second generation participated in the GSM 2020.
- **More than half** of them are **first-generation migrants** – they were not born in Germany and have their own migration experience.
- Some particularly interesting insights emerge if we **focus on first-generation migrant founders**.

⁵ The term migration background was operationalised in line with the definition of the Federal Statistical Office (2021a).

Founders with a migration background



Breakdown by startup stages



The current situation is very dynamic

- The **average age of startups** of migrant founders is 26 months, which is **below the GSM average** of 30 months.
- This age difference is also reflected in the breakdown by **startup development stages**.
- Above all, the **high proportion** of first-generation migrant founders in the seed stage highlights current dynamics.



Expertise and mindset

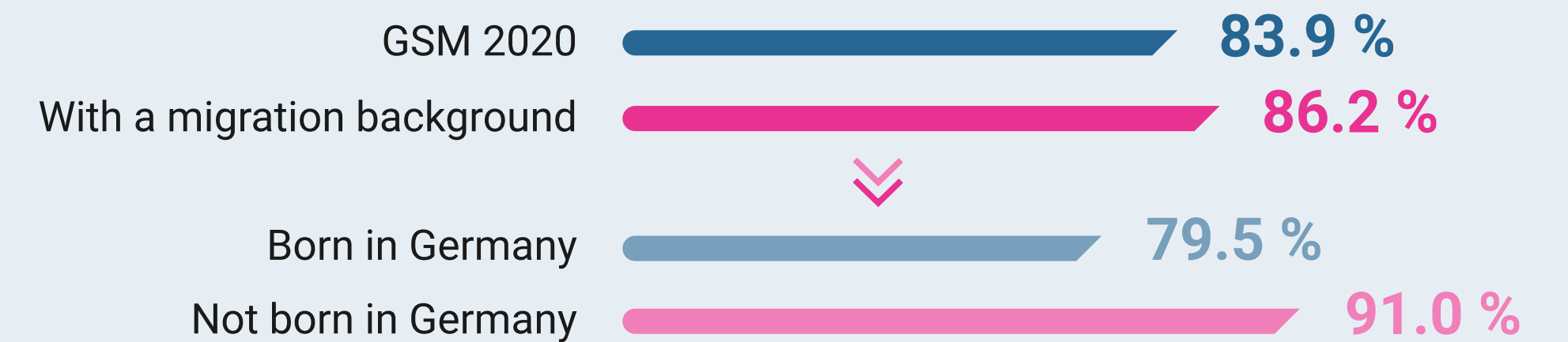


Germany attracts talent

- Among first-generation migrant founders, **almost half (49 %) have a degree in a STEM subject** (startups as a whole: 44 %)
- **The proportion of academics in the general population** between 25 and 64 is lower for people with (24 %) and without (22 %) a migration background.⁶

⁶ Federal Statistical Office, Berlin Social Science Center and the German Federal Institute for Population Research (2021)

Share of academics among startup founders





“In the past, migrants often founded companies out of sheer necessity because their chances on the job market were, and still are, relatively poor. Today, however, many are becoming startup founders because they see promising opportunities and most of them have a university degree. We want to help migrant founders in Germany to contribute their ideas and innovative strength more effectively. Together with founders, managers and investors, we offer them support through the 2hearts mentoring programme.”

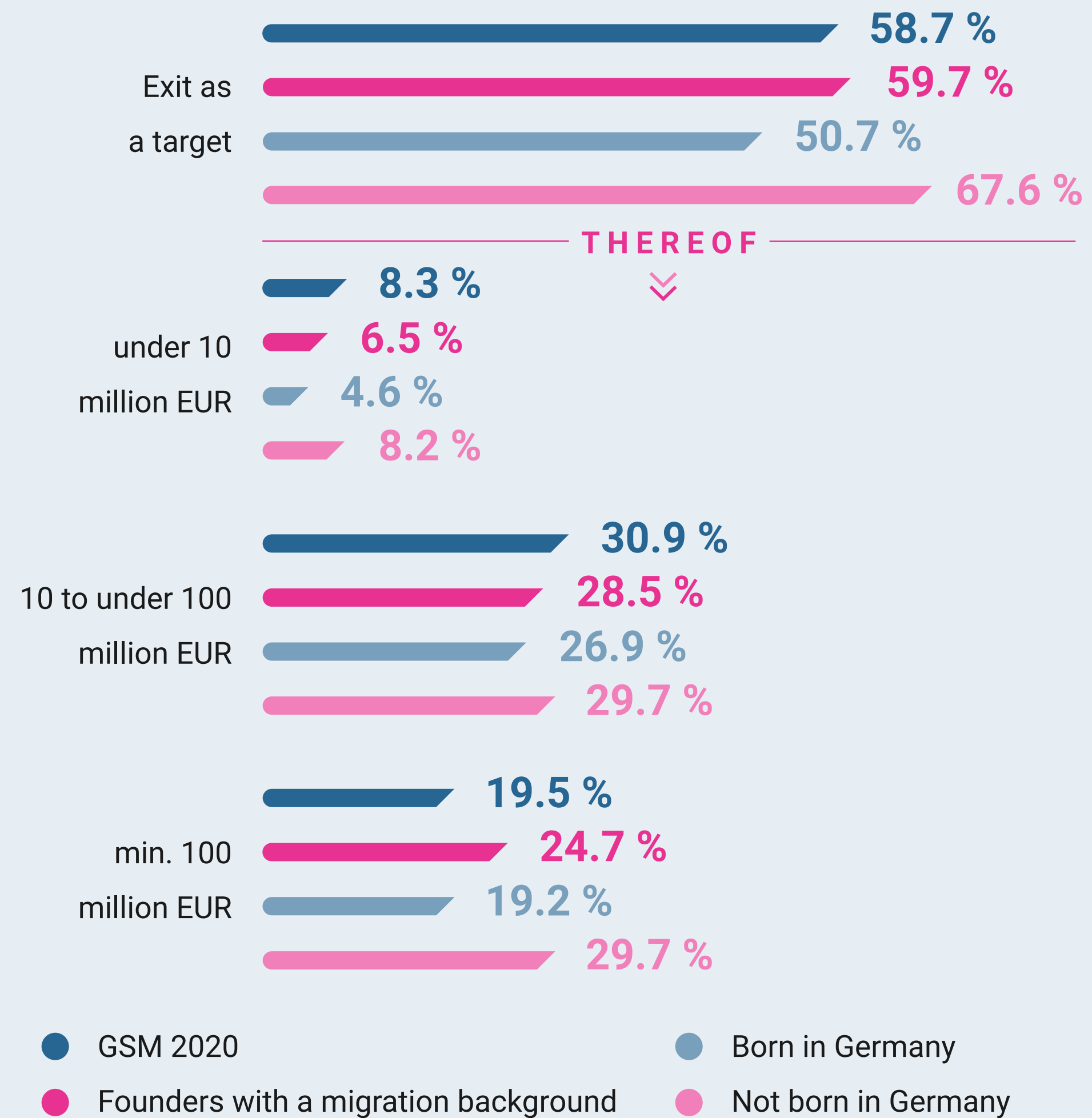
– **Gonca Türkeli-Dehnert, Managing Director Deutschlandstiftung Integration**

“Founders from all over the world are setting up businesses in Germany. For me this means that good infrastructure, a reliable legal system and intact framework conditions meet new perspectives, fresh creativity, entrepreneurial spirit and a different understanding of risk. This is giving the German startup ecosystem important and very welcome impulses.”

– **Christian Vollmann, Serial Founder, Business Angel and member of the board of the German Startup Association**



Exit as a target



Startup mindset is particularly pronounced

- Exits are typical for startups and strengthen growth in the ecosystem.
- Especially first-generation migrant founders show exit ambitions.
- The willingness to take risks is also more pronounced among first-generation migrant founders.

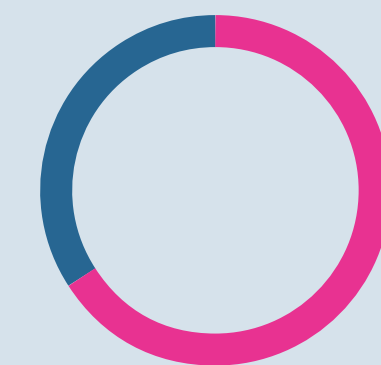


Internationality is a USP of migrant founders

- **English is the working language** in 54 % of startups owned by first-generation migrant founders – the GSM average is 30 %.
- **Their teams are also more international** – on average, 47 % of employees come from abroad, the overall average is 27 %.
- In addition, 48 % of them **have good or very good international networks** – compared with 29 % for startups in general.

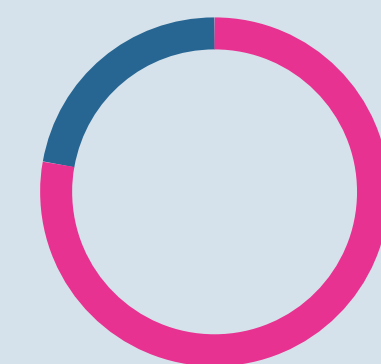


Internationalisation planned



66.1 %

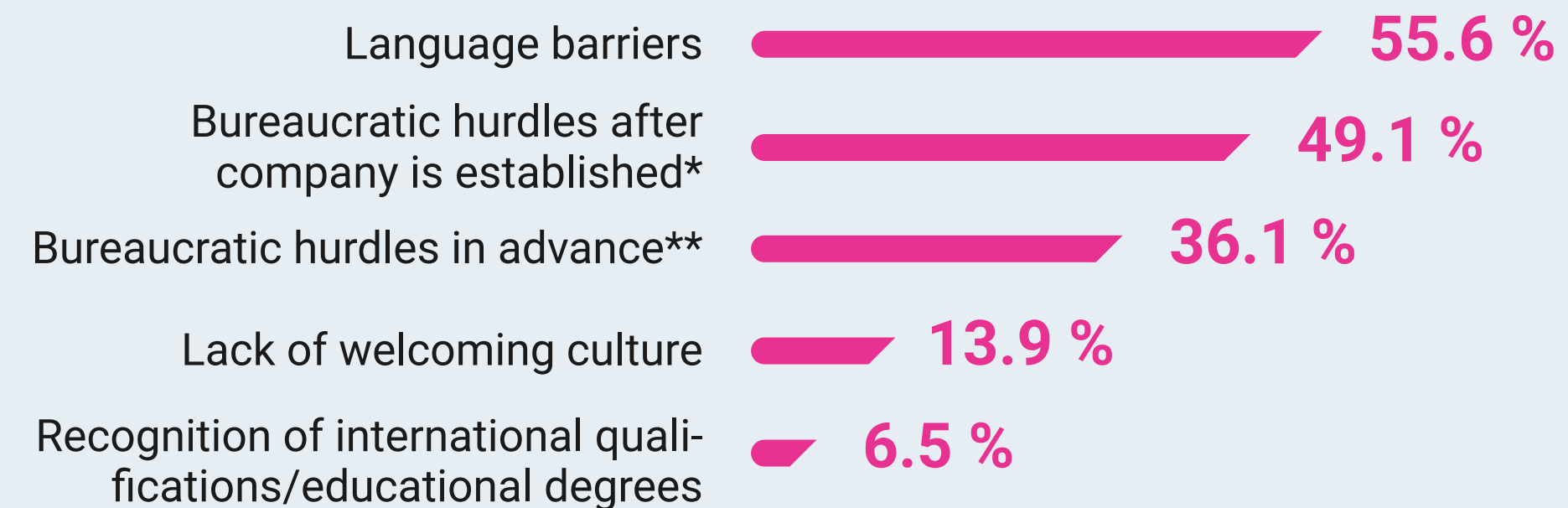
GSM 2020



77.9 %

Not born in Germany

Challenges first-generation Migrant Founders



* e.g. social security, resident registration

** e.g. visa/work permit

Language and bureaucracy are key challenges

- **56 %** of first-generation migrant founders see **language barriers as the biggest challenge** while establishing a startup.
- In addition, **bureaucratic obstacles** both **before starting** the company as well as **regarding its management**, are key issues.
- The **recognition of international qualifications**, on the other hand, seems to be **no problem** in the startup ecosystem.



Funding and networks

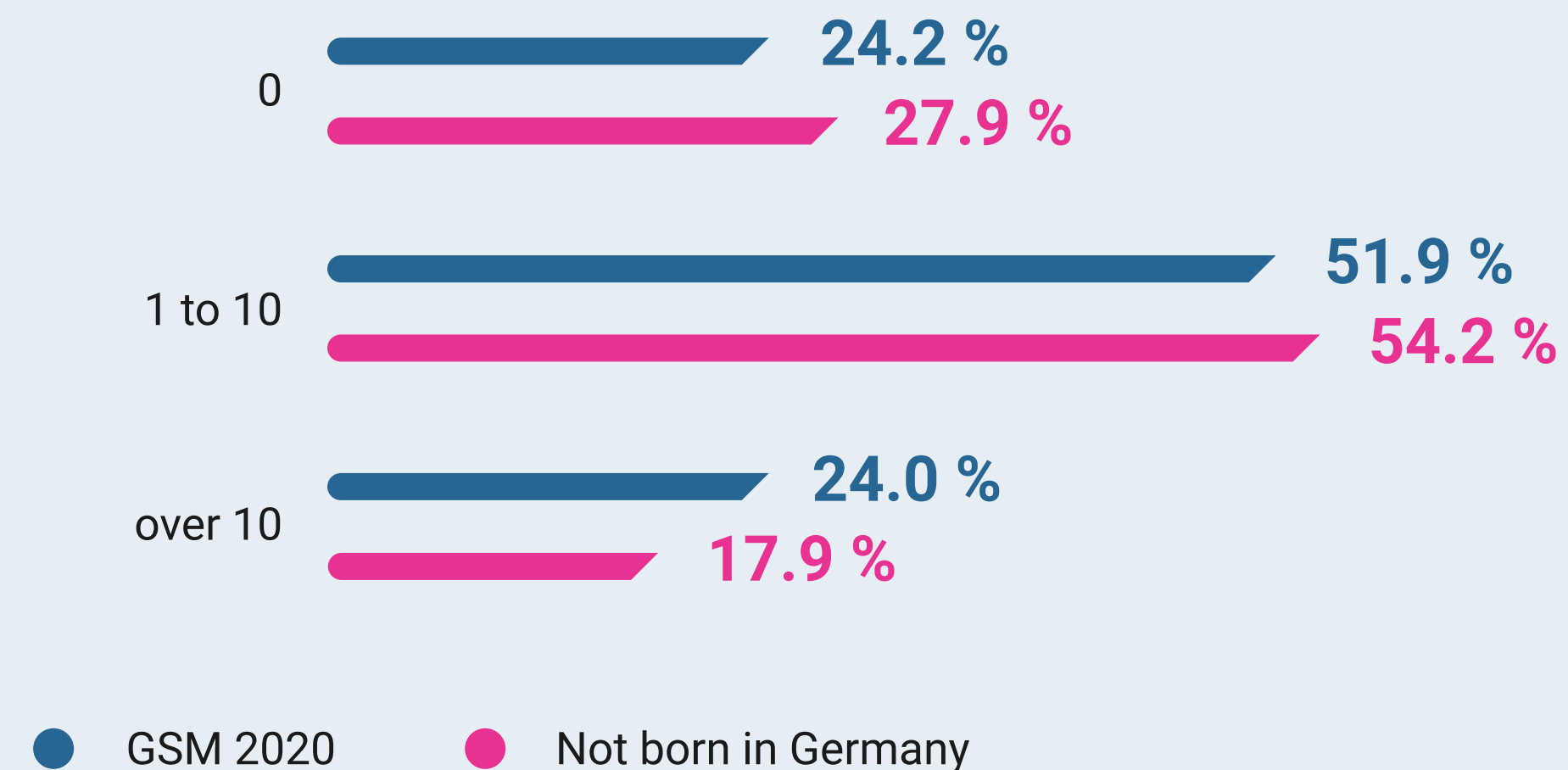
A person's silhouette is shown from behind, looking up at a night sky filled with vibrant blue and white star trails. The trails are curved, suggesting a long-exposure photograph. The foreground is dark, with some silhouettes of trees and a city skyline visible in the distance.



Company growth presents a challenge

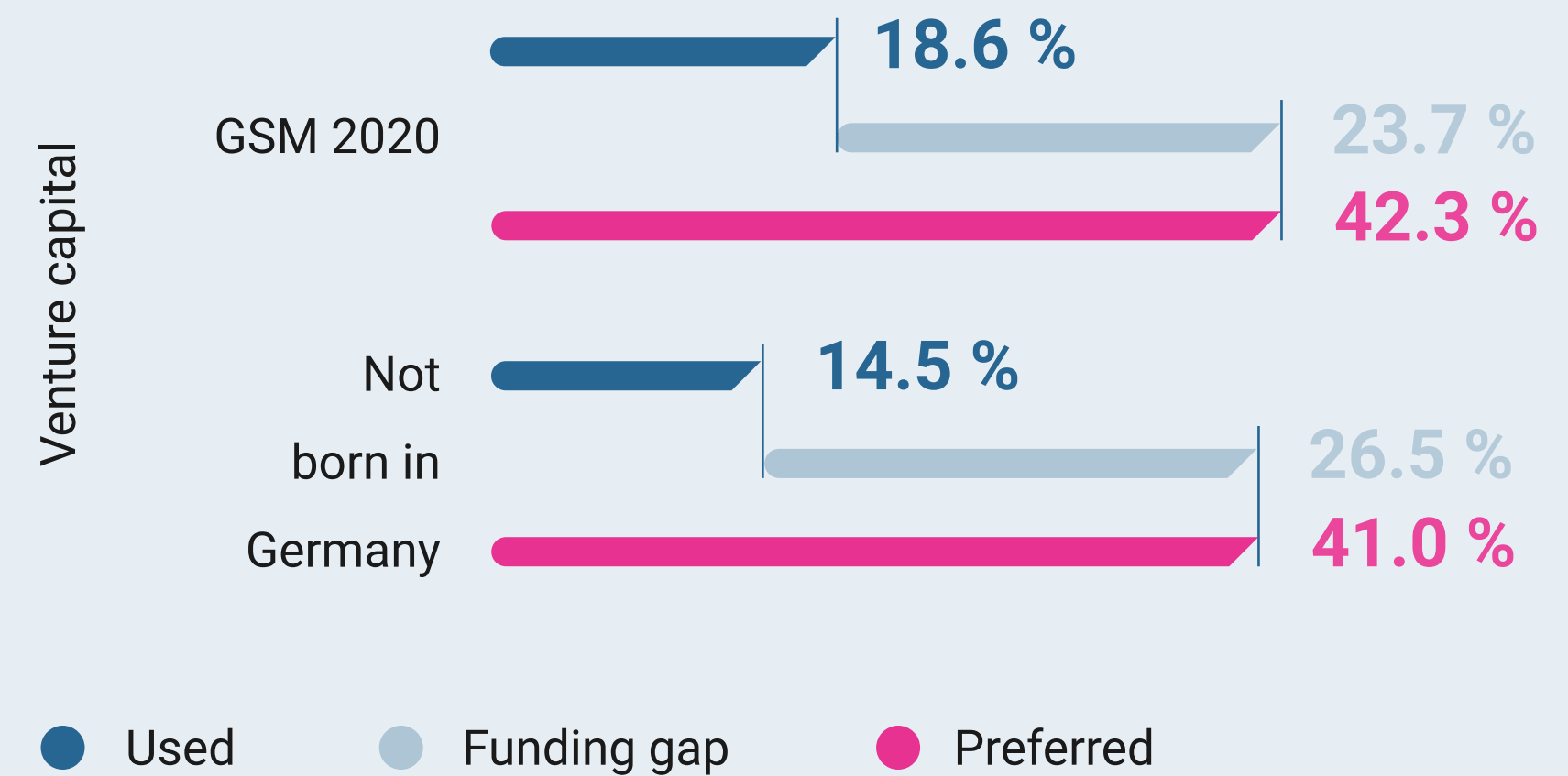
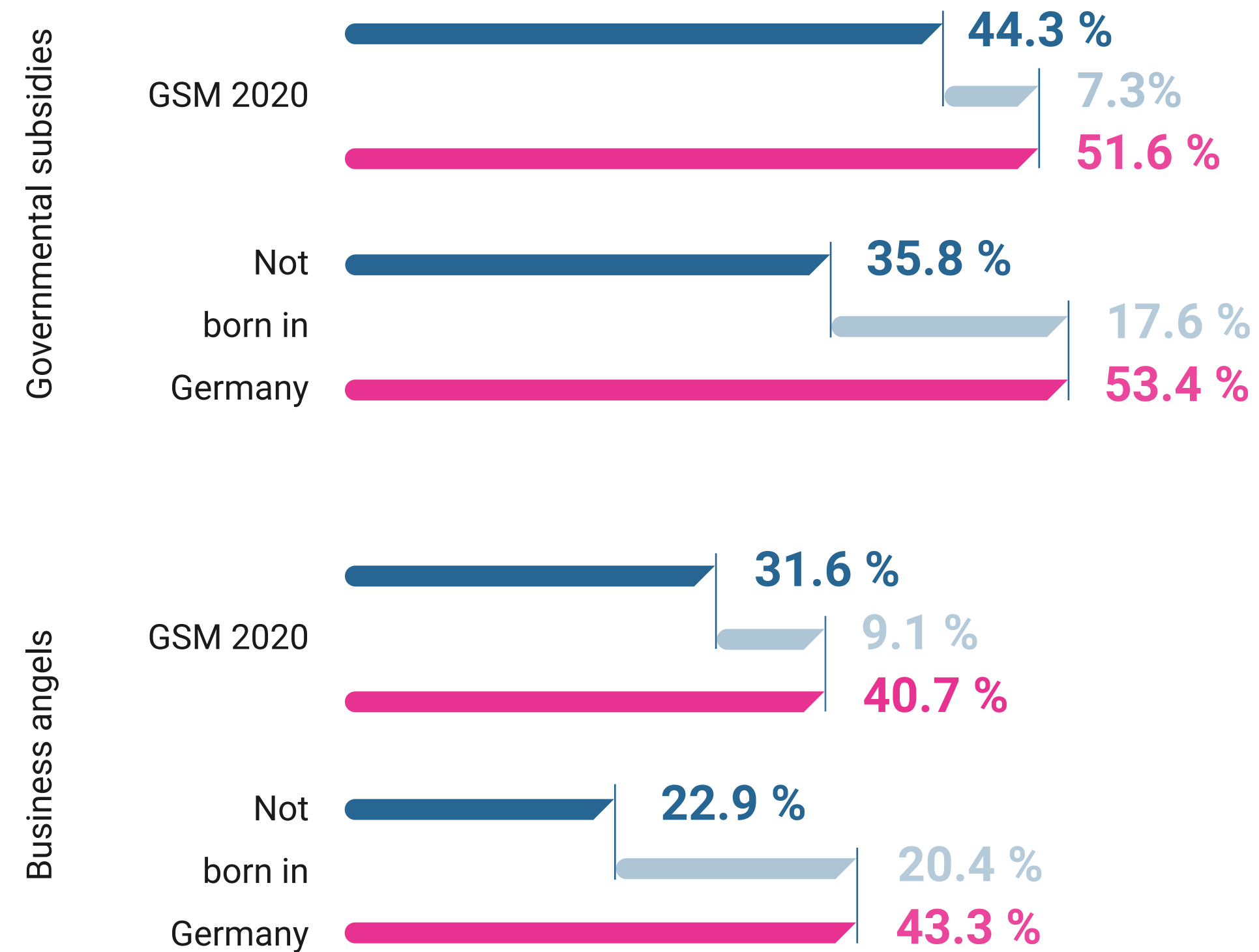
- The average **number of employees** in startups owned by first-generation migrant founders is **10.2**, well below the **GSM average of 14.3**.
- In the startup sector, company growth is **heavily dependent on the availability of external sources of capital**.
- **A real challenge:** First-generation migrant founders received an average of € 1.1 million in funding, compared with the GSM average of € 2.6 million.

Number of employees



Clear funding gaps can be seen

Sources of capital



The gaps in these forms of funding show that first-generation **migrant founders** in particular face difficulties in **obtaining funds throughout the entire development process.**



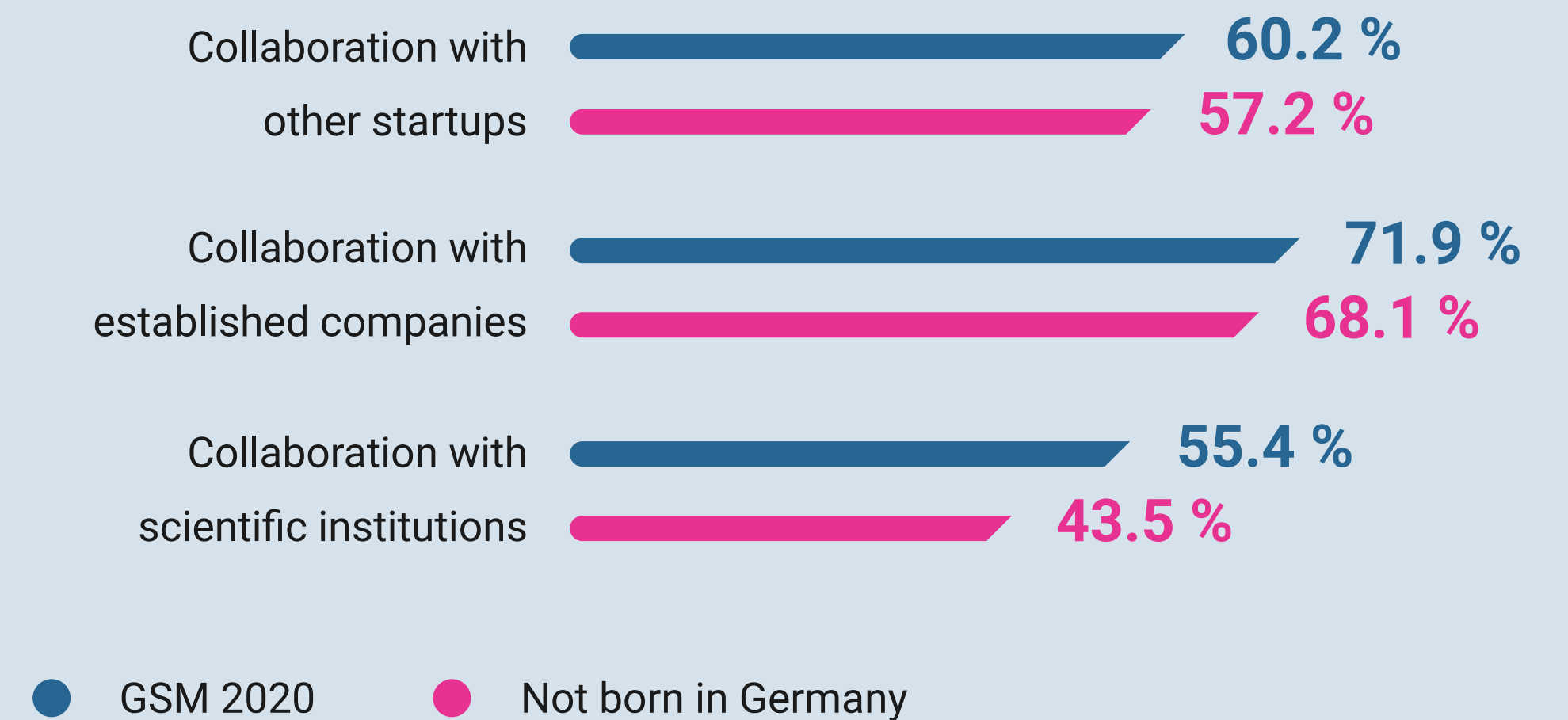
“The Migrant Founders Monitor shows that migration should not only be seen as an opportunity to combat structural problems in the German job market and attract people with urgently needed skills, but also as an engine for a technology-oriented and internationally competitive entrepreneurial ecosystem. However, this report also makes it clear that there are still a lot of hurdles when it comes to enabling talents with a migrant background, for example in accessing sources of funding. There is room for improvement in the startup industry.”

– **Judith Dada, General Partner La Famiglia VC**

There is potential in the area of collaboration

- On average, startups enter into 7 **collaborations with established companies** – among first-generation migrant founders, the figure is only 2.
- They are also **less likely to collaborate with scientific institutions** than GSM startups in general.
- **In the startup ecosystem itself**, on the other hand, **collaborations are already well established** and there are few differences.

Proportion of startups with collaborations





“It is encouraging to see that migrant founders are contributing important impulses to the German startup ecosystem. And to help them be even more successful in the future, they need more support when it comes to networking, for example with scientific institutions. There is a clear gap here. Reducing bureaucracy can help as well, especially since language barriers are not uncommon among first-generation founders.”

– **Prof. Dr. Karl-Heinz Paqué, Chairman of the Board of the Friedrich Naumann Foundation for Freedom**

Methodology, sources and contacts

Startups



– are younger than 10 years



– planning or show significant growth in employees and/or sales



– have (or aim at) high growth in employee numbers and turnover

Data basis and analysis

- The principal data basis is **the German Startup Monitor (GSM)** - the most comprehensive survey of German start-ups with 1,946 participants.
- This **report is a special analysis of the GSM 2020** which contains data on 354 startups whose founders have a migration background.
- The migration background was operationalised and recorded in the GSM 2020 **in line with the definition of the Federal Statistical Office.**

Sources:

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Migrant-owned companies in Germany between 2005 and 2018

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