

2023

Migrant Founders Monitor





We focus on the link between migration and innovation

The Migrant Founders Monitor...

... takes a close look at **startup founders with a migrant background** and identifies their strengths and the challenges they face within the German startup ecosystem.

... addresses **migration, innovation, growth and the openness of society** and how these aspects interrelate.

... is a source of **new perspectives** that add value to discussions on immigration, the shortage of skilled workers, diversity and involvement in society.

Openness and diversity are key factors

Given the current shortage of skilled workers, immigration also **plays an important role in economic development**.

This is particularly true when it comes to startups – **attractive locations** like the United States benefit enormously.¹

In Germany, around **60% of unicorns** – startups with a valuation of at least \$1 billion – have at least one **migrant founder** on their founding team.²

1) Anderson (2022)

2) Own analysis

Well-known startups with migrant founders

ResearchGate

 MAMBU

Tomorrow

 Qunomedical

inform

BIONTECH

 raisin

 DeepL

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Key findings

- 1 A significant presence**
With a share of 21%, founders with a migrant background represent an important part of Germany's startup ecosystem – of these, 58% were born outside Germany.
- 2 Appeal as a startup location**
29% of first-generation migrant founders came to Germany to study for a degree – another 22% came for a job and just about 8% came specifically to start a company.
- 3 Many high-potentials**
75% of first-generation migrant founders have a university degree and ambitious plans for developing and growing their startup – among founders in general this share is 55 %.
- 4 Focus on VC funding**
The first generation, and specifically the high potentials among them, are particularly keen to secure VC funding. But there is still a gap between investment plans and secured funding.
- 5 International perspective**
First-generation migrant founders generate more revenue abroad (33%, compared to 20% of all startups) and their teams are significantly more international.
- 6 Persistent challenges**
First-generation migrant founders consider themselves at a disadvantage compared to other founders when it comes to dealing with the authorities and administration (42%) and banks (31%).

Migrant founders in Germany



Share with a migrant background¹

26,1%

Employees (2021)²

23,1%

Self-employed (2021)²

21,1%

Startup founders (2022)³



Migrant founders shape the ecosystem

One in every five startup founders in Germany has a migrant background.¹

This underlines the fact that migrant founders play a **key role** in the innovation ecosystem.

However, in terms of attractiveness as a startup location, Germany **still has potential to leverage**.

1) A detailed definition of 'migrant background' is provided in the section on methodology.

2) Federal Statistical Office of Germany (2022): Micro census 2021 – population with a migrant background

3) Kollmann et al. (2022)

Regional differences

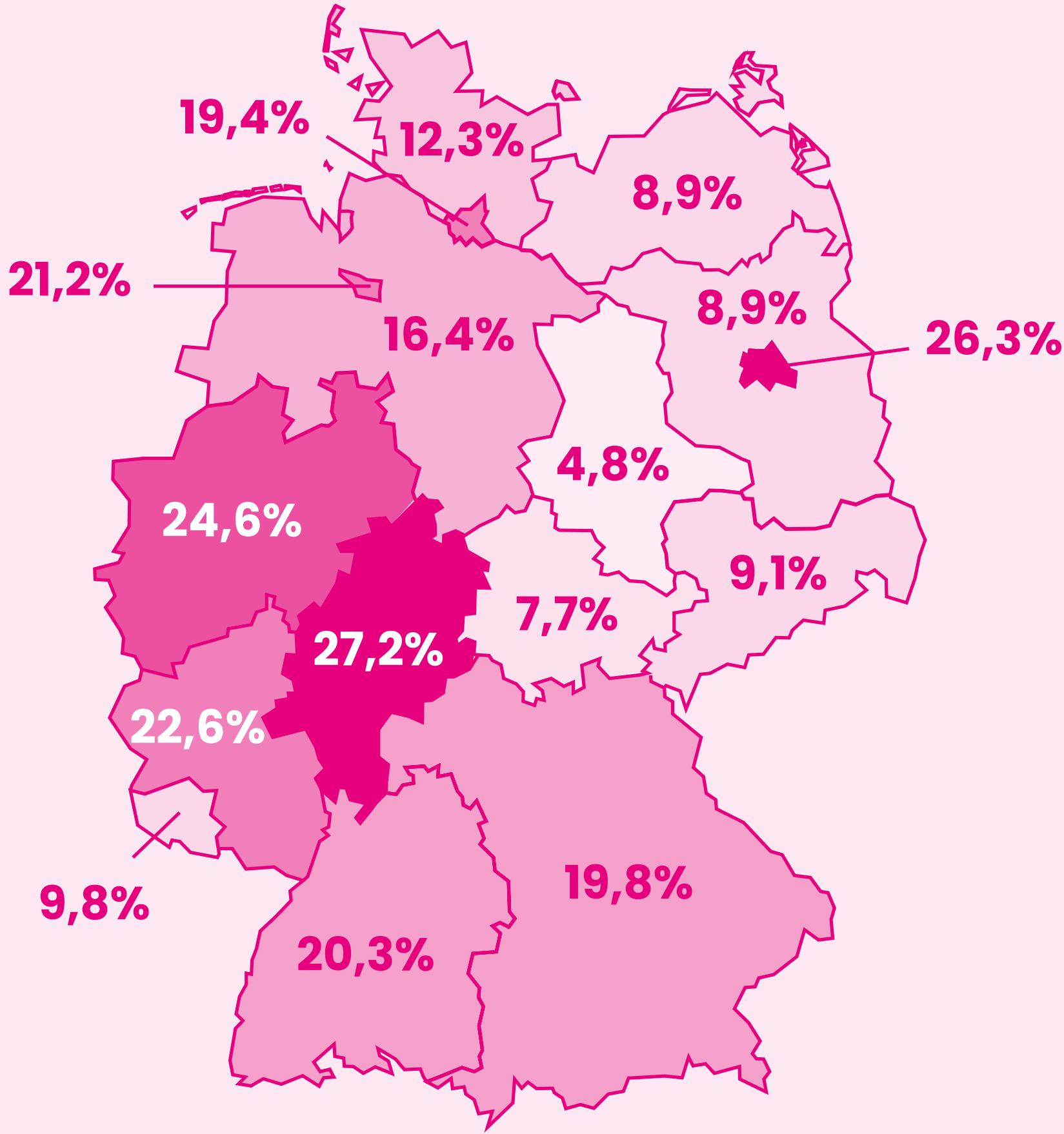
When it comes to founders with a migrant background, there are **significant differences** between the federal states of Germany.

Different factors are at play here, such as the state’s population structure and how international and open-minded the startup location is.

In the eastern states of Germany (excluding Berlin) 9% of **the general workforce have a migrant background** – as opposed to 29% in the western states and Berlin.¹

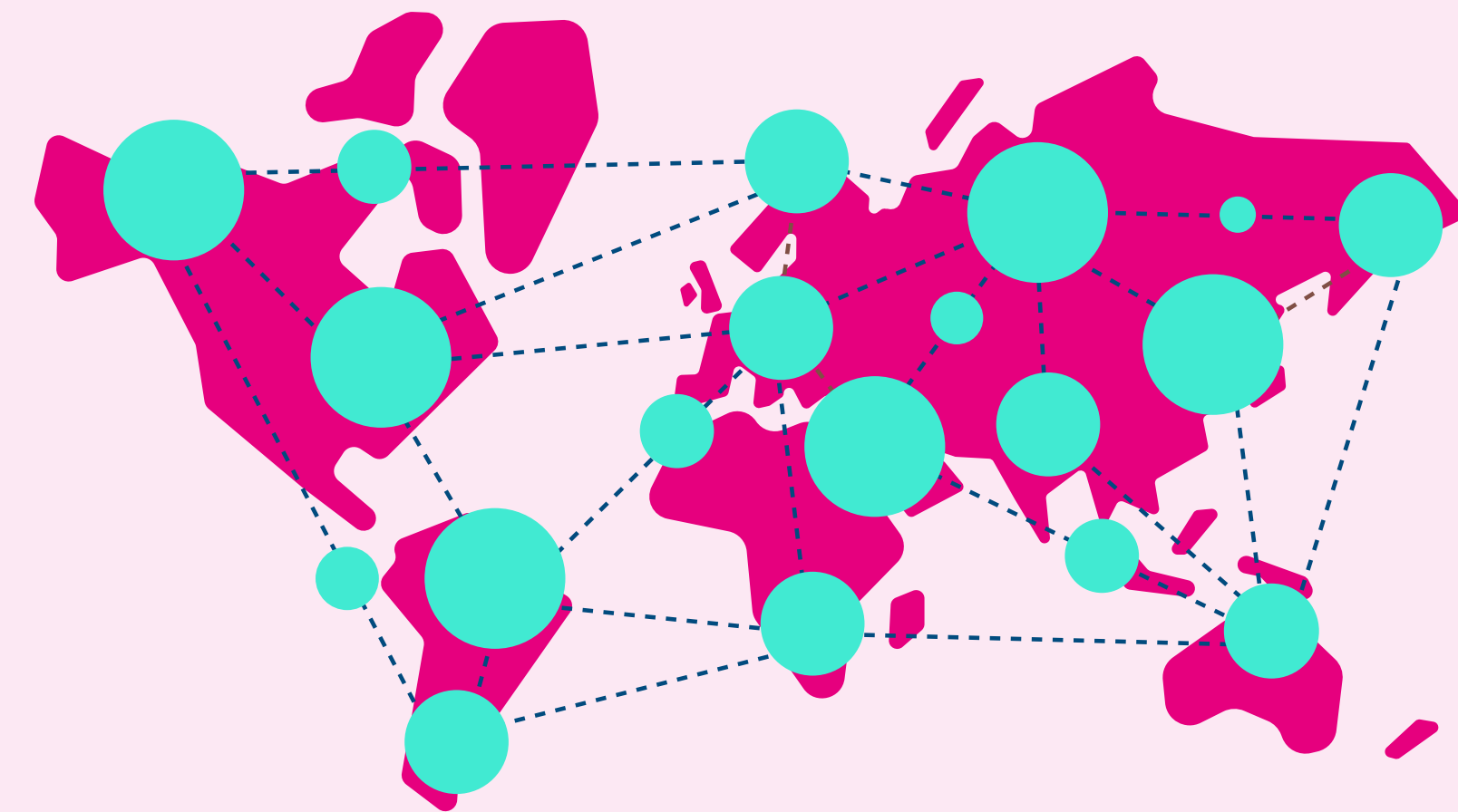
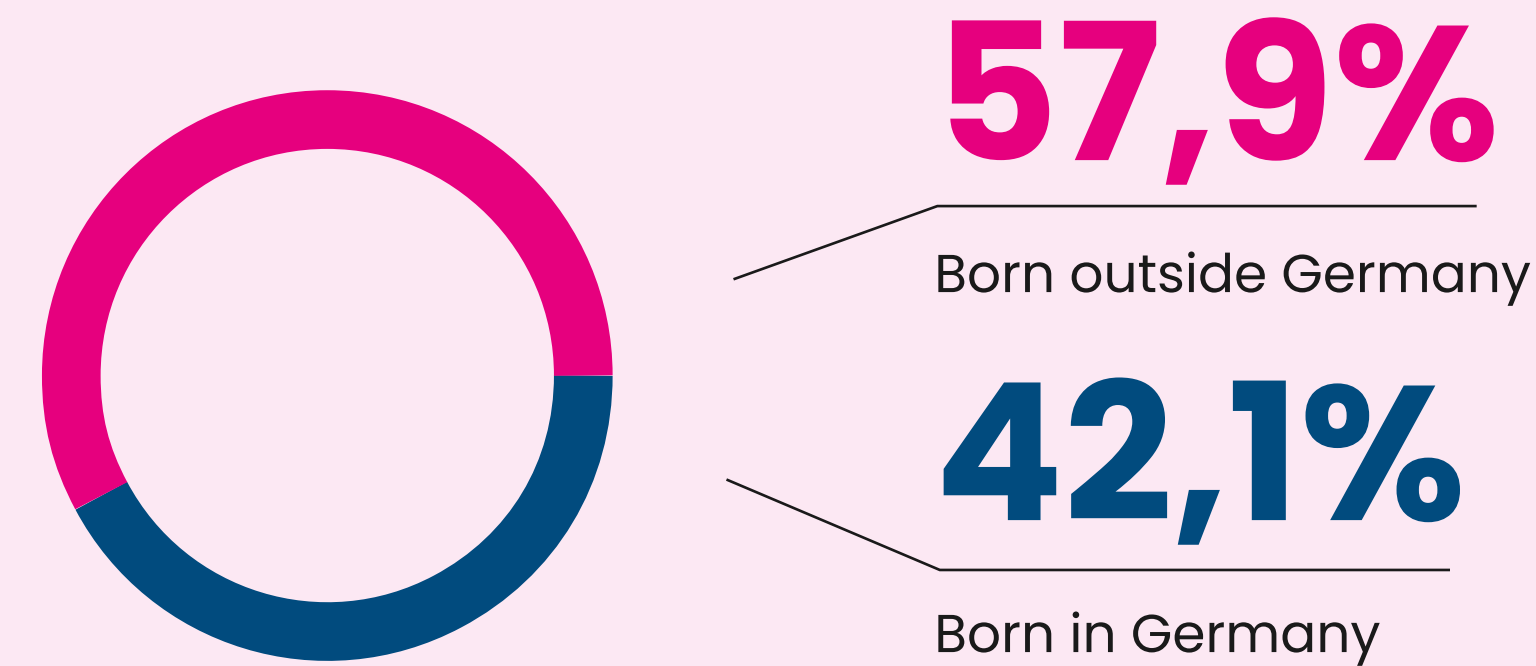
1) Federal Statistical Office of Germany 2023

Share of migrant founders by federal state (2020–2022)



In view of the small sample size in Saarland and certain states of former East Germany (<100), the significance of the findings is limited.

Where migrant founders were born



Spotlight on first-generation migrants

A **total of 380 startup founders with a migrant background** (first or second generation) took part in the survey.

As is also the case in the general workforce (73%¹), the **majority** of migrant founders where **born outside Germany**.

There is **remarkable potential** particularly among first generation migrant founders, but this group also faces specific challenges.

¹) Federal Statistical Office of Germany 2023

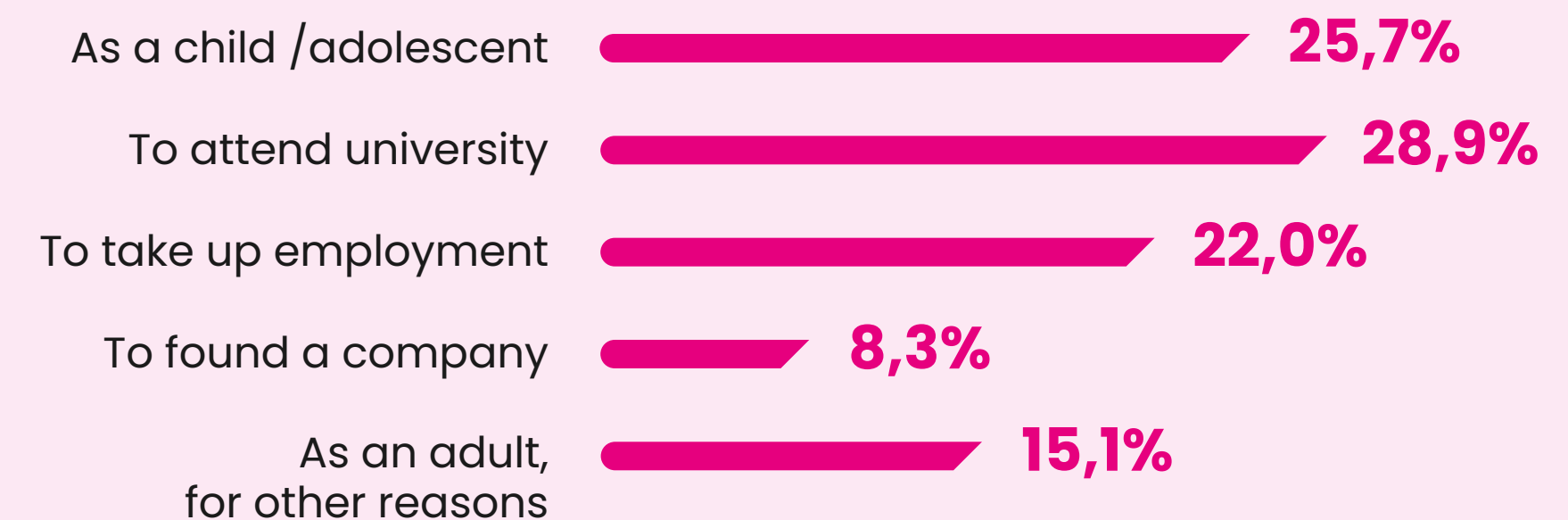
Universities and job opportunities attract people to Germany – founding a company is still a rare motive

One in every four first-generation migrant founders has been living in Germany since their **childhood or adolescence**.

29% came to Germany to study for a **degree**, **22%** settled here for **professional reasons**.

Only **8%** migrated to Germany **to start a company** – the appeal of the startup ecosystem among international talent needs to be improved.

When did first-generation migrant founders move to Germany?





Andrea Fernandez
Co-Founder & CEO Vitamin

// A lot has been happening on Germany's startup scene, but it still has much more potential. To leverage this potential, we need to promote opportunities even more strongly, rather than promoting the risks. This applies to all founders, but specifically to migrant founders, who contribute new ideas and approaches."

// Although I wanted to start a company much earlier, I put it on hold in Germany for the time being. The biggest challenges were language barriers and access to the startup ecosystem, which I perceive as more closed here than in the US."

// When I was deciding where to go for my engineering degree, Germany was one of my top choices – something that has since been confirmed by what Germany offered in terms of my doctorate and spin-off. Of course, there are well-known hurdles when starting a company, but these are counteracted by good funding offers that support entrepreneurial research.”

// However, language barriers and the fact that I am a woman have meant that people perceive me differently than they perceive my male co-founder and mentors who are German – when it comes to networking or simply opening a bank account, for example. Sometimes gaining access to resources can be difficult, and there’s a lack of openness and trust.”



**Verónica García Arteaga
Co-Founder & CEO Neggst**

Expertise and mindset



Extensive expertise among the first generation

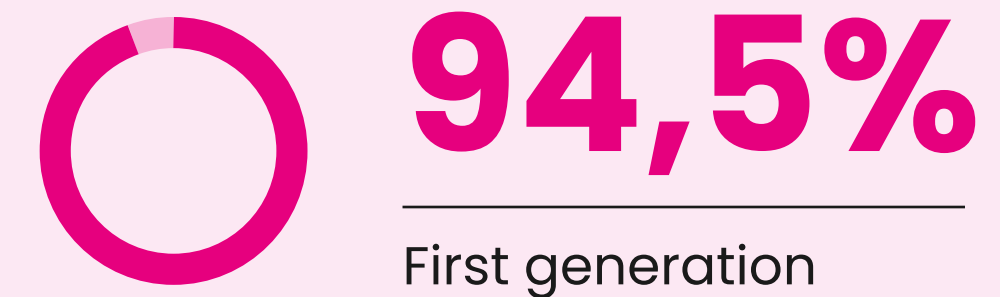
The **share of university graduates** among first-generation founders is even **higher** than among founders in general.

There is also a **significant difference** compared to the share of graduates among the **general working population** (23%)¹.

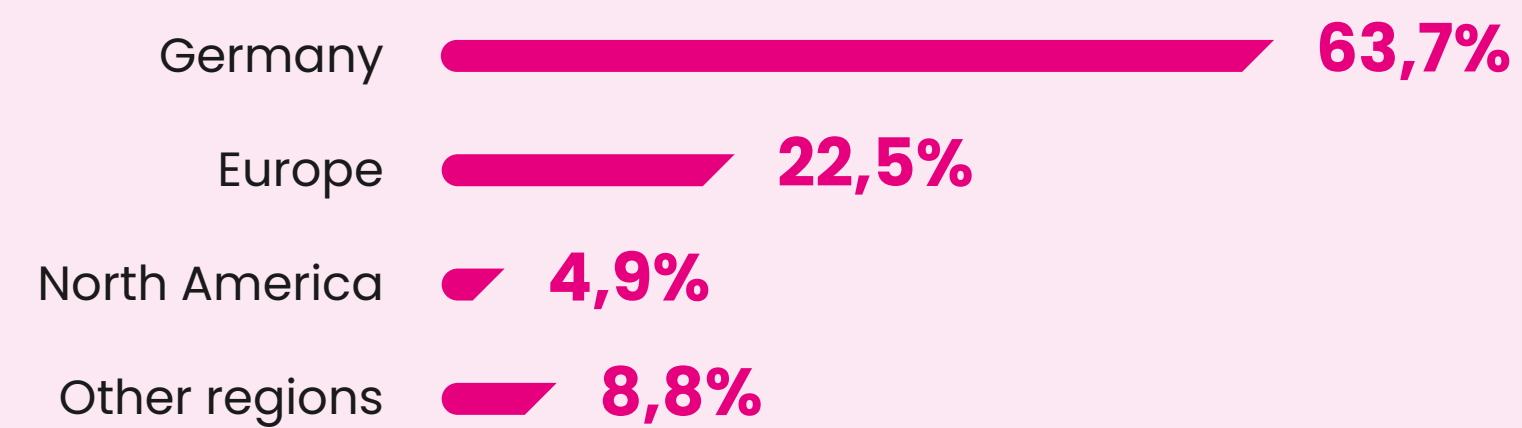
Founders graduate primarily in **business-related** (41%) and **STEM** (51%) subjects, which provides them with valuable expertise for starting a company.

¹) Federal Ministry of Education and Research data portal / Statistical Office of Germany (2021)

Share with a university degree



Where did first-generation migrant founders attend university?



The majority has studied in Germany

Nearly **two-thirds** of first-generation migrant founders **studied in Germany**, and the STEM focus in this group further increases (56%).

Almost half of them have been living in Germany since their childhood or youth, the others have **decided to study** here.

In addition, it is becoming apparent **that the attraction of highly-trained talent** can be further expanded **beyond Europe**.

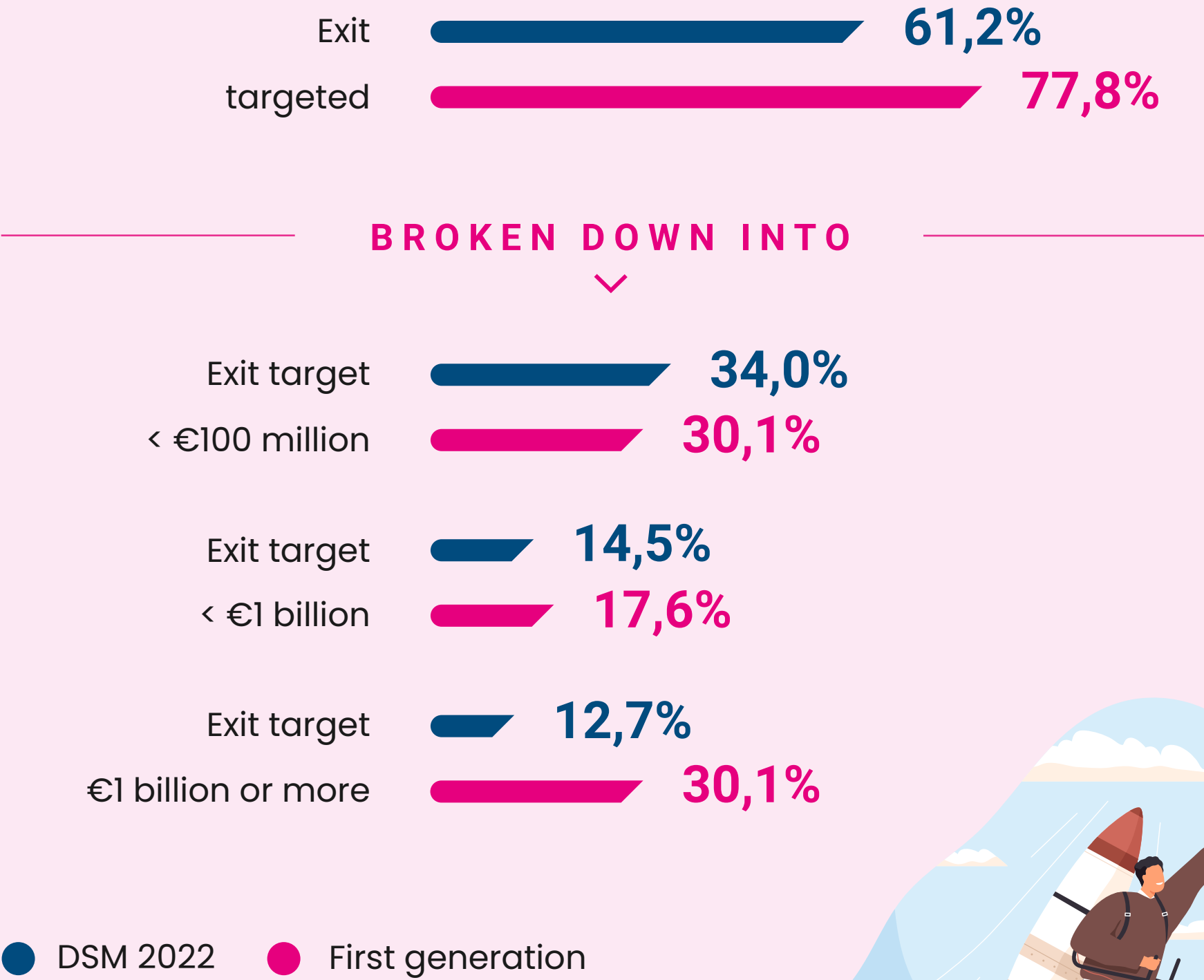
A strong startup mindset is evident

A startup’s **exit target** (e.g. sale or IPO) is a **key indicator** of the founder’s expectations and perceived potential.

Especially among first-generation migrant founders, **greater ambitions for company growth** are clearly visible.

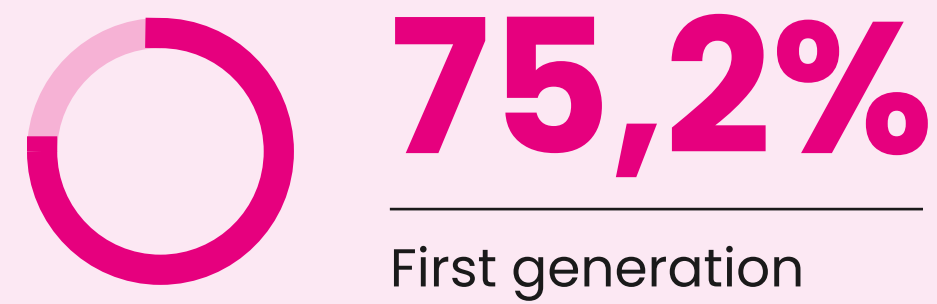
A considerably **higher number have set themselves a exit target** and a larger share (30%) have defined a target of €1 billion or more.

Exit-Ambitionen



Share of high potentials

- Founders with a university degree and exit-ambitions



Ambition and expertise coincide

There is a significantly **higher share of high potentials** among first-generation migrant founders.

This group clearly demonstrates how the **startup eco-system can benefit** from migrant founders.

By looking at high potentials, **many characteristics** of first-generation migrant founders are **even more evident**.



Sonja Radovic-Paul
Co-Founder und MD
Codio Impact

// Moving abroad and founding a company abroad means you have to learn and adapt to new ways, new administrative systems, new practices of a new market. In my experience, founders who are able to adapt to all this show versatility and readiness for everything that comes in the founder journey. This makes them stand out."

// Germany is a very appealing country for skilled workers and company founders from abroad. However, bureaucracy is a real hurdle – especially when information isn't multilingual, some processes are still carried out by fax and I need to invest heavily in translation and support. That takes a lot of extra effort – both in terms of time and money – that I'd rather be investing in building up my company."

// A successful startup needs much more than an idea and its implementation. More importantly, you need access to information, networks and funding. Access needs to be provided to everyone – to avoid some people having a 50-meter head start while migrant founders are trailing behind before they’ve even set off.”

// As a founding team, we have worked out many things ourselves – that shaped us. For the future, I hope that doors will open more easily for migrant founders. We need a diverse startup scene in Germany to be able to compete with the world.”

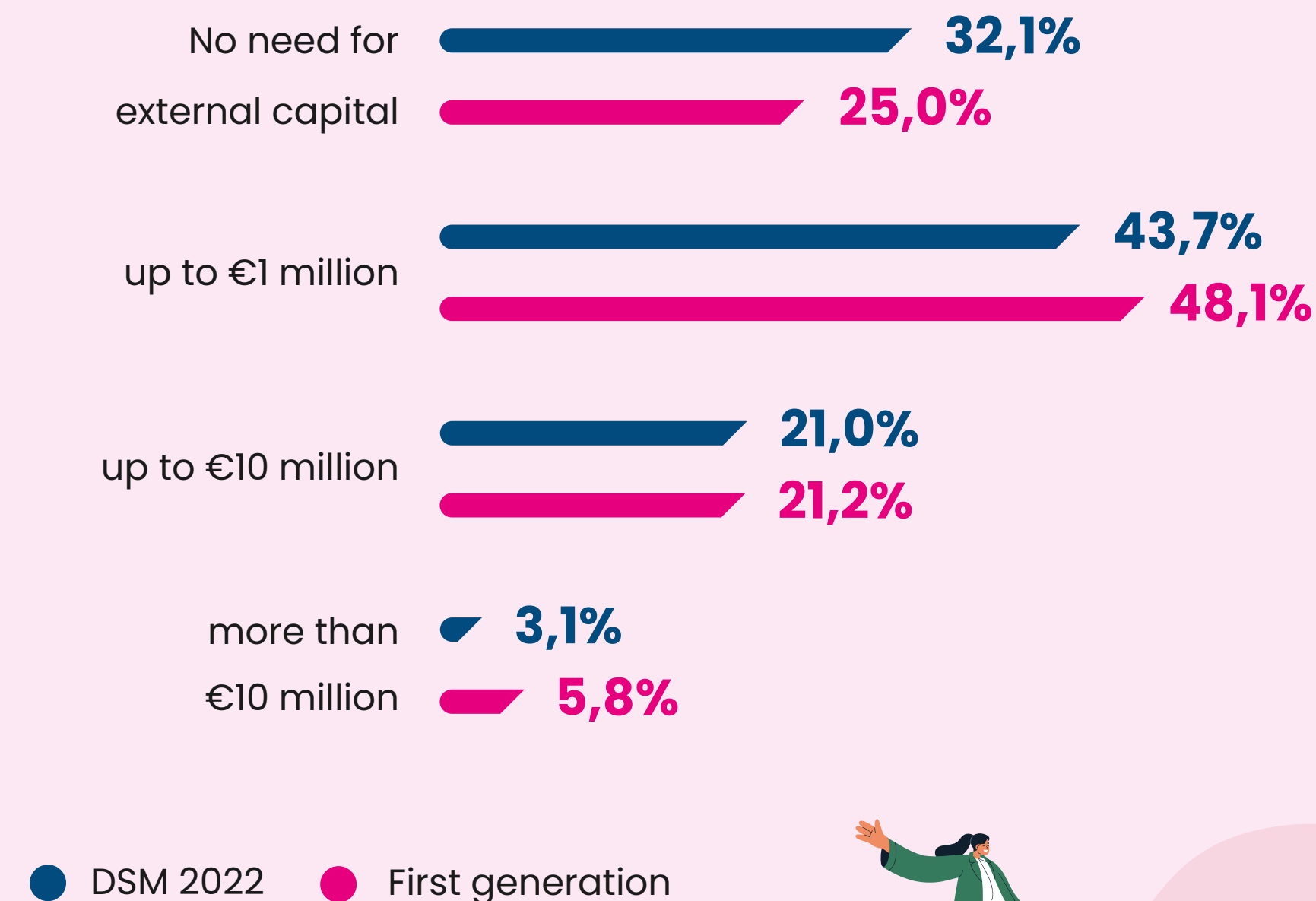


Selcuk Aciner
Co-Founder Wellspent

Growth and funding



Funding requirement within the next 12 months



Capital demand underlines objectives

62% of startups founded by first-generation migrants have already secured **external capital** (compared to 57% of startups in general).

Furthermore, **75% are planning to secure additional funding** over the next 12 months – with an average funding of almost €5 million (€3.1 million for startups in general)

An even greater share (83%) of high potentials among first-generation migrant founders plan to secure funding of an average €6.3 million.

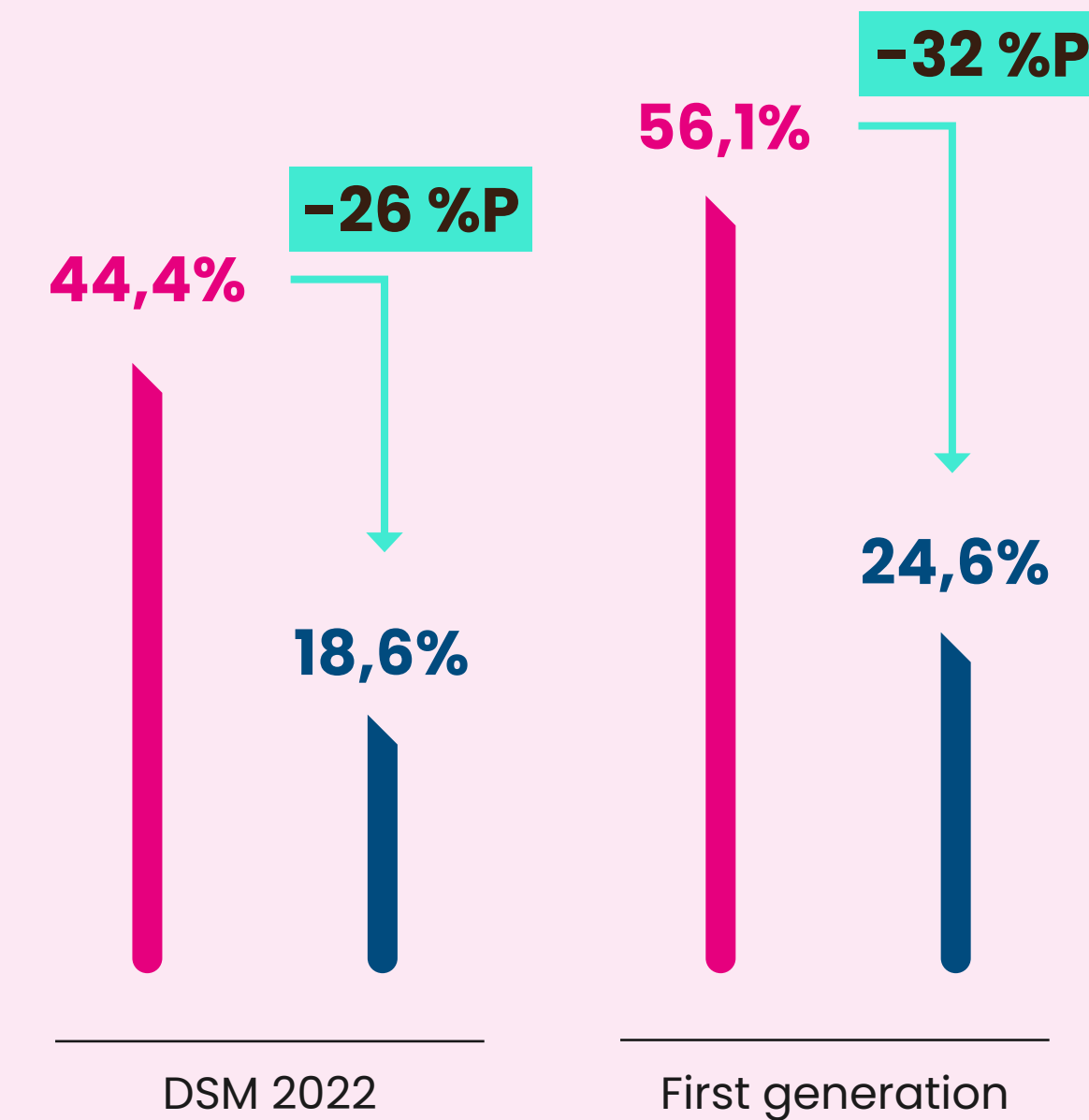
Venture capital funding gap

Venture capital is the preferred resource for startups when it comes to significantly **advancing scaling and growth**.

First-generation migrant founders are very strongly represented here, with the majority **seeking VC-funding**.

This also explains the **greater difference** between preferred and received VC-funding.

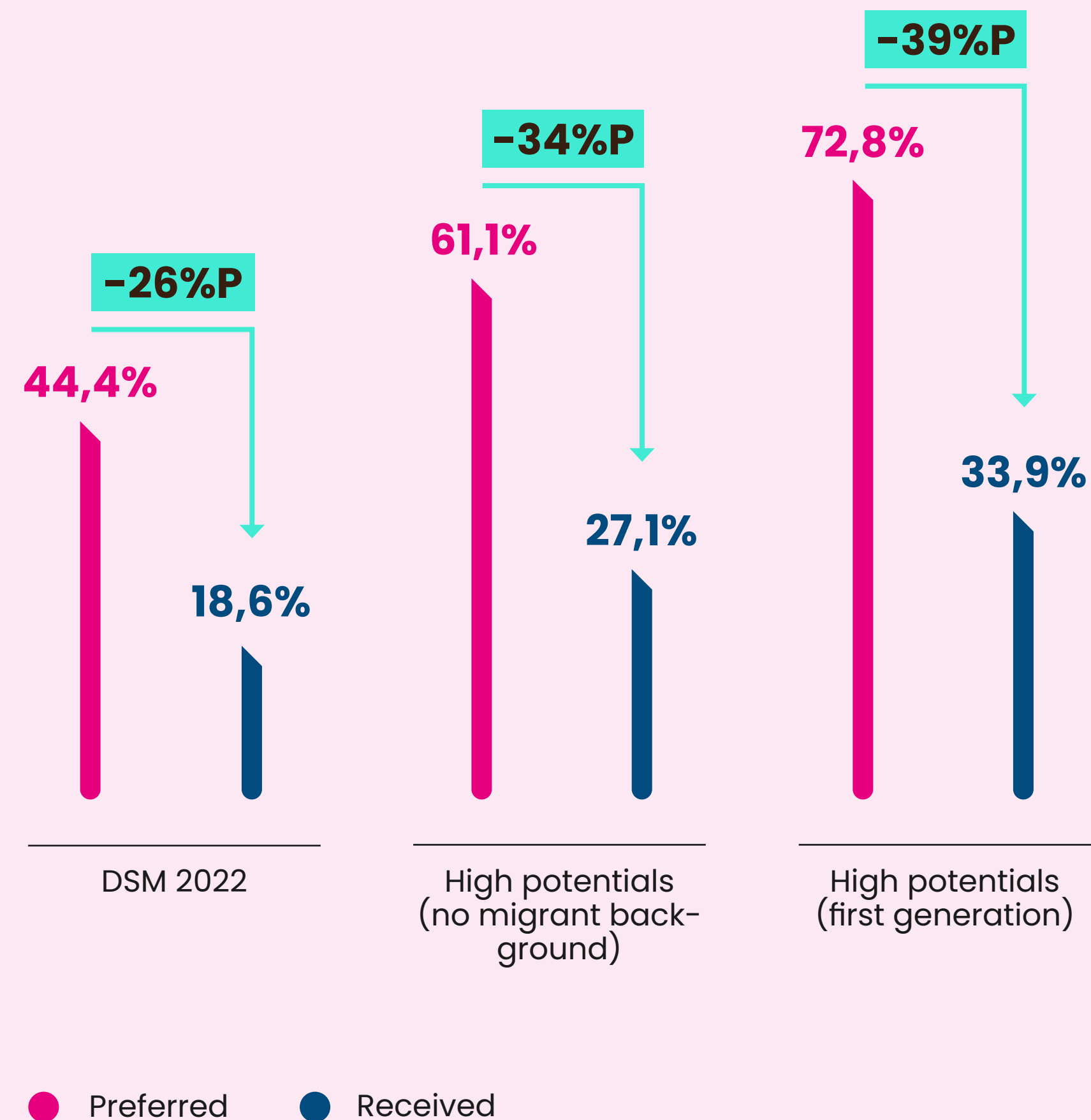
Venture capital funding



● Preferred ● Received



Venture capital funding



High potentials strongly prefer VC funding

There is a **more pronounced trend to seek VC funding** among the growth-focused **high potentials**.

This is another **significant characteristic** of first-generation high potentials.

The **ambitions are clearly evident**: 73% are seeking VC funding for their startup.



A need for access to funding

For a good year now, the **financing conditions** for start-ups have become more **difficult**.

There was already an **indication of this trend** in our survey data from Q2 2022.

Now it is **even more important** that particularly high potentials have **good access to funding**.

Procurement of capital is a key challenge





Benjamin Wilkening
Vision Lab Partner Earlybird

// At the Earlybird Vision Lab incubator for migrant founders, we have noticed several positive trends: One of them is an ever-increasing share of applications from founders with high qualifications – often a STEM or business degree in Germany – and exciting tech solutions.”

// The increased visibility of the high potential of migrant founders also attracts more attention from investors. Our Demo Days have seen a steady increase in demand, in the form of the presence of various investors and resulting meetings with the startups.”

// Healthcare innovation can have a huge impact on a country, but it is also a difficult space to build a start-up. We need investors ready to make big bets and even more importantly, healthcare stakeholders open to working with early-stage startups.”

// In deeptech, it is quite a challenge to set things up outside of universities and research institutions. If you come from abroad and don’t have access to these institutions, that can be an issue. Thus, access to open funding programs and student networks are key – especially in the pre-seed stage.”



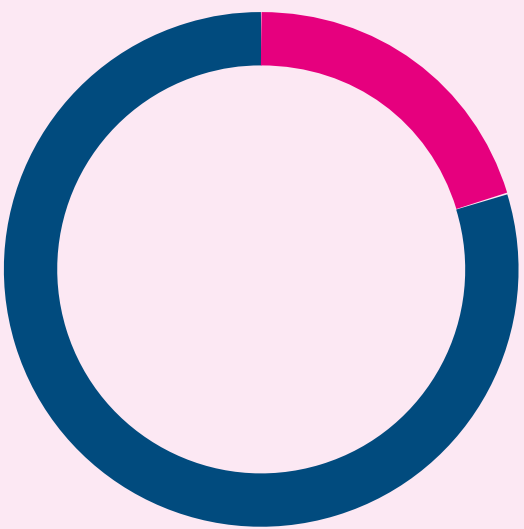
Czuee Morey
Founder Xena Dx

Opportunities and challenges



Share of international revenue

DSM 2022



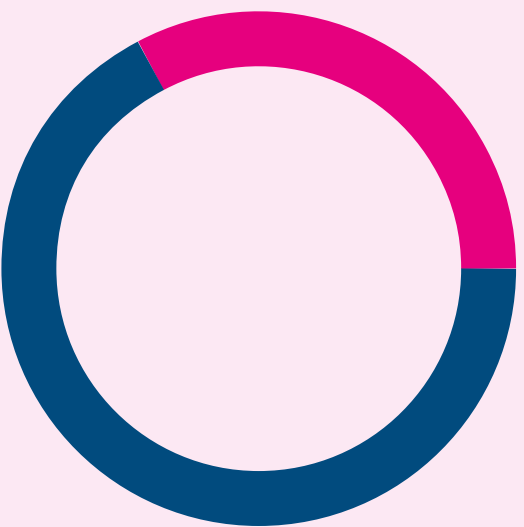
20,3%

International

79,7%

Germany

First generation



32,6%

International

67,4%

Germany

Internationality is a clear USP

In addition to a larger share of international revenue, first-generation migrant founders also set up **more international teams**.

On average, **51% of their team members** come from abroad, which compares to 28% among startups in general.

In addition **23% of their employees** have their primary place of work **outside Germany**, compared to 11% for startups in general.



Migrant Founders are ahead on gender diversity

The **startup ecosystem sill has some catching up to do** in terms of equal opportunities and gender parity.

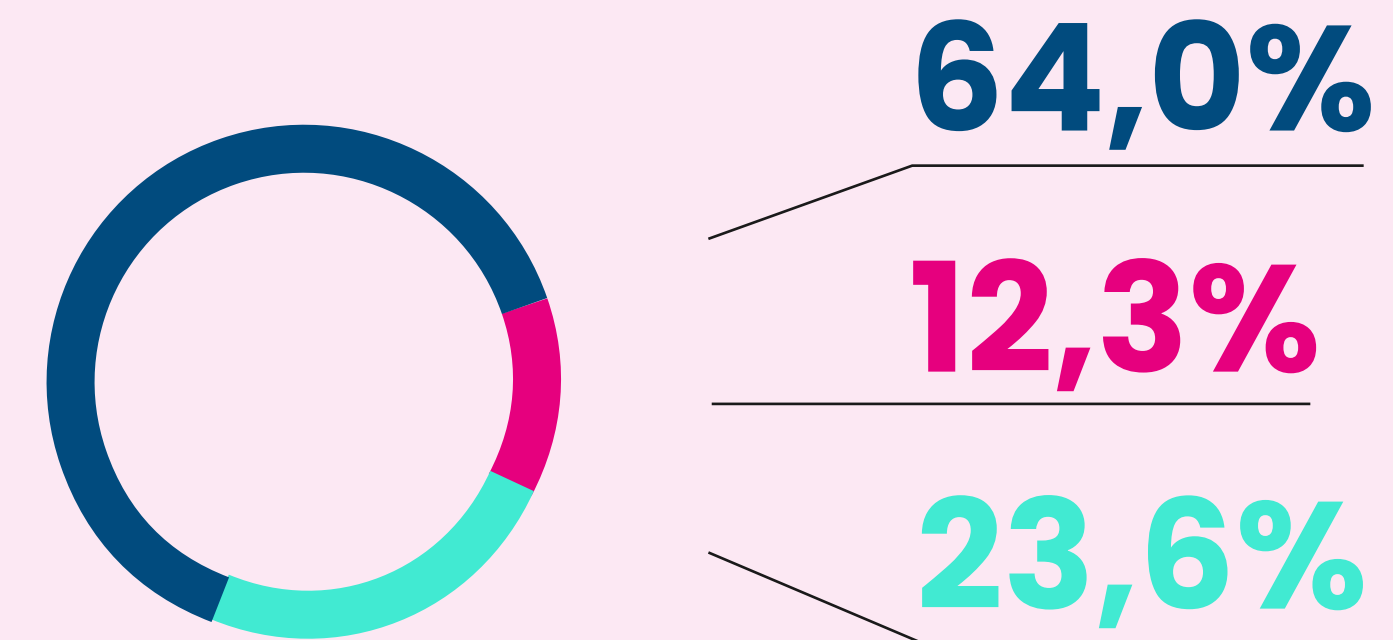
Migrant founders are more likely to be **part of female and mixed teams**, with a share of 44%.

This indicates a positive link for these two **aspects of diversity**.

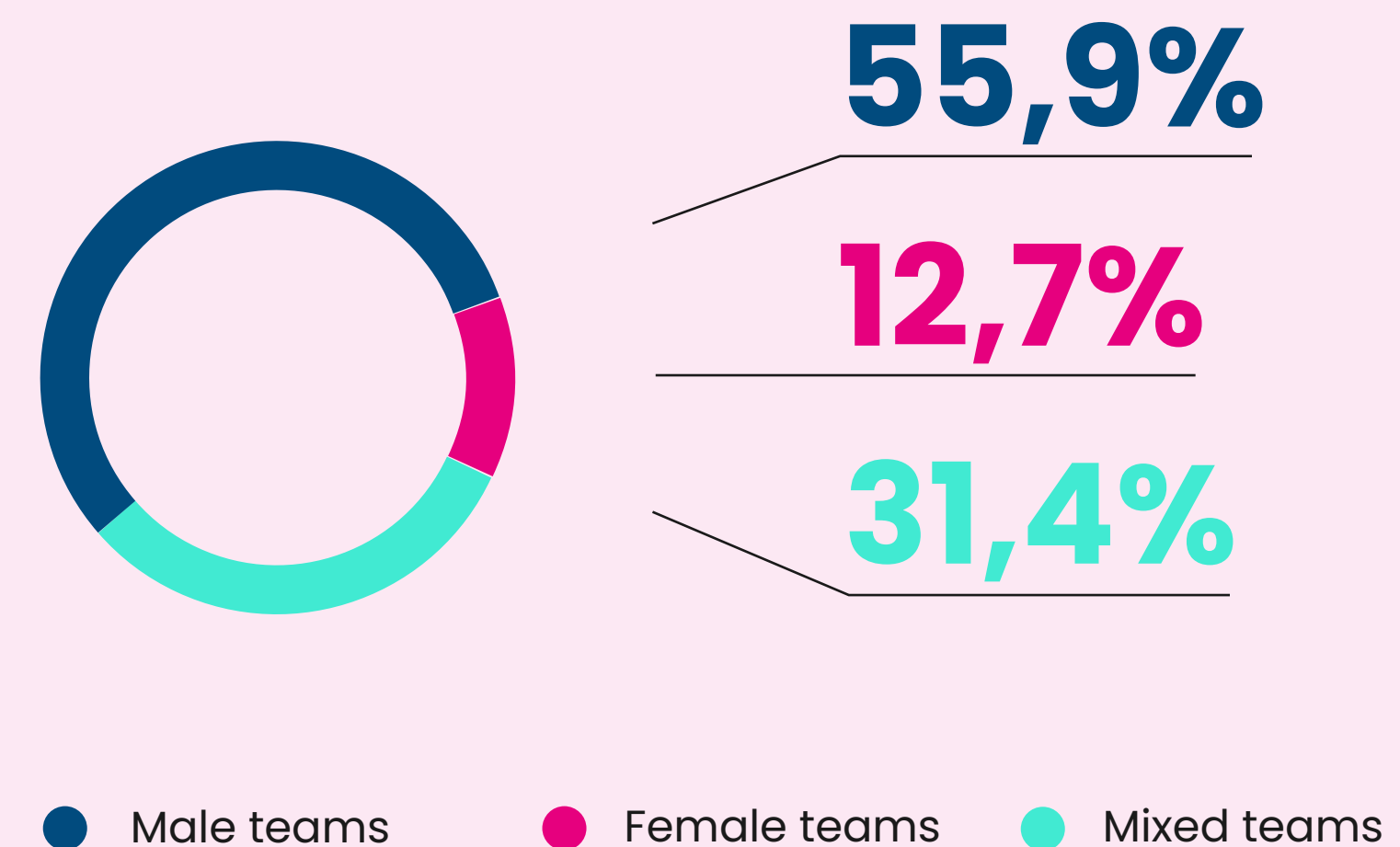


Team composition

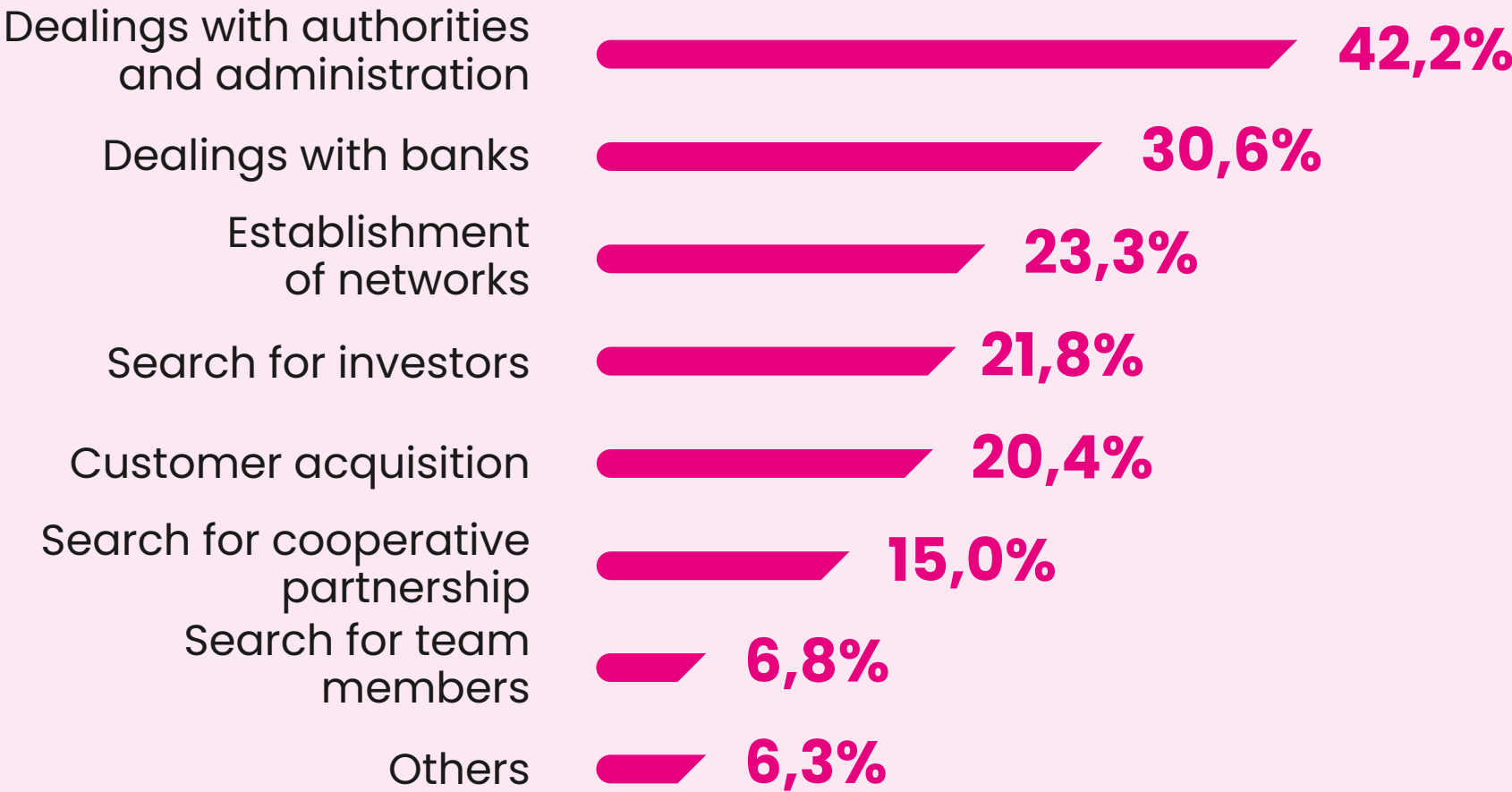
Founders without no migrant background



Migrant Founders



Situations in which first-generation migrant founders see themselves at a disadvantage



Bureaucracy and funding are challenging

Bureaucratic hurdles are a key issue – with **language barriers and lack of accessibility** both playing a role.

However, first-generation migrants often see themselves at a disadvantage when **dealing with banks**, too.

Another issue often cited is **building helpful networks** and other associated issues.



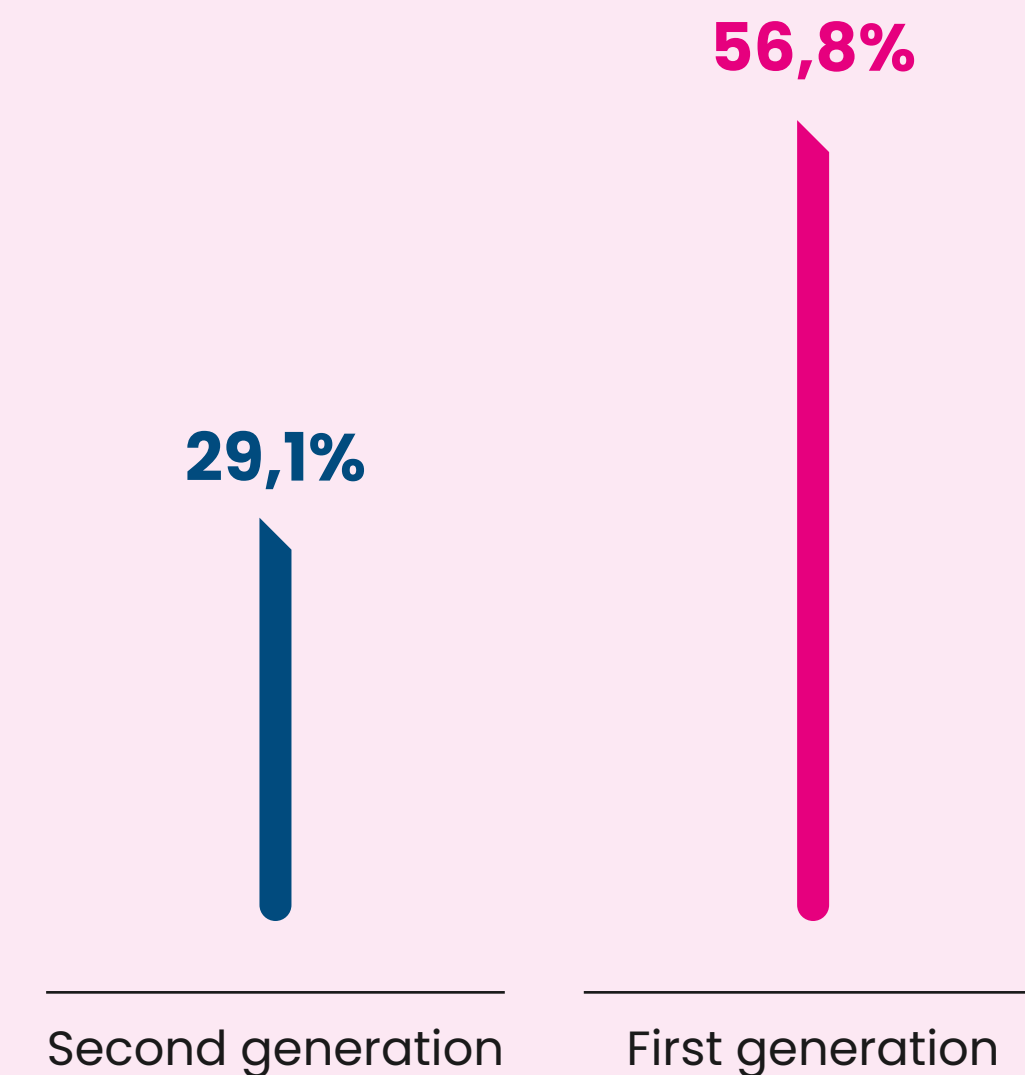
The first generation feels at a disadvantage more often

Compared to the second generation that was born in Germany, the **first generation** has the impression of being at a **disadvantage** much more often.

The challenges faced by the first generation underscore the importance of **bureaucratic hurdles and language barriers**.

These represent **key levers for boosting the attractiveness** of Germany for international company founders and skilled workers.

Did you ever have the feeling that you were at a disadvantage compared to other founders because of your migrant background?



Organizations in the startup ecosystem

Migrapreneur

STARTUP
MIGRANTS®

2hearts

H B
MIGRATION U

VISION^{LAB}



Support is improving within the startup ecosystem

Our impression: **Awareness** of the topic and the **support landscape** in the German startup ecosystem are growing.

Key players in this ecosystem are those who are specifically addressing existing **challenges**, such as **bureaucracy** and **funding**.

Initiatives and networks that provide founders with access to the resources they need **are key**, as well as those that raise public awareness.



Laura Villafuerte
Co-Founder & CEO CareerBee

// Bureaucracy is a challenge, even for people who have grown up here in Germany. You often have the feeling that you don't have all the information you need and that you have to check everything twice when it comes to important documents."

// More efficient and especially more digitalized bureaucratic processes would be a key advantage in my opinion. I would like to see more lean processes in place and know that people are actually looking at how they can support international founders in particular and help make things happen."

// Having an international background, together with an international network, brings added value in many respects. For example, I can ask my network how licensing processes work in other countries and get the information I need quickly and easily."

// It is important that Germany wins over company founders and skilled workers in the competitive international market. We still have some catching up to do with countries like the UK and Estonia, where a lot more is digitalized and processes run faster."



Artem Demchenkov
CEO & Founder Datamin



Gülsah Wilke
Co-Founder & Managing Director
2hearts

// We believe strongly that only the best entrepreneurs will succeed in these challenging times. Unfortunately, still often only the obvious founders receive funding while migrant founders have a massive lack of access to relevant networks and funding."

// With 2hearts we want to change this: We empower migrant founders to get funding and access as there is a clear ROI: Every second Unicorn in the US has one culturally diverse co-founder. We need more data for Germany – thank you Startup Verband for raising much needed awareness with your research."

Methodology, references and contacts



Applied definitions of the Federal Statistical Office¹

1. Migrant 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 **German Startup Monitor 2022** (DSM) serves as the main source of data. Involving **1,976 participants**, the DSM is the most extensive survey among German startups.²

The DSM 2022 contains data relating to **380 startups** whose **founders have a migrant background**.

The 'migrant background' referred to in the survey is based on the **definition provided by the Federal Statistical Office of Germany**.

1) Federal Statistical Office of Germany (2022)

2) Kollmann et al. (2022)

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