Migrant Founders Monitor 2021
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.
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
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
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 background⁵ 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.

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

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

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>66.1%</td>
<td>GSM 2020</td>
</tr>
<tr>
<td>77.9%</td>
<td>Not born in Germany</td>
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### Challenges first-generation Migrant Founders

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Language barriers</td>
<td>55.6 %</td>
</tr>
<tr>
<td>Bureaucratic hurdles after company is established*</td>
<td>49.1 %</td>
</tr>
<tr>
<td>Bureaucratic hurdles in advance**</td>
<td>36.1 %</td>
</tr>
<tr>
<td>Lack of welcoming culture</td>
<td>13.9 %</td>
</tr>
<tr>
<td>Recognition of international qualifications/educational degrees</td>
<td>6.5 %</td>
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</tbody>
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* 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
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.
Clear funding gaps can be seen

Sources of capital

- Governmental subsidies:
  - GSM 2020: 44.3% (Used), 7.3% (Funding gap), 51.6% (Preferred)
  - Not born in Germany: 35.8% (Used), 17.6% (Funding gap), 53.4% (Preferred)

- Business angels:
  - GSM 2020: 31.6% (Used), 9.1% (Funding gap), 40.7% (Preferred)
  - Not born in Germany: 22.9% (Used), 20.4% (Funding gap), 43.3% (Preferred)

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

<table>
<thead>
<tr>
<th>Collaboration</th>
<th>GSM 2020</th>
<th>Not born in Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaboration with other startups</td>
<td>60.2 %</td>
<td>57.2 %</td>
</tr>
<tr>
<td>Collaboration with established companies</td>
<td>71.9 %</td>
<td>68.1 %</td>
</tr>
<tr>
<td>Collaboration with scientific institutions</td>
<td>55.4 %</td>
<td>43.5 %</td>
</tr>
</tbody>
</table>
“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
Data basis and analysis

• The principal data basis is the German Startup Monitor (GSM) - the most comprehensive survey of German startups 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:

Bertelsmann Foundation (2020):
Migrant-owned companies in Germany between 2005 and 2018
Available at: https://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/NW_Migrantenunternehmen_2005_bis_2018.pdf

Center for American Entrepreneurship (2017):
Immigrant Founders of the Fortune 500 Available at: https://startupsusa.org/fortune500/

German Startup Monitor (2020)

Federal Statistical Office (2021a):

Federal Statistical Office (2021b):
Topic – Migration and integration.Available at: https://www.destatis.de/DE-Themen/Gesellschaft-Umwelt/Bevoelkerung/Migration-Integration/_inhalt.html

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