

Socioeconomic Dynamics in Startup Culture

and How They Impact Founders



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May 2024

Publisher

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Cover picture: © Aleksey – stock.adobe.com;
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Recommended citation style

Hirschfeld, A., Gilde, J., Walk, V., Ansorge, M. (2024): Socioeconomic Dynamics in Startup Culture and How They Impact Founders. Bertelsmann Stiftung, Sustainable Social Market Economies, Gütersloh. <https://doi.org/10.11586/2024079>

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Role models and startup formation

Familial ties matter – even in the startup sector. Research on startup formation in Germany has shown that women are far less likely than men to start a business, and immigrants are much more likely to do so than is commonly assumed. However, the ways in which socioeconomic background influences startup creation are not as well understood. Our joint report is the first to address this gap by exploring the influence of socioeconomic background in the German startup ecosystem.

The study clearly shows that the entrepreneurial experience and educational background of parents shape and drive the country's startup founders. For example, one-fourth of startup founders in Germany come from households in which at least one parent either is or has themselves been an entrepreneur. The positive influence of such role models is significant. However, the findings also suggest that we need to promote startup creation as a career path more broadly, especially among working-class families who are at a disadvantage in terms of experience, networks and support. This is not just a matter of fairness but also economic development. To foster more startups, we must fully utilize the potential of motivated talents.

What specific actions need to be taken? We need to make role models more visible across the entire educational system and society to encourage others, especially those with less exposure to entrepreneurship in their private lives, to become entrepreneurs. This may constitute a small step toward more equity in education, but role models can inspire children and teenagers to pursue entrepreneurial careers. Germany needs more startups to achieve an economic take-off in the

coming years – in other words, we need to reach more potential founders.

Our report also shows that once the initial barriers to founding a company are overcome, all founders, regardless of their socioeconomic background, share the same levels of enthusiasm and ambition. Nine out of ten founders state they would start a company again, no matter “where they come from”. In the spirit of addressing this immense potential for growth and innovation, let us discuss the results and work together to make our ecosystem more inclusive for all talents!



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Key findings

- 1. Higher educational attainment levels are passed on from one generation to the next:** In Germany, 85% of startup founders hold academic degrees. A significant share of their parents also have tertiary level degrees, with 53% of fathers and 38% of mothers having obtained such degrees. These percentages are considerably higher than the 18% of individuals aged 55 to 74 in the general population holding academic degrees.
- 2. Role models in the family foster new founders and entrepreneurs:** Some 38% of founders have at least one parent who is self-employed, and 24% have at least one parent who has run a business with employees. Parents can thus serve as role models and mentors for founders.
- 3. Entrepreneurial experience and higher education levels in the family offer advantages:** Founders from households with tertiary attainment levels and entrepreneurial experience (53% and 65%, respectively) have often been encouraged by their family to start their own business and maintain access to extensive networks through their circle of friends.
- 4. Ambition is prevalent, regardless of socioeconomic background:** After launching a startup, founders from both working-class and entrepreneurial households (64% and 70%, respectively) report targeting a successful exit for their company.
- 5. Nonetheless, “family matters” – even when building a business:** Although they share similar goals, founders with entrepreneurial parents (63%) are more likely to raise external capital than their counterparts from working-class families (46%). As a result, their startups have, on average, only about half as many employees.

1 | Socioeconomic background and entrepreneurship

1.1 | Socioeconomic background as a (new) factor in the startup ecosystem

“Like father, like son” – the widespread use of this old and well-known saying speaks volumes. Even if we don’t want to admit it, socioeconomic backgrounds matter because they influence the paths we take as individuals. This includes the knowledge and skills passed down by parents, the contacts and financial resources associated with one’s familial background and, last but not least, the “subtle differences” (Bourdieu 1979) in one’s manner, such as how one speaks or behaves. All these things not only influence our thoughts and actions, they have an impact on our academic and professional achievements.

Where we come from thus matters in determining who we become and what we achieve. At the same time, the principles of social mobility and merit have become commonly accepted values in modern society. The saying “Where there’s a will, there’s a way” underscores the extent to which people are aware of the possibilities at hand and believe they can actualize their potential. In the world of business in particular, this is primarily about one’s performance which, in turn, fosters the idea that hard work and commitment pay off. In this context, the impact of one’s socioeconomic circumstances may seem less relevant, but it does not simply disappear. Instead, it gradually recedes into the background.

This study focuses on a field characterized by tensions related to socioeconomic status: the startup ecosystem. On the one hand, besides careers in sports

and music, starting a business is often seen as one of the most surefire ways to achieve social and financial success. This is evident in a cultural sense as well. For example, startup founders typically reject the status symbols of the old economy, embracing instead hoodies, sneakers and a more informal demeanor, which stands for openness and accessibility. On the other hand, successful founders thrive on strong networks, their informal access to financial resources, and a confident demeanor – resources and qualities where socioeconomic background plays an important role. The aim of this study is therefore to highlight the relevance of socioeconomic backgrounds in the startup sector, as well as the specific factors that influence and motivate founders.

1.2 | Broadening our understanding of startup founders

Before delving deeper into the topic, it’s important to briefly outline the subject matter. The term “socioeconomic background” refers here to both the social and economic status of a person’s family and the cultural background of their parents. In countries like Germany, a person’s cultural heritage and especially their parents’ educational attainment levels, have proved to be increasingly relevant factors. In the context of entrepreneurship, one’s professional standing, which encompasses both socioeconomic and cultural aspects, is also particularly important.

The influence of socioeconomic background on education and career success is understandably a frequently targeted subject in the research

community and public discourse. On the one hand, the underlying mechanisms are, at first glance, easy to understand and seemingly unproblematic: Parents of course always want the best for their children, and passing on experiences and knowledge to the next generation not only benefits the individual but also the economy and society as a whole. However, it is also true that certain groups may be excluded from accessing the opportunity for success. For example, if contacts and a cultivated demeanor in the job application process count more than professional skills, we not only risk hiring the wrong person, we also discourage talented individuals and undermine their faith in the system. This calls into question the principles of equal opportunity and merit-based achievement, which ultimately jeopardizes economic productivity.

This tension between socioeconomic background, performance and motivation is what makes examining the startup sector so intriguing and relevant. Promoting startup activity in Germany requires the involvement of all motivated talent in a sector that offers immense opportunities for success and upward mobility beyond traditional career paths. At the same time, we know that, thanks to gender gap analyses of the startup ecosystem (Hirschfeld et al. 2022), social mechanisms are also at work in this sector, with networks playing a significant role in this context.

1.3 | Startups are unique

While the impacts of socioeconomic background on education and career success have been the subject of research for some time, corresponding analyses for the startup ecosystem are lacking. With the aim of closing this gap, the German Startup Monitor (DSM) was expanded to include this topic in the 2023 survey wave. Building on the previously defined factors of socioeconomic background, the educational and professional backgrounds of both parents were queried, as well as the type of professional activity that has determined their careers. By closely aligning these questions with those included in the microcensus conducted by Germany's Federal Statistical Office, we can draw meaningful

comparisons to the general population in Germany, for example with regard to the share of those with an academic degree or self-employed individuals.

The DSM, conducted annually since 2012 with over 1,800 participating founders in the latest round, is the largest survey of the German startup ecosystem. As such, it provides insights into the sociodemographic core data of founders as well as the key aspects and success factors of their companies (Kollmann et al. 2023). On the basis of this comprehensive data set, it is possible to go beyond the mere description of the social background of the founders and to analyze the effects of such backgrounds on the respondents' attitudes and their entrepreneurial success.

Since this study is the first to focus on the socioeconomic background of startup founders, the following second chapter begins with an overview of the most relevant characteristics of the founders and their parents. It then highlights how these characteristics differ from those observed among the general population and introduces the classification of founders based on the educational attainment level or professional background of their parents in the last section (2.3.). The third chapter then addresses the key effects of these differences, focusing on founders' mindsets, success and challenges. The fourth chapter concludes with a discussion of the results, recommendations for action, and a plea for greater sensitivity to the effects of socioeconomic background in the startup ecosystem.

2 | Startup founders and their socioeconomic background

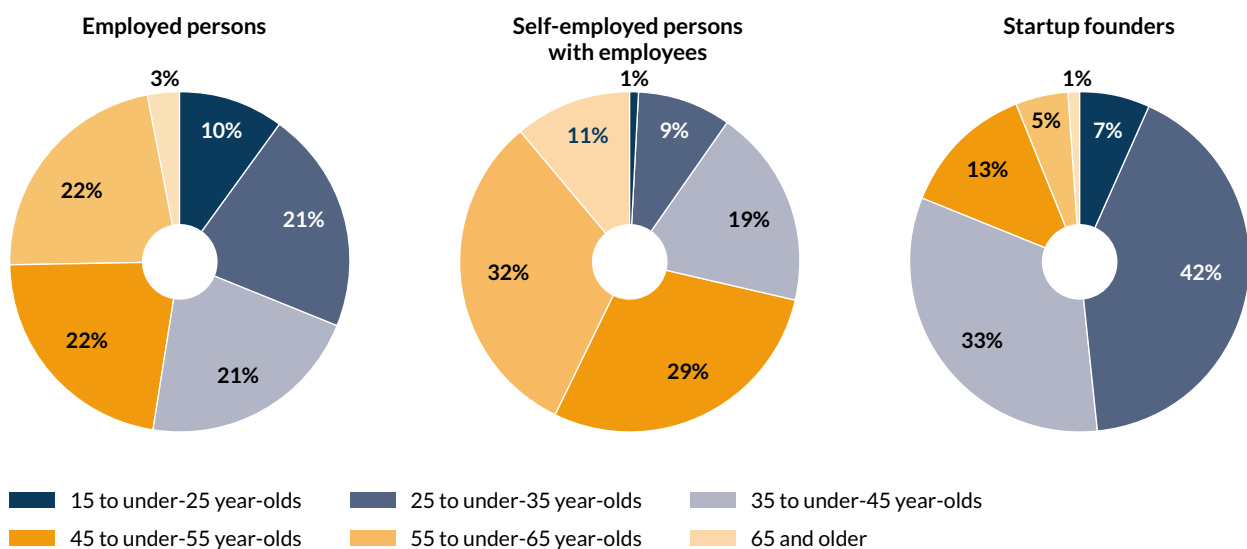
2.1 | Young and highly educated: startup founders

There are no marketing campaigns for entrepreneurship as a career – but perhaps there should be. Demographic shifts are already leading to intensified competition for talent between established companies and startups but also to a declining number of potential founders. Moreover, the German startup ecosystem in particular is facing a variety of specific challenges that exacerbate this problem, including an internationally low level of inclination toward founding (GEM 2023), an above-

average gender gap in both founding and financing (Hirschfeld et al. 2022) and an untapped potential within universities (McKinsey 2023) In addition to these widely discussed issues, socioeconomic background factors in significantly here. If a significant portion of the population – due to their socioeconomic background – fails to view starting a business as a viable career path, the pool of potential startup founders will remain limited.

In addition to the previously highlighted gender disparity within the ecosystem, an analysis of fundamental demographic characteristics reveals two

Figure 1 | Age distribution in relevant comparison groups



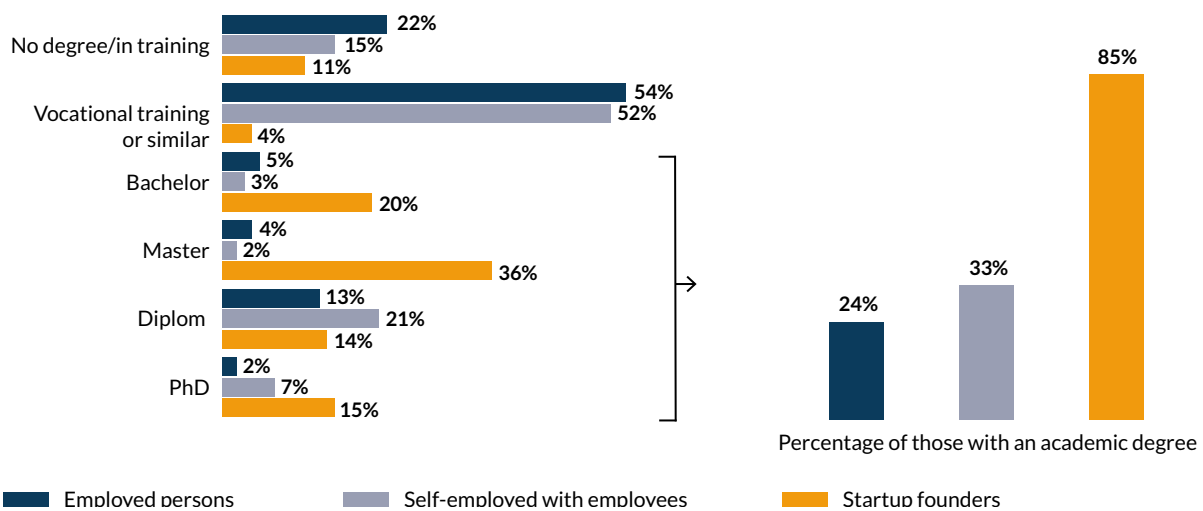
Source: Authors' analysis of German Startup Monitor 2023 and Federal Statistical Office 2024
Rounding discrepancies possible

relevant findings for this report: Startup founders tend to be relatively young, and they have higher levels of academic achievement. With an average age of approximately 37 years (Kollmann et al. 2023), they are not only younger than the average employed individual (43 years), they are also younger than self-employed individuals (51 years) (Federal Statistical Office 2024). However, it's important to note that

the definition of startups typically includes only companies up to ten years old, which means long-term successful startup founders are not included in the statistics.

The disparities in educational backgrounds are even more pronounced: While roughly 24% of the overall workforce holds an academic degree, a

Figure 2 | Qualifications among employed persons, self-employed persons with employees and startup founders



Source: Authors' analysis of German Startup Monitor 2023 and Federal Statistical Office 2024
Rounding discrepancies possible

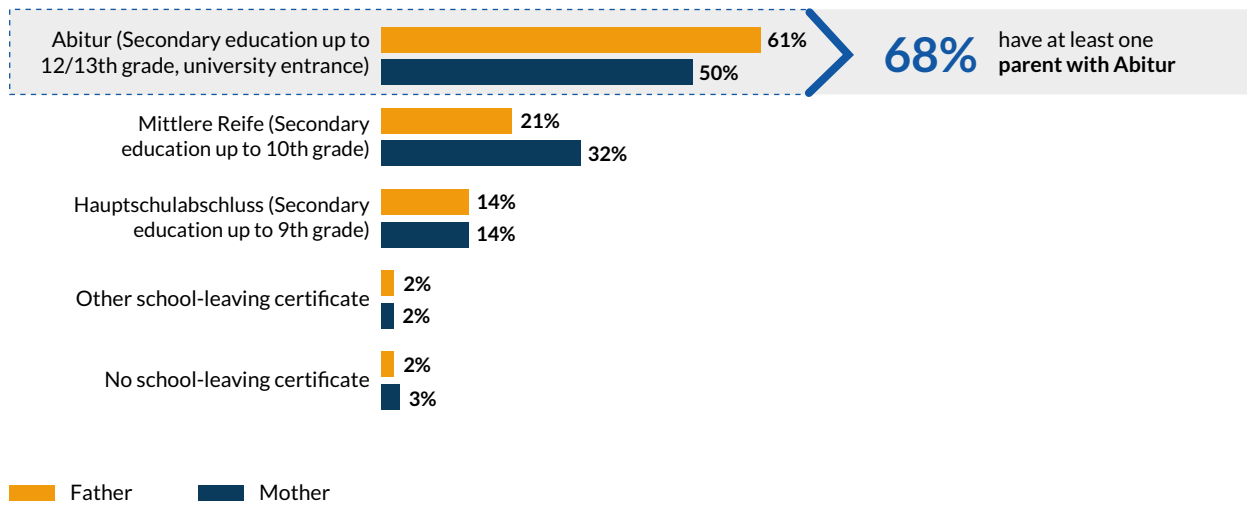
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staggering 85% of startup founders have completed some form of tertiary level education. Launching a startup requires substantial qualifications in terms of product development and financing structures. In addition, many startups have their roots in university environments. Accordingly, 38% of founders have a business degree and as many as 49% have a STEM degree (Kollmann et al. 2023). This illustrates the high barriers to startup entrepreneurship, with the education system playing a pivotal role in shaping the population of founders.

2.2 | Family matters: Identifying relevant factors

A few years ago, the Guardian published an article titled "Entrepreneurs are great, but it's mom and dad who gave them their start" (The Guardian 2021), highlighting the crucial role played by family support in the success of many entrepreneurs during the initial phases of their ventures. To examine this aspect within the context of German startup founders, we explore the educational and professional qualifications as well as the occupational activities of their parents, while considering comparable figures for the population as a whole.

Figure 3 | Educational attainment levels of founders' parents



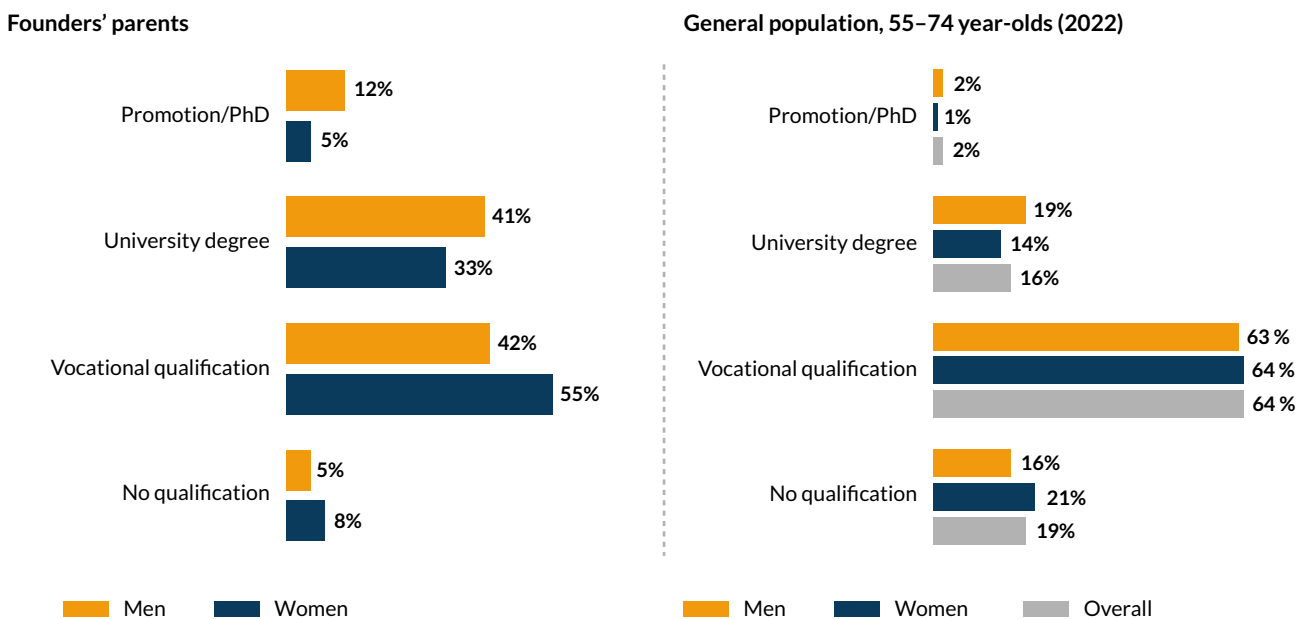
Source: Authors' evaluation of the German Startup Monitor 2023

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Six out of ten startup founders have at least one parent with an academic degree (59%), and 14% have a parent with a PhD. When comparing startup founders to the general population based on their parents' educational attainment levels, we observe a significantly higher likelihood of founders originating

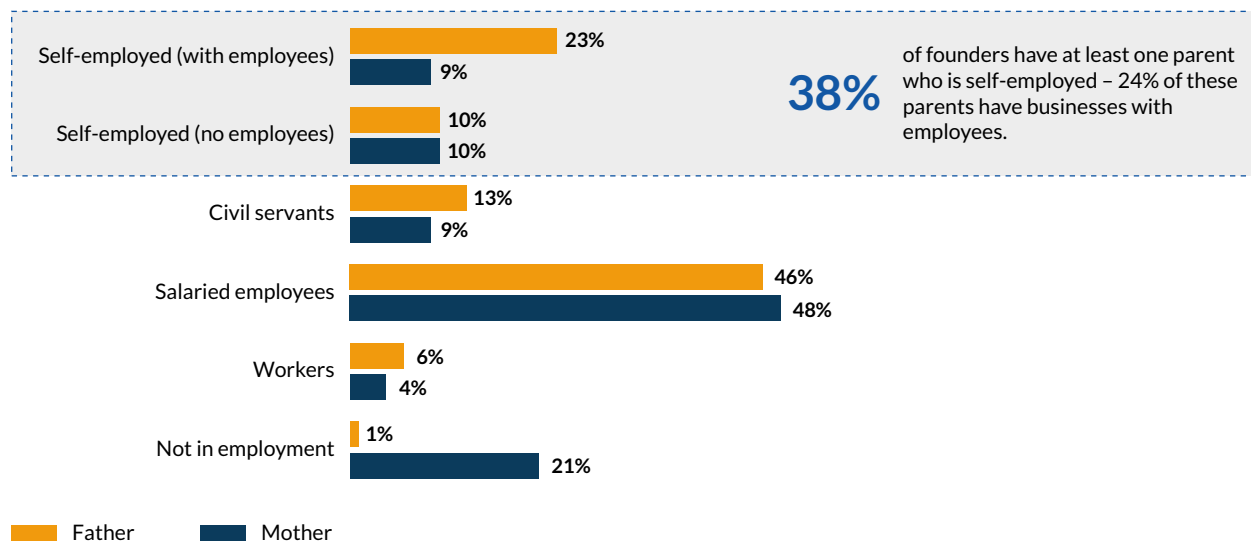
from households in which at least one parent has an academic degree, especially when considering parents within the same age bracket. However, given the high academic attainment rate among founders highlighted in the previous section, this finding is unsurprising and underscores the outsized influence

Figure 4 | Job related qualifications of the founders' parents compared to the general population



Source: Authors' analysis of German Startup Monitor 2023 and Federal Statistical Office 2024
Rounding discrepancies possible

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Figure 5 | Occupational activity of founders' parents

Source: Authors' evaluation of the German Startup Monitor 2023

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of the German education system on the startup ecosystem. Out of 100 children whose parents have an academic degree, 63 complete at least a bachelor's degree, whereas only 15 children from non-academic backgrounds achieve the same level of education (Stifterverband, McKinsey 2020). Particularly noteworthy here are the "educational achievers" among the founders: At 78%, nearly eight out of ten founders coming from families without tertiary level degrees have completed a degree, indicating that the startup ecosystem is particularly attractive for this achievement-oriented group.

Parents' professional background constitutes a second relevant characteristic. More than one-third of all startup founders have at least one parent who has been or currently is self-employed, with 24% of these parents having or having had businesses with employees. In contrast, only 4% of the overall workforce are entrepreneurs with employees (Federal Statistical Office 2024). These statistics highlight how the experience and knowledge acquired through the family context contribute to a stronger inclination to start a business. Parents not only act as mentors but also serve as relevant role models for entrepreneurship. In contrast, salaried employees are underrepresented among

the parents of business founders (employed: 71%) and the share of civil servants is slightly higher than the figure for employed individuals more generally (5%) (Statistisches Bundesamt 2024). This group presents several intriguing aspects, which will be further explored later, including a strong academic orientation, greater financial security within the family, and a rather limited appetite for risk.

2.3 | Unveiling the role of socioeconomic factors in the startup ecosystem

The findings regarding the educational and occupational backgrounds of parents already show that socioeconomic factors have a profound impact on the path to startup entrepreneurship. Drawing on this, we can delve deeper into how socioeconomic background influences various aspects of launching and sustaining a business. These include the actual founding process, a founder's ambitions, and the funding they secure. To better understand the diverse contexts that influence founders, we will once again examine the two indicators explained in the previous chapter.

Figure 6 | Analyzed groups of founders, by parental background

	Subgroups	Definition
Parents' occupational background	Founders/entrepreneurs Number of cases: 364	At least one parent is self-employed with employees
	Civil servants Number of cases: 165	At least one parent is a civil servant and neither are self-employed
	Workers Number of cases: 56	At least one parent is a worker and the other is not in employment
Parents' educational background	Academic degree-holders Number of cases: 836	At least one parent has a tertiary-level degree
	No academic degree-holders Number of cases: 532	Neither parent has a tertiary-level degree

Source: Authors' evaluation of the German Startup Monitor 2023

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Using the collected information about founders' parents, we grouped them according to two dimensions: educational background and occupational activity. This approach facilitates the formation of subgroups, allowing for a systematic comparison of how socioeconomic background affects the startup ecosystem. Below, we outline the composition of the groups to be further analyzed in chapter 3.

Regarding parents' educational backgrounds, we differentiate between founders whose parents lack academic degrees and those with at least one parent with a degree. Subgroup names are based on the distinguishing feature at the parental level. With regard to occupational activity, three groups are designated: entrepreneurs with at least one self-employed parent (with employees), workers and civil servants. This approach aims to elucidate the influence of family context as clearly as possible through these subgroups (see figure 6 for details): To be categorized as a civil servant, the second parent must not be self-employed, while the group of workers excludes any other form of employment for the second parent.

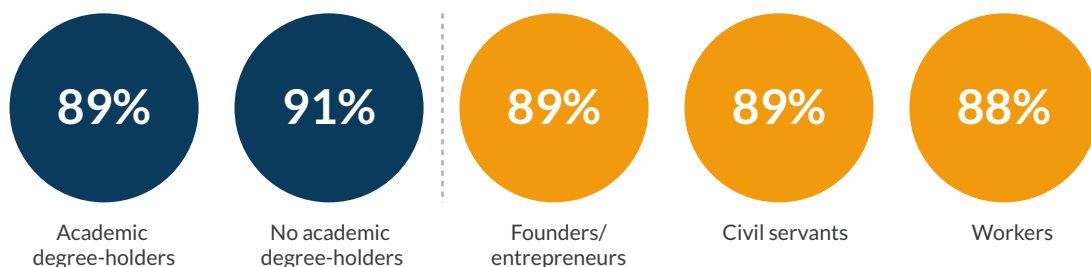
3 | How socioeconomic background impacts founders

3.1 | Contextual factors differ, goals remain similar

The journey to launching a startup can take different paths. Some companies are founded during university studies while others evolve from years of research or are established in the course of one's professional career. While startup founders typically fall between the ages of 25 and 45 (as discussed in section 2.1), with the average age being in the mid-30s, a notable distinction emerges: founders from working-class households have an average age of 42, six years older than those with entrepreneurial parents. This finding highlights the impact of financial stability and support from one's environment on the timing and nature of transitioning from employment to entrepreneurial pursuits (cf. Brändle and Kuckertz 2021).

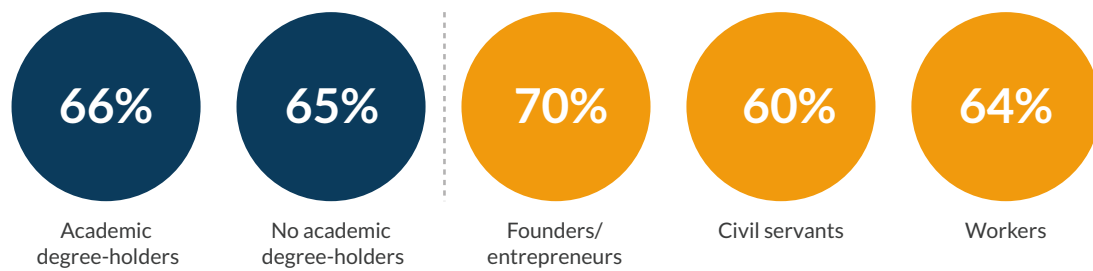
Once founders have actually launched and are running a startup, they express – across the board – satisfaction with their decision to have done so. In fact, there are no disparities found among founders across all socioeconomic backgrounds when it comes to the desire to launch another business, with nine out of ten founders stating their intent to do so. One explanation is that the experiences of success gained through founding a startup mitigate previously existing differences in perceived entrepreneurial self-efficacy, or confidence in one's abilities as an entrepreneur (cf. Brändle and Kuckertz 2023).

Figure 7 | Startup founders with plans to launch another business to follow current company, by subgroup



Source: Authors' evaluation of the German Startup Monitor 2023

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Figure 8 | Startups aiming for an exit, by subgroups

Source: Authors' evaluation of the German Startup Monitor 2023

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Beyond the decision to start a business, individual founders' motives and long-term goals for their companies can vary significantly. One essential measure lies in the company's pursuit of financial growth through venture capital and expansion, which is encapsulated in its exit value. Generally, the exit, particularly the sale of company shares by investors (e.g., through an initial public offering), is viewed as a vital element in the financing cycle within the startup ecosystem and serves as the foundation for venture capital investments (German Startup Association 2021). Overall, there are only minor differences in mindset, ambitions and chosen growth trajectory for the company across all groups, with founders from entrepreneurial and civil servant backgrounds exhibiting the widest variance, at a ten-percentage-point difference. Similarly, the ambition to transform their own company into a unicorn, with a valuation exceeding one billion euros, shows only slight disparities across all groups, at a rate of 10%.

3.2 | Not all roads lead to secured financing

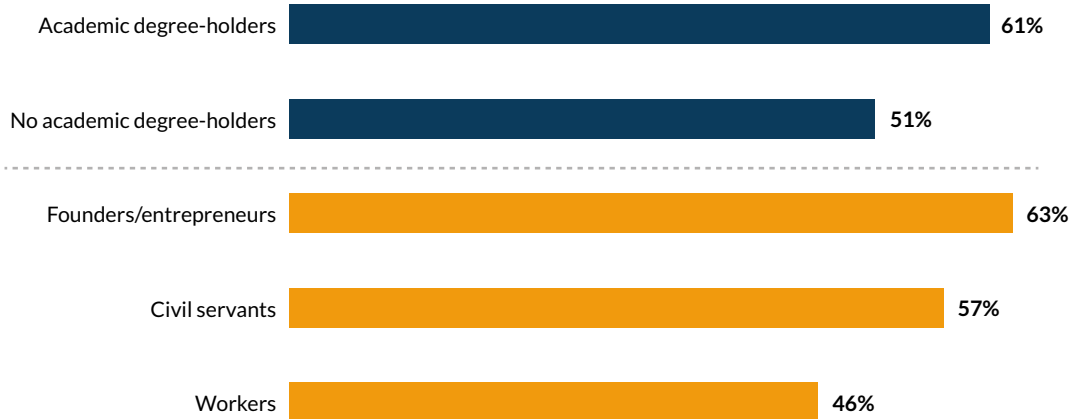
Achieving significant business goals requires not just ambition but the presence of crucial "hard" success factors – like access to capital, customers and talent. This is where the differences, which are barely present in the objectives, become all the more visible. For many startups, external capital is the basis for product development and growth. However, founders from working-class backgrounds are significantly less likely to raise external capital than their counterparts

from entrepreneurial families (63% vs. 46%). The presence of divergent objectives among founders as well as structural conditions in the ecosystem account for this disparity. A closer examination of capital and its two primary sources for startups – business angels (BA) and venture capital (VC) – reveals a complex picture.

In order to gain deeper insights into the founders' plans, it is important to differentiate between the desire to obtain external capital and its realization. When it comes to funding from business angels – individuals who often bring not only capital but also relevant industry knowledge and connections to the table – there are barely any disparities in stated objectives. However, compared to other groups, founders from entrepreneurial families are notably more successful in securing investments here. This could partly be attributed to the presence of experienced entrepreneurs within family networks, who may even act as investors themselves. Furthermore, these investments serve as a crucial stepping stone to later VC financing. Interestingly, objectives already differ in this regard, as founders from working-class families are significantly less likely to plan with VC. Despite sharing similar growth ambitions, they apparently harbor considerably lower expectations with regard to securing such financing. These expectations might not be entirely baseless, as startups from non-academic and working-class households receive venture capital less frequently.

These disparities with regard to business angel and venture capital financing bear consequences. In the

Figure 9 | External capital raised by startups, by subgroup



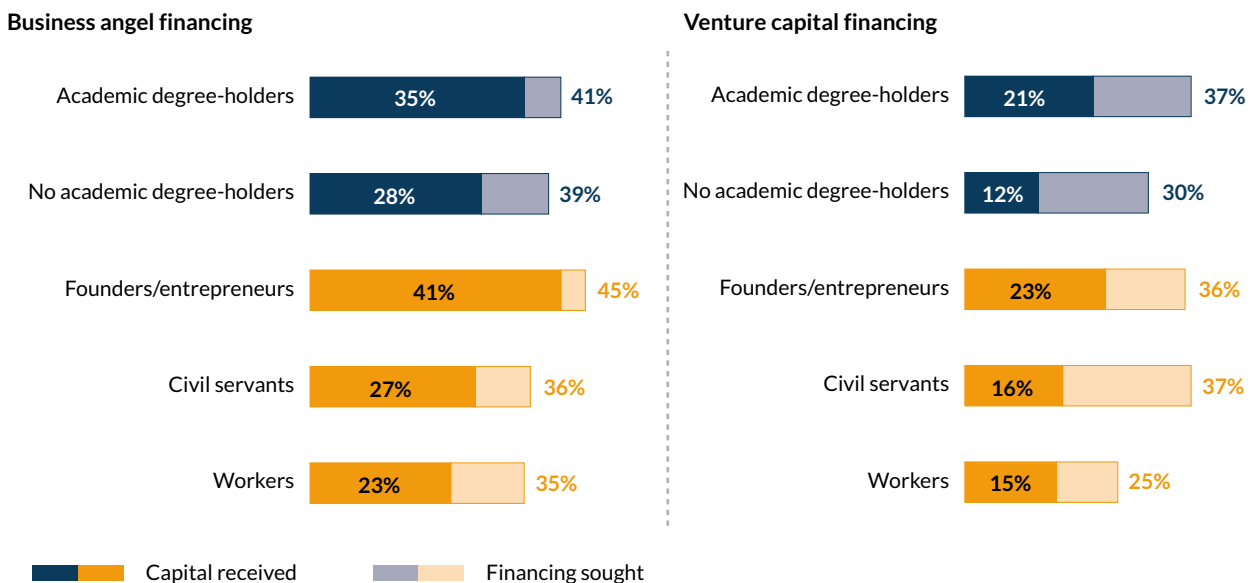
Source: Authors' evaluation of the German Startup Monitor 2023

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end, the financial resources of a startup undeniably influence their potential for growth. While start-ups launched by founders from entrepreneurial families employ nearly 24 people and those from academic backgrounds about 20, start-ups from other founder groups employ only around ten individuals. With regard to “social capital” (Anderson and Miller 2003), the symbolic effect of certain degrees and

considering the general “similarity bias” (Gompers and Kovvali 2018), these disparities may not be entirely unexpected. Nonetheless, a closer examination of relevant “enabling” factors in a startup journey proves valuable.

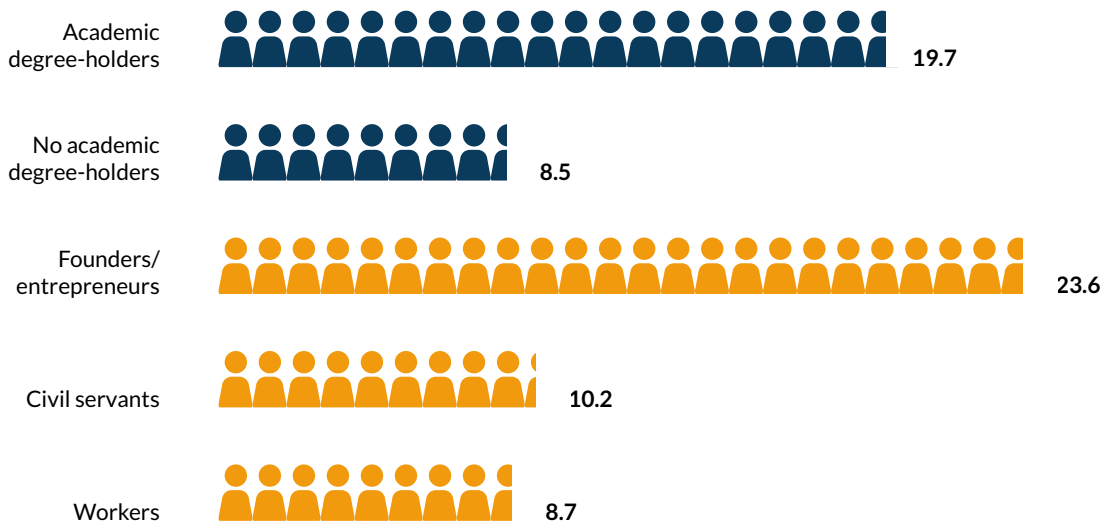
Figure 10 | Preferred and used sources of capital – business angel and venture capital by subgroup



Source: Authors' evaluation of the German Startup Monitor 2023

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Figure 11 | Average number of employees in startups, by subgroup



Source: Authors' evaluation of the German Startup Monitor 2023

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3.3 | Role models, support and security are influential variables

To gain deeper insights into how family background shapes entrepreneurial endeavors, we take another look at the life trajectories of startup founders. We begin with their formative years and extend our analysis to their present social milieu. Role models, who provide guidance along the entrepreneurial journey, are particularly important for prospective founders, especially women aspiring to launch a business and startups emerging from academic institutions. Furthermore, the greater the interaction with fellow founders, the greater the benefits. Approximately two-thirds of founders hailing from families with a history of business ownership cite having frequent contact with entrepreneurial figures within their familial circles. For founders originating from civil servant and working-class backgrounds, this figure is only 14%. This shows that the topic of entrepreneurship has remained more of an abstract possibility for these groups than an integral part of their lived experience.

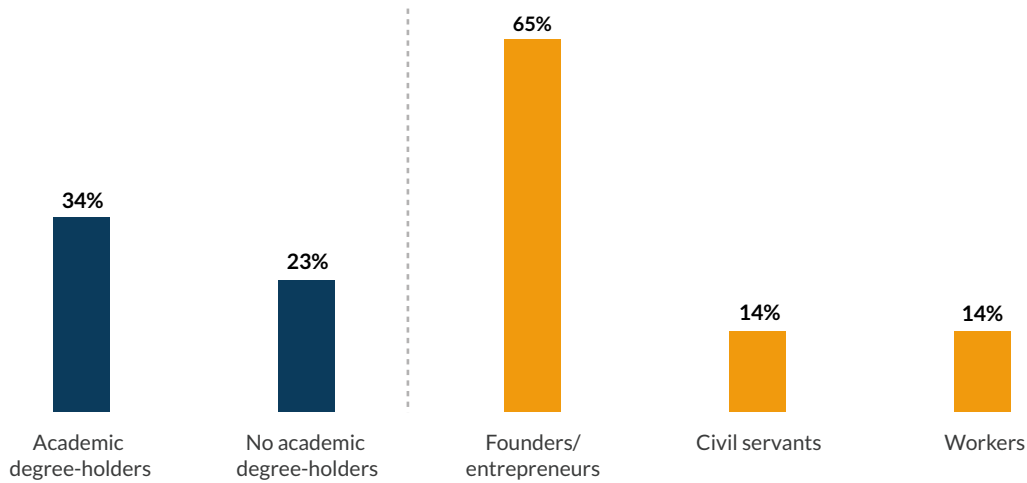
How others respond to one's decision to start a business is a relevant factor to consider. Emotional support and potential financial backing play distinct roles here: Founders that come from families with a

history of business ownership are considerably more likely to report having been encouraged to start their own business. The backing of family members can sway pivotal decisions, such as choosing between entrepreneurship and a stable, well-remunerated job. Financial security also often plays an important role: Notably, founders from working-class households report that their families were unable to provide financial support when they faced financially difficult situations. Taken together, these insights underscore the profound influence of socioeconomic background on the likelihood of starting a business, particularly with regard to the availability of role models, support and financial security.

An intriguing finding emerges as we examine how personal networks evolve over time: Despite the shifting landscapes individuals traverse in their lives, we see variations in the continuity of relationships with entrepreneurs within one's social spheres. The number of other startup founders in one's circle of friends is an important indicator of the size of one's network, which itself is crucial to the success of a startup. With an average of five friends who are also founders, respondents from working-class families have a smaller network in their immediate circle of friends compared to founders from entrepreneurial

Figure 12 | Contact with entrepreneurs through family connections, by subgroup

Family connections have provided me several business contacts.



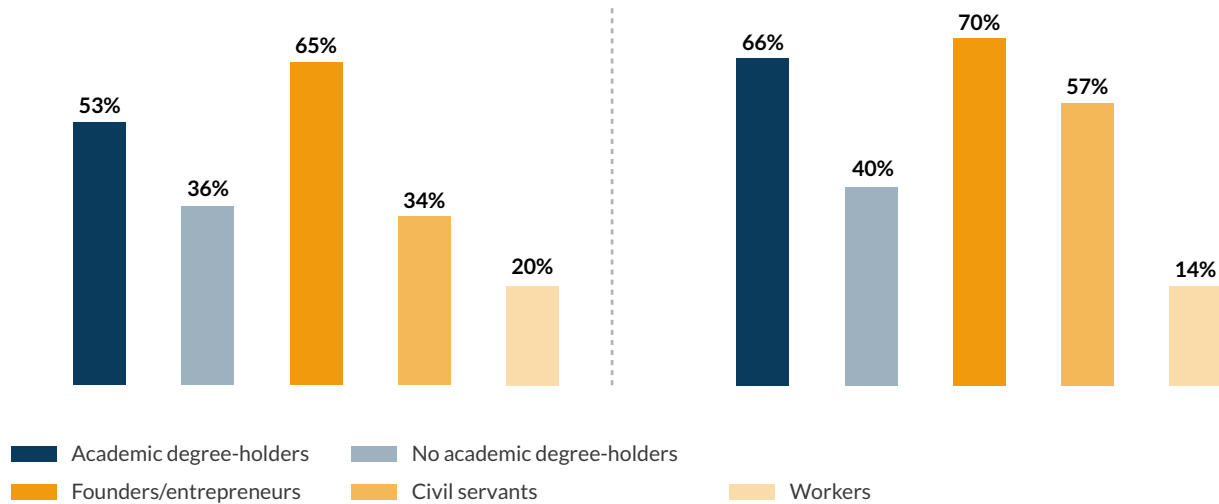
Source: Authors' evaluation of the German Startup Monitor 2023

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Figure 13 | Family financial support and encouragement for entrepreneurship, by subgroup

My parents (or relatives) have been supportive of my entrepreneurial endeavors.

My parents (or relatives) are able to provide financial support when I face economic challenges.



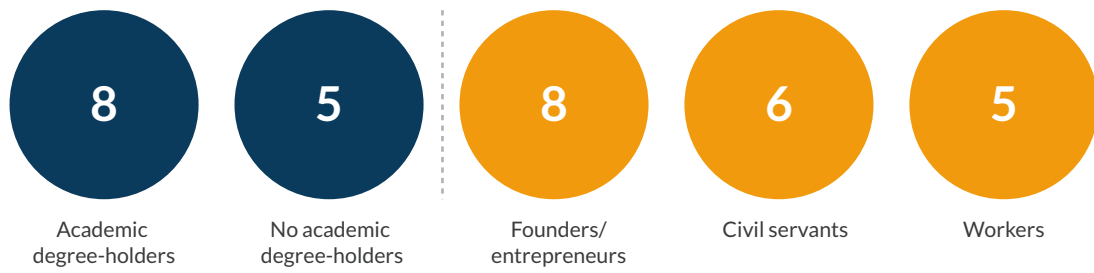
Source: Authors' evaluation of the German Startup Monitor 2023

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families. It's reasonable to assume that, in addition to familial connections and a predisposition or exposure to entrepreneurship, the networks formed during the early educational phases (both in school and university) remain influential throughout one's life (Qin et al. 2021). It is therefore all the more important

that we open up existing networks and support initiatives aimed at creating and expanding new networks. Such efforts can prove beneficial for those individuals from less privileged households and are enormously important for female, migrant and first-time-founder.

Figure 14 | Average number of other founders in one's circle of friends, by subgroup



Source: Authors' evaluation of the German Startup Monitor 2023

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4 | Fostering entrepreneurship culture and our startup ecosystem

Among the world's top ten wealthiest individuals, six have achieved their wealth through founding their own companies (Forbes 2024). Becoming a member of this elite group clearly involves immense personal effort and hard work. But even beyond such exceptional cases, founding a startup still offers countless individuals avenues for upward mobility and increased personal wealth. However, it's important to note that socioeconomic background continues to wield significant influence within the startup ecosystem, with the likelihood of founding a business varying greatly across different social groups. We also observe that, despite sharing similar ambitions, founders from working-class backgrounds face greater challenges in securing external capital compared to other groups. Through this report, we have systematically documented indicators of socioeconomic background within the German start-up ecosystem for the first time, thus addressing a crucial research gap.

The findings clearly point to an important consequence: We will continue to squander significant potential if we do not promote the topic of startups even more broadly in society. We must inspire more people to pursue startup activity while providing them improved access to the ecosystem. Not all challenges highlighted by this report are rooted in the startup ecosystem itself – some are instead associated with fundamental questions about society. This includes questions such as: How do we shape an education system that rewards merit and facilitates upward mobility? What is the perception of entrepreneurs in our society, how do we communicate role models, and how can we handle success and failure? Three issues in particular should be addressed:

- (1) Our education system remains marked by a lack of equal opportunity. As long as we continue to miss the mark in terms of focusing exclusively on skills and performance, and we continue to deny many young people opportunities for upward social mobility, the startup ecosystem will not mitigate – but will only manifest – this disparity.
- (2) While we may not need a dedicated marketing campaign as suggested in chapter 2, promoting entrepreneurs and founders more prominently as role models in the education system and within society could help raise awareness, establish startup activity as a realistic career option, and facilitate initial networking activity.
- (3) Finally, stakeholders in the startup ecosystem can also do more. We need to open up our networks and do everything we can to reduce the “similarity bias” in all phases of the startup journey. We need to organize more events that take place outside traditional venues, scrutinize investment processes for potential biases, and exercise greater sensitivity to diversity in all dimensions.

If we manage to embed the topic of startups more broadly across society and interact more openly within the ecosystem, we can expect to see not only more startups but also more successful ones in the future.

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