The Rise of Startup Hubs in Europe —
A qualitative study on the factors contributing to
Berlin’s rise as a European startup hub

Fred Hall
Rio de Janeiro - 2016
Fred Hall

The Rise of Startup Hubs in Europe: A qualitative study on the factors contributing to Berlin’s rise as a European startup hub

Master’s thesis presented to Corporate International Master’s program, Escola Brasileira de Administração Pública, Fundação Getulio Vargas, as a requirement for obtaining the title of Master in Business Management.

Advisor: Professor Hélio Arthur Irigaray

Rio de Janeiro
2016
Hall, Fred
The rise of startup hubs in Europe: a qualitative study on the factors contributing to Berlin’s rise as a European startup hub / Fred Hall. - 2016. 78 f.

Dissertação (mestrado) - Escola Brasileira de Administração Pública e de Empresas, Centro de Formação Acadêmica e Pesquisa. Orientador: Helio Arthur Reis Irigaray. Inclui bibliografia.


CDD - 658.421
FRED HALL

THE RISE OF STARTUP HUBS IN EUROPE – A QUALITATIVE STUDY ON THE FACTORS CONTRIBUTING TO BERLIN’S RISE AS A EUROPEAN STARTUP HUB.

Dissertação apresentada ao Curso de Mestrado Profissional Executivo em Gestão Empresarial da Escola Brasileira de Administração Pública e de Empresas para obtenção do grau de Mestre em Administração.


ASSINATURA DOS MEMBROS DA BANCA EXAMINADORA

[Signatures]

Hello Arthur Reis Irigaray
Orientador (a)

Ricardo Sarmento Costa

Luis Filipe Rossi
Acknowledgments

The author wishes to thank the family, friends and co-workers who have assisted and supported this endeavor. A special thank you and acknowledgment to Professors Hélio Arthur Irigaray and Marco Tulio Zanini along with the rest of the CIM staff from Georgetown University, FGV, and ESADE for their assistance and guidance.

Also, the author would like to recognize, acknowledge and thank not only Astrid Jantz and Tabea Wilke for providing support and industry contacts but also the interview respondents who have graciously given their time and input to this study. This research project would not have been possible without them.

Furthermore, a final thank you to the CIM 3 cohort for their support, encouragement, and feedback throughout the research project.
Table of Contents

1. Introduction 9
2. Objectives 10
   2.1 Research Objective 10
   2.2 Relevance and Structure 11
3. Theoretical Framework and Literature Review 13
   3.1 Definition of Entrepreneurship 13
   3.2 History of Entrepreneurship Theory 14
   3.3 Entrepreneurial Ecosystem Models 16
   3.4 Entrepreneurship in Germany 21
   3.5 Startup Ecosystem in Berlin 23
4. Research Methodology 25
   4.1 Introduction 25
   4.2 Research Design 25
   4.2.1 Selection Criteria 25
   4.2.2 Interviews 25
   4.2.3 Scope Limitations 26
   4.2.4 Data Analysis 27
5. Analysis of Results 28
   5.1 Networking Opportunities 28
   5.2 International City 29
   5.3 Artistic and Creative Atmosphere 30
   5.4 Financing and Capital 30
   5.5 German Culture 31
   5.6 Infrastructure 32
6. Discussion 34
7. Conclusions 37
8. Recommendations 39
9. Bibliography 40
10. Appendix 44
List of Figures

Figure 1: Cash Investments in Startups Berlin vs. London

Figure 2: The Global Startup Ecosystem Index 2012

Figure 3: The Global Startup Ecosystem Rankings 2015

Figure 4: Domains of the Entrepreneurship Ecosystem

Figure 5: Four Circle Entrepreneurial Ecosystem

Figure 6: Entrepreneurial Ecosystem Assessment Frameworks

Figure 7: EY G20 Entrepreneurship Barometer

Figure 8: Top Five Access to Funding - Germany
List of Tables

Table 1: Review of Entrepreneurial Ecosystem Diagnostic Tools
Table 2: Entrepreneurial Ecosystem Domains
Table 3: Tiered Entrepreneurial Domain Framework
Table 4: Summary of Companies and Interviewees
Table 5: Summary of Research Results
Table 6: Berlin’s Tiered Entrepreneurial Domain Framework
Abstract

This research study aims to analyze and provide insight into the rise of Berlin as a hub and destination for startups. An extensive literature review was conducted to understand and identify the concepts of entrepreneurship, startups, and the conditions and environments that make up the startup ecosystem. In addition, particular attention was paid to entrepreneurship and startups in Berlin, specifically, and Germany in general. A qualitative study was conducted through interviews with five startups that were located in Berlin with the questionnaire designed and formulated from the literature review. The tiered entrepreneurial ecosystem domain framework was adopted to analyze and interpret the results. Content analysis was used to analyze the qualitative interviews to gather in-depth understanding, trends and insights into the startup ecosystem in Berlin. The research suggests that some improvements are still needed in Berlin’s startup ecosystem, but that it is currently an attractive destination not only for people looking to work at startups but also for entrepreneurs looking to start their own.

Keywords: Entrepreneurship, Startup, Berlin, Germany, Ecosystem, Venture Capital, Financing, Human Capital, Culture, Infrastructure, International
1. Introduction

Entrepreneurship activity around the world is on the rise. A number of studies have shown that increased entrepreneurship activity is linked to economic development and growth. (Mueller, 2007) (Smith, 2010) (Mason and Brown, 2014) According to Russell Sobel, “...between one-third and one-half of the differences in economic growth rates across countries can be explained by differing rates of entrepreneurial activity. Similar strong results have been found at the state and local levels.” (Sobel, 2008)

In the last several years, large metropolitan cities in Europe, in particular, London, Berlin and Paris have become prominent startup hubs. (Startup Ecosystem Report, 2015) Among European cities, Berlin has become one of the top destinations for startup companies. According to a 2015 survey by the Startup Ecosystem Report, Berlin ranked 9th out of the top 20 global cities for startups. (Startup Ecosystem Report, 2015) Within Germany, Berlin is the top destination for startups as it accounts for 39% of all startups in Germany. (Schreier, 2014) In addition, Berlin has seen an increase in venture capital (VC) money invested in startups. In 2014, Berlin startups raised approximately 2 billion euros in venture capital, which is slightly more than London at 1.4 billion euros. (Barigazzi, 2015)

The research questions therefore are: What makes Berlin a great place for startups? And are there factors that are contributing to Berlin’s rise as a top startup destination? This paper will shed some light on the current startup environment by taking a closer look at Berlin’s startup ecosystem.

To answer these questions, in-depth qualitative interviews were conducted with stakeholders in the startup ecosystem of Berlin. The qualitative approach adds to the understanding of the current startup environment in Berlin, with respect to its global and country rankings. This research will provide clues to the factors that have contributed to Berlin’s rise as a startup hub as well as any improvements that are necessary for Berlin to sustain and grow its startup ecosystem.
2. Objectives

2.1 Research Objective

In the past few years, Berlin has been experiencing a startup boom. According to the Berlin Chamber of Commerce, approximately 1,300 Internet startups were formed between 2008 and 2012 with 500 new startups in 2011 alone. (Winter, 2012) Berlin is also the leading startup hub of Germany, followed closely by Hamburg and Hesse. (Office of the Federal State of Berlin, 2014) In 2014, Berlin outpaced London in terms of venture capital raised, approximately 2 billion euros to 1.4 billion euros respectively. (Barigazzi, 2015)

![Cash Investments in Startups Berlin vs. London](Image)

**Figure 1: Cash Investments in Startups Berlin vs. London**
(Source: Dow Jones VentureSource)

In addition, the Startup Ecosystem Report conducted a survey showing that Berlin jumped 6 positions in the global startup ranking in 3 years, from number 15 in 2012 to number 9 in 2015. (Startup Ecosystem Report, 2012 and 2015) In the report, Berlin trails only Tel Aviv and London in the rankings when excluding non-European cities. Berlin has the potential to become the leading destination for startup companies not only in Europe but the rest of the world. Therefore, it is crucial to study and understand the different factors that are responsible for Berlin’s success as a startup hub as well as what can be done to sustain the success.
2.2 Relevance and Structure

The purpose of this study is to research, analyze, compare and contrast the factors that account for the rise of Berlin as a startup hub. Startup companies have aided Berlin in its growth of the economy and population by providing jobs and foreign investment. Therefore, this study seeks
to provide insights on the startup ecosystem in Berlin for policy makers, startup founders and prospective investors towards a better understanding of the factors that make Berlin a destination for startups.

This study is structured into five parts. The first section is an introduction and research objective of the study. In the second section, the theoretical background and literature review will be discussed concerning entrepreneurship and startup ecosystems. The third section will explore the qualitative research and the methodology used for collecting the data for this research. In the fourth section, the results of the research will be analyzed along with a discussion on the outcomes of the research. And it will end with a conclusion of the research as well as recommendations for future studies or actions for policy makers, researchers and investors.
3. Theoretical Framework and Literature Review

3.1 Definition of Entrepreneurship

“The word ‘entrepreneur’ originates from a thirteenth-century French verb, *entreprendre*, meaning ‘to do something’ or ‘to undertake.’” (Sobel, 2008)

By the sixteenth century, the noun form, *entrepreneur*, was being used to refer to someone who undertakes a business venture.” (Sobel, 2008) However, the entrepreneur, or entrepreneurship, should not be confused with small business owners. James Carland defines an entrepreneur as “an individual who establishes and manages a business for the principal purposes of profit and growth. The entrepreneur is characterized principally by innovative behavior and will employ strategic management practices in the business.” (Carland, 1984) On the other hand, Carland defines a small business owner as “an individual who establishes and manages a business for the principal purpose of furthering personal goals. The business must be the primary source of income and will consume the majority of one’s time and resources. The owner perceives the business as an extension of his or her personality, intricately bound with family needs and desires.” In addition, Carland makes a distinction between the two activities:

**Small business venture:** A small business venture is any business that is independently owned and operated, not dominant in its field, and does not engage in any new marketing or innovative practices.

**Entrepreneurial venture:** An entrepreneurial venture is one that engages in at least one of Schumpeter’s four categories of behavior: that is, the principal goals of an entrepreneurial venture are profitability and growth and the business is characterized by innovative strategic practices.

There are varying definitions of what exactly is a startup. Steve Blank, a prominent entrepreneur and academic, defines a startup as a “temporary organization designed to search for a repeatable
and scalable business model." (Ready, 2012) In a survey on startups, KPMG, a consulting company, defines startups as a highly innovative company that is younger than 10 years and striving for a growth rate of profits or number of employees. (Deutscher Startup Monitor, 2015) In addition, the Institut für Strategieentwicklung (IFSE), a German strategy consulting company, defines a startup as a company that is less than 5 years with a business that could not exist without the Internet and has an independent management. (IFSE, 2016) However, for the purposes of this research, the term startup will be defined using the U.S. Small Business Administration definition, which is a “business that is typically technology oriented and has high growth potential.” (IFSE, 2016)

3.2 History of Entrepreneurship Theory

Richard Cantillon developed one of the earliest definition of an entrepreneurship in the 17th century. He characterized the entrepreneur as one who has the foresight and willingness to take risks. Cantillon believed that “the entrepreneur makes conscious choices about resource allocation in order to exploit resources so as to achieve as high a financial return as possible.” (Landström, 2005) The entrepreneur accomplishes this by recognizing the “discrepancies between demand and supply in a market create opportunities for buying cheaply and selling at a higher price and that this sort of arbitrage would bring equilibrium to the competitive market. The assumption was that the entrepreneur would buy products at a fixed price, have them packaged and transported to market and sell them at an unpredictable, uncertain price.” (Landström, 2005). The entrepreneurs were the ones who took advantage of these unrealized profit opportunities.

Another central figure in the theory of economics and entrepreneurship is Joseph Schumpeter. In The Theory of Economic Development (1934), Schumpeter builds a case not only on the importance of capital, wealth creation, and economic cycles, but also that economic growth is the result of the entrepreneur introducing new innovations that disrupt the economic status quo or equilibrium. For Schumpeter, the entrepreneur is an innovator and creator who disrupts the
market equilibrium with new innovations and creations. Schumpeter characterized this as “creative destruction” of stationary equilibrium in which the entrepreneur introduces new goods, services or methods of production in an economy as a disruptive force. (Rocha, 2012)

Whereas Schumpeter described the entrepreneur as a person disrupting the economic equilibrium through “creative destruction,” Kirzner, on the other hand described the entrepreneur as a person bringing markets into equilibrium by being alert to the imperfections and inefficiencies in the market and acting on these opportunities. (Smith, 2010) The entrepreneur seeks opportunities to make a profit by arbitraging gaps between supply and demand, producing and selling a good or service more cheaply, or purchasing goods now and selling at a higher price in the future. For Kirzner, the entrepreneur is an intermediary who recognizes and exploits an existing market imbalance and does not create anything new.

Further developing the notion of the entrepreneur and entrepreneurship is Frank Knight. In his thesis, “Risk, Uncertainty and Profit,” the concept of risk and uncertainty was introduced. According to Knight, “risk exists when outcomes are uncertain, but the outcomes can be predicted with some degree of probability, uncertainty arises when the probability of outcomes cannot be calculated, and “true uncertainty” occurs when the future is not only unknown, but also unknowable with unclassifiable instances and a non-existent distribution of outcomes.” (Landström, 2005) The opportunity for the entrepreneur to make a profit is by their ability to deal with the uncertainty surrounding change because if change is predictable there is no opportunity for profit. Thus, an entrepreneur inevitably takes on risk and uncertainty to make a profit.
3.3 Entrepreneurial Ecosystem Models

A number of research has also focused on the different elements that spur entrepreneurship. The Babson Entrepreneurship Ecosystem Project defines an entrepreneurship ecosystem as “a set of networked institutions with the objective of adding the entrepreneur to go through all the stages of the process of new venture development. It can be understood as a service network, where the entrepreneur is the focus of action and the measure of success.” (Isenberg, 2011) For Isenberg, the entrepreneurship ecosystem consisted of six domains: Policy, Finance, Culture, Supports, Human Capital, and Markets. Each domain is comprised of different elements that are interacting in complex ways with each other. However, in order to have a successful and self-sustaining entrepreneurship ecosystem, the domain combinations and their respective elements are often unique. In addition, Isenberg’s entrepreneurship ecosystem does not have causal paths with arrows indicating what causes what, instead, the emphasis is on context as each ecosystem arises from different combinations, conditions and circumstances. (Mason and Brown, 2014) (Isenberg, 2011)

Figure 4: Domains of the Entrepreneurship Ecosystem
(Source: Isenberg, 2011)
Similarly, Mason and Brown (2014) defines an entrepreneurial ecosystem as "a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organizations (e.g. firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies) and entrepreneurial processes (e.g. the business birth rate, numbers of high growth firms, levels of ‘blockbuster entrepreneurship’, number of serial entrepreneurs, degree of sellout mentality within firms and levels of entrepreneurial ambition) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment." (Mason and Brown, 2014)

![Diagram of Four Circle Entrepreneurial Ecosystem](image)

**Figure 5: Four Circle Entrepreneurial Ecosystem**  
(Source: Schwarzkopf, 2016)

Christian Schwarzkopf created an entrepreneurial ecosystem model that consisted of four concentric circles or domains and considered how improvement measures can either directly or indirectly influence each of the circles. (Schwarzkopf, 2016) For improvement measures to take hold in Circle I, the Personal Circle, and Circle II, the Private Circle, the best method to affect change is through indirect influence. For example, one way to improve the experience element
in the Personal Circle, through indirect influence, is to provide more opportunities to interact with entrepreneurs and work at startup companies to gain the necessary experiences. In general, Circle I and II are influenced by role modeling and having a positive environment. For Circle III, the Educational Circle, and Circle IV, the Public and Business Circle, improvement measures can affect change through direct influences. Therefore, implementing new regulations or measures, whether through government policies in Circle III or changing the higher educational curriculum in Circle IV can directly influence the outcome of the entrepreneurial environment.

Further, the Aspen Network of Development Entrepreneurs (2013) summarized the various entrepreneurship ecosystem frameworks by showing the different assessment approaches of each framework model by comparing the geographical unit of analysis on one axis versus the complexity or number of indicators of the model on the other axis.

Figure 6: Entrepreneurial Ecosystem Assessment Frameworks
(Source: Aspen Network of Development Entrepreneurs, 2013)
In addition, the different entrepreneurial ecosystem frameworks were compared and charted across the different domains. A common thread among the different frameworks were five key domains: Policy, Finance, Human Capital, Support Services, and Culture. These five domains were the most common across the nine different entrepreneurial frameworks.

<table>
<thead>
<tr>
<th>Domain</th>
<th>Babson</th>
<th>CoC</th>
<th>GEDI</th>
<th>Rainforest</th>
<th>6-6</th>
<th>OECD</th>
<th>Doing Business</th>
<th>WEF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Finance</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Markets</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Capital</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Support / Services / Connections</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Culture</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>R&amp;D / Innovation</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of Life</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Macroeconomic Conditions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Table 1: Review of Entrepreneurial Ecosystem Diagnostic Tools
(Source: Aspen Network of Development Entrepreneurs, 2013)

Further research by the research author into the current literature on entrepreneurial ecosystem showed that three domains stood out. Finance, Human Capital, and Support Services were prominent factors in a number of surveys and reports.
Table 2: Entrepreneurial Ecosystem Domains
(Source: From the author)

Therefore, in order to determine the critical success factors for an entrepreneurial ecosystem, the research author developed a framework that showed a tiered chart of the domains and their relative importance with the 1st tier being the most important and having the most impact on the ecosystem. The 1st tier of domains are Human Capital, Finance, and Support Services. The 2nd tier of domains are Policy and Culture and the 3rd tier being Infrastructure, Markets, and R&D/Innovation. The tiered entrepreneurial domain will be adopted as a conceptual framework.

Table 3: Tiered Entrepreneurial Domain Framework
(Source: From the author)
3.4 Entrepreneurship in Germany

In Germany, where many of the family owned business started around World War II, the "Mittelstand" have become the backbone of the German economy. These small and mid-sized companies (SME) or Mittelstand companies, which number about 3.5 million businesses employ approximately 78 percent of the workforce and makes up 53 percent of the GDP in Germany. (Blackstone, and Fuhrams, 2011) However, the German government is concerned that the country of it’s over reliance on the Mittelstand because they are decades old and not the new economy companies. Most of these Mittelstand companies are niche and narrowly focused players but a few are global giants, like VW, BMW and Siemens. In the last several years, the German government has started new initiatives to promote startups by offering state grants, cheap loans and free business consultations.

In a recent report called "The EY G20 Entrepreneurship Barometer 2013", EY analyzed and compared the entrepreneurial ecosystem across the G20 countries. In the report, Germany ranked in the top ten on four of the five categories. The one category which Germany ranked outside the top 10 was access to funding; Germany ranked number 14. (EY, 2013) Insights from the report showed that only 27 percent of German entrepreneurs said access to funding was easy. In addition, most entrepreneurs in Germany access funding through bank loans and government fundings.
<table>
<thead>
<tr>
<th>Ranking</th>
<th>Access to funding</th>
<th>Score</th>
<th>Entrepreneurship culture</th>
<th>Score</th>
<th>Tax and regulation</th>
<th>Score</th>
<th>Education and training</th>
<th>Score</th>
<th>Coordinated support</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>7.12</td>
<td>United States</td>
<td>7.67</td>
<td>Saudi Arabia</td>
<td>6.40</td>
<td>France</td>
<td>6.98</td>
<td>Russia</td>
<td>6.23</td>
</tr>
<tr>
<td>2</td>
<td>United Kingdom</td>
<td>6.86</td>
<td>South Korea</td>
<td>7.53</td>
<td>Canada</td>
<td>6.34</td>
<td>Australia</td>
<td>6.53</td>
<td>Mexico</td>
<td>5.89</td>
</tr>
<tr>
<td>3</td>
<td>China</td>
<td>6.75</td>
<td>Canada</td>
<td>7.45</td>
<td>South Korea</td>
<td>6.34</td>
<td>United States</td>
<td>6.50</td>
<td>Brazil</td>
<td>5.87</td>
</tr>
<tr>
<td>4</td>
<td>Australia</td>
<td>6.62</td>
<td>Japan</td>
<td>7.28</td>
<td>United Kingdom</td>
<td>6.19</td>
<td>South Korea</td>
<td>6.40</td>
<td>Indonesia</td>
<td>5.84</td>
</tr>
<tr>
<td>5</td>
<td>Australia</td>
<td>6.48</td>
<td>South Africa</td>
<td>7.18</td>
<td>South Africa</td>
<td>6.10</td>
<td>EU</td>
<td>6.25</td>
<td>India</td>
<td>5.76</td>
</tr>
<tr>
<td>6</td>
<td>South Africa</td>
<td>5.95</td>
<td>United Kingdom</td>
<td>7.00</td>
<td>Japan</td>
<td>6.07</td>
<td>United Kingdom</td>
<td>5.96</td>
<td>China</td>
<td>5.75</td>
</tr>
<tr>
<td>7</td>
<td>Japan</td>
<td>5.81</td>
<td>Germany</td>
<td>6.88</td>
<td>Germany</td>
<td>5.84</td>
<td>Germany</td>
<td>5.89</td>
<td>Turkey</td>
<td>5.66</td>
</tr>
<tr>
<td>8</td>
<td>South Korea</td>
<td>5.75</td>
<td>EU</td>
<td>6.07</td>
<td>Australia</td>
<td>5.75</td>
<td>Argentina</td>
<td>5.83</td>
<td>South Africa</td>
<td>5.65</td>
</tr>
<tr>
<td>9</td>
<td>Brazil</td>
<td>5.67</td>
<td>France</td>
<td>5.68</td>
<td>Russia</td>
<td>5.65</td>
<td>Canada</td>
<td>5.81</td>
<td>Argentina</td>
<td>5.64</td>
</tr>
<tr>
<td>10</td>
<td>Indonesia</td>
<td>5.53</td>
<td>Russia</td>
<td>5.05</td>
<td>EU</td>
<td>5.46</td>
<td>Brazil</td>
<td>5.78</td>
<td>Germany</td>
<td>5.53</td>
</tr>
<tr>
<td>11</td>
<td>India</td>
<td>5.48</td>
<td>India</td>
<td>4.95</td>
<td>Turkey</td>
<td>5.45</td>
<td>South Africa</td>
<td>5.67</td>
<td>France</td>
<td>5.41</td>
</tr>
<tr>
<td>12</td>
<td>EU</td>
<td>5.41</td>
<td>Brazil</td>
<td>4.88</td>
<td>Indonesia</td>
<td>5.38</td>
<td>Saudi Arabia</td>
<td>5.66</td>
<td>Saudi Arabia</td>
<td>5.39</td>
</tr>
<tr>
<td>13</td>
<td>Saudi Arabia</td>
<td>5.26</td>
<td>Italy</td>
<td>4.67</td>
<td>United States</td>
<td>5.33</td>
<td>Italy</td>
<td>5.47</td>
<td>EU</td>
<td>5.37</td>
</tr>
<tr>
<td>14</td>
<td>Germany</td>
<td>5.23</td>
<td>South Africa</td>
<td>4.33</td>
<td>Mexico</td>
<td>5.21</td>
<td>Russia</td>
<td>5.46</td>
<td>South Korea</td>
<td>5.36</td>
</tr>
<tr>
<td>15</td>
<td>Russia</td>
<td>5.04</td>
<td>Turkey</td>
<td>4.30</td>
<td>France</td>
<td>5.12</td>
<td>Mexico</td>
<td>5.32</td>
<td>Australia</td>
<td>5.31</td>
</tr>
<tr>
<td>16</td>
<td>France</td>
<td>4.74</td>
<td>Argentina</td>
<td>4.06</td>
<td>China</td>
<td>5.07</td>
<td>Japan</td>
<td>4.72</td>
<td>Canada</td>
<td>5.29</td>
</tr>
<tr>
<td>17</td>
<td>Turkey</td>
<td>4.57</td>
<td>Mexico</td>
<td>3.96</td>
<td>Brazil</td>
<td>4.83</td>
<td>Turkey</td>
<td>4.39</td>
<td>United Kingdom</td>
<td>5.19</td>
</tr>
<tr>
<td>18</td>
<td>Mexico</td>
<td>4.42</td>
<td>China</td>
<td>3.88</td>
<td>Italy</td>
<td>4.76</td>
<td>China</td>
<td>4.35</td>
<td>Japan</td>
<td>5.04</td>
</tr>
<tr>
<td>19</td>
<td>Italy</td>
<td>4.03</td>
<td>Indonesia</td>
<td>3.80</td>
<td>India</td>
<td>4.29</td>
<td>Indonesia</td>
<td>3.68</td>
<td>Italy</td>
<td>4.97</td>
</tr>
<tr>
<td>20</td>
<td>Argentina</td>
<td>3.27</td>
<td>Saudi Arabia</td>
<td>3.18</td>
<td>Argentina</td>
<td>4.31</td>
<td>India</td>
<td>3.49</td>
<td>United States</td>
<td>4.85</td>
</tr>
</tbody>
</table>

Figure 7: EY G20 Entrepreneurship Barometer
(Source: EY, 2013)

Figure 8: Top Five Access to Funding - Germany
(Source: EY Country profile, 2013)
Research conducted by Geibel and Manickam (2016) compared the startup ecosystem of Germany and USA reorganized the domains into 3 categories of success factors; Internal Factors, External Factors and Support from Incubator/Accelerator. (Geibel and Manickam, 2016). The results showed that there were a number of improvement areas for German startups. For Internal Factors, German startups needed to focus on developing the internal team by building a stronger employee base and work culture. Exit strategies can be improved as well. For External Factors, German universities can improve their attractiveness to a more internationally diverse student population so that the university can act as a talent pool for the German startups can draw from. As for Support category, incubators or accelerators can improve on connecting startup founders not only to more experienced mentors within their industries but also to venture capitalist to secure funding.

3.5 Startup Ecosystem in Berlin

According to the Berlin Senate, Berlin’s digital economy contributed 11 billion euros in revenue, which accounted for 5.5% of the total revenue volume of Berlin’s economy in 2013. (Senate Department for Economics Technology Research, 2016) In 2014, startup companies in Berlin raised 1.97 billion euros, outpacing London’s 1.35 billion euros. (EY, 2015) In the last several years, Berlin has grown in popularity as a startup hub. A number of startup reports have indicated Berlin’s rise in the global rankings. The Startup Ecosystem Report in 2012 showed Berlin ranked number 15. By 2015, the same report showed Berlin moving up 6 positions, ranking at number 9. (Startup Ecosystem Report, 2013 and 2015)

In the report “Berlin builds businesses,” the consulting company McKinsey, working closely with the Berlin Senate, reported that five factors determines a city’s success as a startup hub: talent, infrastructure, capital, networks, and public image. In order for Berlin to become Europe’s startup hub, Berlin needed to strengthen each of these five factors. The study also suggests launching five initiatives to spur the startup scene: a new business boom, one-stop Berlin agency, Berlin startup campus, Berlin startup fund, and Berlin startup network.
(McKinsey, 2013) According to the McKinsey report, Berlin could gain 100,000 new jobs by 2020 by following these recommendations.

There are a number of factors that determine the success of startups. In a study on early stage startups in Berlin, Richter (2016) identified two main factors that had positive impacts on the success of a startup company: a core founding team with complementary skills and external support from accelerator/incubator programs, mentors, consultants, other entrepreneurs, etc. (Richter et al., 2016) In addition, the study also indicated two main hindering factors for startup success: legal and regulatory concerns, and lack of funding for startups.
4. Research Methodology

4.1 Introduction

This study focuses on an in-depth understanding of the factors contributing to the success of Berlin as a startup destination. To narrow the research focus, qualitative interviews were conducted. A semi-structured questionnaire was designed according to insights gained from the literature review and used as a guide to direct the interview dialogue.

4.2 Research Design

For the purposes of this study, purposeful sampling was used to select the startup companies for the qualitative interviews. The interviewees were selected through referral from the German Small and Medium-sized Business Association. The semi-structured questions were generally focused on the perspectives and experiences of the interviewees working at startup companies. The interview questions were designed to cover broad categories related to: the startup company, the background experiences of the interviewee and the startup environment and ecosystem as it relates to Berlin and Germany.

4.2.1 Selection Criteria

The startup companies interviewed are, in general, between 1 to 8 years old with an employee base of less than 60 people and are generating revenues with varying profitability. Since the startup companies are privately held, actual startup company names and revenue numbers are omitted due to confidentiality reasons. Table 4 shows a brief summary of the companies interviewed.

4.2.2 Interviews

The research interviews took place in Berlin, Germany in July of 2016. A total of 6 individual interviews were conducted from the 5 startup companies. The interviews were arranged with
semi-structured, open-ended questions as to minimize biases and enrich the dialogue. Each interview was conducted in person and took approximately 20 to 40 minutes to complete. The interview questions were divided into broad categories as it relates to the startup company, the background experiences of the interviewee and the startup environment and ecosystem as it relates to Berlin and Germany. The literature reviews and the startup ecosystem framework was used as a reference to design and categorize the questions.

<table>
<thead>
<tr>
<th>Position</th>
<th>Company Identification</th>
<th>Year Founded</th>
<th>Location</th>
<th>Number of Employees</th>
<th>Revenue/Profitability</th>
<th>Product/Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO/Founder</td>
<td>A1</td>
<td>2014</td>
<td>Berlin</td>
<td>7</td>
<td>Yes/Not yet profitable</td>
<td>Software</td>
</tr>
<tr>
<td>Chief Development Officer</td>
<td>A2</td>
<td>2014</td>
<td>Berlin</td>
<td>50</td>
<td>Yes/Profitable</td>
<td>Service</td>
</tr>
<tr>
<td>CEO/Founder</td>
<td>A3</td>
<td>2008</td>
<td>Berlin</td>
<td>12</td>
<td>Yes/Profitable</td>
<td>Both</td>
</tr>
<tr>
<td>Head of Technical Sales</td>
<td>A4.1</td>
<td>2013</td>
<td>Berlin</td>
<td>35</td>
<td>Yes/Not yet profitable</td>
<td>Both</td>
</tr>
<tr>
<td>Technical Sales</td>
<td>A4.2</td>
<td>2013</td>
<td>Berlin</td>
<td>35</td>
<td>Yes/Not yet profitable</td>
<td>Both</td>
</tr>
<tr>
<td>Head of Portfolio Management</td>
<td>A5</td>
<td>2015</td>
<td>Berlin</td>
<td>23</td>
<td>Yes/Not yet profitable</td>
<td>Software</td>
</tr>
</tbody>
</table>

Table 4: Summary of Companies and Interviewees
(Source: From the author)

4.2.3 Scope Limitations

A number of limitation should be considered when analyzing this research study. The qualitative approach was chosen mainly due to time constraints and difficulty collecting statistical data on the changing startup environment in Berlin. This research study was performed in a limited timeline of approximately 10 months. Therefore, gathering participants for the study proved to be a challenge. The sample size of 6 interview participants, while small, should not impact the
qualitative research as this study seeks to explore and understand the startup environment from the perspectives and experiences of the participants. The reliability and quality of the interviews should provide greater insight and understanding.

4.2.4 Data Analysis

After the qualitative interviews of the 6 participants were conducted, the interviews were transcribed from the recorded session of the live interviews and content analysis was used to treat the interviews to detect recurring themes, ideas and links. The transcribed interviews can be found in the Appendix. Each interview was first transcribed and then analyzed for elements, themes and ideas that reflected the domains of the entrepreneurial ecosystem framework. The transcription of the interviews were examined with the objective of extracting common elements, phrases and keywords that were present among the interviews. Main ideas were highlighted and cross-linked among the interviews that had similar ideas.
5. Analysis of Results

The data from the qualitative interviews were analyzed and interpreted using content analysis to examine the common factors and attributes that contribute to Berlin’s rise as a startup destination. All of the startup companies interviewed were founded between one to three years ago, except for one of the startups, which was founded eight years ago. The startups were all headquartered in Berlin, Germany. All of the startups, except for one, were initially self-financed by the founder and/or co-founders and are currently in different stages of secondary financing. The one startup that was not self-financed won a German government grant for startups called EXIST.

Among the interviewees, most have lived in Berlin for a number of years, which ranged from one year to over 27 years, with only one interviewee having actually been born in Berlin. Four of the six interviewees indicated that they are working at their first startup company with the other two interviewees having previously worked at other startups. A common set of themes among the responses became clear from the interviews. The participants highlighted networking opportunities, Berlin as an international city, and the artistic and creative atmosphere as positive factors for startups in Berlin. A secondary theme of financing and capital, the German culture, and the infrastructure were mentioned as factors that need improvement.

5.1 Networking Opportunities

In the interview responses, opportunities for networking, along with the people’s openness and friendly atmosphere were frequently mentioned by all the interviewees with regards to Berlin’s startup environment. Networking opportunities came by way of both formal, through startup events and meetups and informal, through introduction from friends, associates and friends of friends. According to one interviewee, the friendly and open atmosphere seemed to extend to everyone. The interviewee shared that he recently met the founder of Delivery Hero, a German startup, at an event and was able to pitch his product idea to the founder. He was to have a follow up meeting with the founder to discuss further the idea. The same interviewee, referring
to Berlin’s startup environment, said “here in Berlin, just go to an event, drink a beer and you are in.....it’s not so difficult to speak to the right people. It’s really easy.” Similarly, another interviewee, who is the CEO of a startup, indicated that “it’s quite easy to get in touch with people who can help you.” In reference to networking opportunities, one interviewee stated that “there are lots of opportunities where you can meet other startups and you can exchange your ideas and business models.....you can go to the meet ups where you can also learn from each other.”

5.2 International City

According to the Berlin-Brandenburg State Office, in 2014, Berlin’s population consisted of 16.5 percent of people who were not born in Germany, which is almost double the national average of 8.9 percent. Additionally, in the same year, Berlin received 12 million tourists while 46,000 new people chose to stay and move to Berlin. (Chamber of Commerce and Industry Berlin, 2015) Many of the interviewees expressed the mix of cultures and inflow of people wanting to move to Berlin as a net positive. In referring how international Berlin is, the CEO of one of the startups said, “Berlin is the least German city in Germany.....Berlin is extremely international. There are lots of cafes where you have to order in English. They don’t understand German.” Another CEO and founder of a startup also expressed similarly of Berlin as a place where many people have just arrived and are living in the city. He said, “it’s a mixed city from a cultural point of view, a really mixed city, which I think is good. It gives it a different feeling. So a lot of people are always coming into Berlin.” One spill over effect due to the influx of new people from all over the world into Berlin is the availability of employees. A number of interviewees mentioned that a positive effect of Berlin’s attraction as an international city is that it’s easy not only to find employment both for employees and employers, but also employees who are well-qualified. One interviewee said, “Berlin is currently not only for Germans but also for international people very attractive.....There’s a high inflow of very qualified people.....It’s much easier to find software developers than in other regions in Germany.”
5.3 Artistic and Creative Atmosphere

Berlin has a long history of being a hub for artistic and creative people. In the 1920’s, or the Roaring Twenties, Berlin was the cosmopolitan city in Europe and the center for arts, music and science, where anything is possible. After World War II and during the Cold War, Berlin was split into two, East and West, by the Berlin Wall. However, West Berlin kept its counter culture and artistic scene as it was far removed from the rest of the cities in West Germany. By the turn of the century, due to low rents and a flourishing artistic scene, Berlin became a creative hub. In a 2016 report, Berlin and the surrounding Brandenburg area had about 218,086 employees working in the creative industry and 25,718 companies that were either in or associated with the creative industry. (IFSE 2016) In the interviews, the participants described Berlin as “artistic,” “artsy,” “creative,” “a mixed city,” “revolutionary mindset,” and “cool.” This attraction and the low cost of living have motivated people from all over to move to Berlin. The artistic and creativity scenes have influenced and intertwined with the startup culture. The CEO of a software startup said, “A lot of startups you’ll come across are artsy in a way. Very much B to C, cool design. This kind of stuff.” Another interviewee added that the creative people are contributing to the startup culture and is what startups need as well. She highlighted that “The creative scene and the startup scene is, I think big in Berlin than in other European cities.”

5.4 Financing and Capital

In 2014, Berlin raised 1.97 billion euros, surpassing the 1.35 billion euros London raised to become the top city in Europe for venture capital funding. (EY, 2015) That number continued to climb as Berlin received 2.145 billion euros worth of venture capital investments in 2015. (IFSE, 2016) Although venture capital money and investments flowing into Berlin have been increasing, five of the six respondents indicated that financing and startup capital are still a problem. The CEO and founder of two of the startup companies interviewed both echoed similar sentiments. The CEO and founder of the hardware startup pointed out that the biggest issue is seed funding, “The risk level is too low. Most investors are risk averse, they are taking too long to decide.” The other CEO and founder viewed the difficulty in receiving financing and the long
process as the issue. He said that “if you want proper investment, you have to demonstrate a very well working business model and considerable revenues. And even then it’s very hard, you have to fight quite a lot for investments.”

5.5 German Culture

Germany has a reputation for building up the “Mittelstand,” or the small and medium-sized companies that make up the vast majority of its businesses. Most are specialized companies that are run and controlled by families and have been around for decades. These Mittelstand companies have been integral in building and growing Germany’s economy. In contrast, entrepreneurship and the startup venture is something that is fairly new in Germany. Carland (1984) characterized the two businesses as follows:

Small business venture: A small business venture is any business that is independently owned and operated, not dominant in its field, and does not engage in any new marketing or innovative practices.

Entrepreneurial venture: An entrepreneurial venture is one that engages in at least one of Schumpeter’s four categories of behavior: that is, the principal goals of an entrepreneurial venture are profitability and growth and the business is characterized by innovative strategic practices.

These new risk-taking and uncertain startup ventures run against the stable businesses of the Mittelstand. This can be seen in the German culture. Most of the interviewees mentioned the risk-averse nature of the German culture as a negative factor that entrepreneurs and startups have to overcome. In referring to entrepreneurs, the CEO of a startup said “What my feeling is that you are not explicitly taken seriously in Germany. Not in a bad way. A startup is somebody who still has to prove himself.” This was corroborated by another startup CEO. He pointed out that,
"To some people, you can seem sort of like a charlatan in a way. Like this gold rush sort of idea that these guys are just coming in and are building this product that nobody needs and is sold for 500 million.....Germany as a country, we are very much into this idea of stable growth and something you can rely on.” This risk-averse mentality also correlates with a few interview responses regarding the German mentality of stability and fear of failure. One of the interviewees indicated that, in Germany, working for a big company counts more than working for a startup because there’s a possibility that you can fail working at a startup. Another interviewee added that in Germany, people have to feel shame for their failures, however, he would like to see that changed where there is a real failure culture so that people can accept failure and learn from it. Failure shouldn't be thought of as being a broken person and that a person needs to feel shame for their failures.

5.6 Infrastructure

As stated previously in this research paper, Berlin is experiencing a growing inflow of both visitors and people who choose to stay to live and work in the capital of Germany in the last few years. However, what has not kept pace is Berlin’s infrastructure, more specifically, the internet connection and bandwidth availability in the office environment. The slow and often low bandwidth connectivity in the offices are not only a hinderance, but also have a direct negative impact on a startup’s business and productivity. Half of the respondents mentioned the lack of a good internet connection as a negative factor in Berlin’s startup environment. One that can and should be improved. Additionally, two of respondents mentioned office space as a challenge. The CEO of a startup company that makes a hardware product said that the office space in Berlin is geared towards software companies so finding an office environment where he can do testing and prototyping is a real challenge. Another interviewee mentioned that office space is becoming increasing expensive because most buildings in Berlin are old and they require lots of renovation and modernization, which adds to the costs and investments for startups.
<table>
<thead>
<tr>
<th>Position</th>
<th>Company Identification</th>
<th>Networking Opportunities</th>
<th>International City</th>
<th>Artificial and Creative Atmosphere</th>
<th>Financing and Capital</th>
<th>German Culture</th>
<th>Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO/Founder</td>
<td>A1</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Chief Development Officer</td>
<td>A2</td>
<td>Positive</td>
<td>—</td>
<td>—</td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>CEO/Founder</td>
<td>A3</td>
<td>Positive</td>
<td>Positive</td>
<td>—</td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Head of Technical Sales</td>
<td>A4.1</td>
<td>Positive</td>
<td>Positive</td>
<td>—</td>
<td>Positive</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Technical Sales</td>
<td>A4.2</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
<td>—</td>
<td>—</td>
<td>Positive</td>
</tr>
<tr>
<td>Head of Portfolio Management</td>
<td>A5</td>
<td>Positive</td>
<td>Positive</td>
<td>—</td>
<td>Negative</td>
<td>—</td>
<td>Negative</td>
</tr>
</tbody>
</table>

Table 5: Summary of Research Results
(Source: From the author)
6. Discussion

In the last several years, Berlin has become a destination for startups and people looking to work in these startups. In 2015, Berlin ranked number 9 out of the top 20 global cities for startups. (Startup Ecosystem Report, 2015) There has also been an increase in not only new people calling Berlin “home” but also venture capital investments into startup companies. Startups in Berlin received 2.145 billion euros worth of venture capital investments in 2015. (IFSE, 2016) This study attempted to answer the research questions: What makes Berlin a great place for startups? And are there factors that are contributing to Berlin’s rise as a top startup destination? In the literature review on the startup ecosystem frameworks and various startup reports and surveys, three main domains or factors were prominent for building a startup ecosystem: Financing, Human Capital, and Support Services. Using the tiered entrepreneurial domain framework, two of the three 1st tier domains, Human Capital and Support Services, have positive contributions to Berlin’s entrepreneurial ecosystem.

The Human Capital and Support Services domains were viewed from the perspectives of the interviewees through networking opportunities and Berlin as an international city. Both had overwhelmingly positive indications and comments. All six interviewees mentioned glowingly the friendly atmosphere and openness of not only meeting people but the willingness to help each other out. According to a number of the respondents, the ease in which new introductions are made and being in contact with the right people seemed effortless. In addition, the influx of new people into Berlin has increased not only the mix of cultures but also the availability of qualified employees for startups. Five of the six interviewees mentioned the attraction of Berlin as an international destination for people wanting to move to Berlin as a positive influence and a contributing factor to the startup environment.
<table>
<thead>
<tr>
<th></th>
<th>Domains</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Tier</td>
<td>Human Capital (Positive)</td>
</tr>
<tr>
<td></td>
<td>- international city with qualified and skilled employees</td>
</tr>
<tr>
<td></td>
<td>- influx of new people moving to Berlin increases availability of employees</td>
</tr>
<tr>
<td></td>
<td>- mix of experiences, culture and backgrounds</td>
</tr>
<tr>
<td></td>
<td>Finance (Negative)</td>
</tr>
<tr>
<td></td>
<td>- difficult accessing capital investment and seed funding</td>
</tr>
<tr>
<td></td>
<td>- lack of capital availability</td>
</tr>
<tr>
<td></td>
<td>- a challenge for investors who want to invest in startups</td>
</tr>
<tr>
<td></td>
<td>- investors who are not risk-takers</td>
</tr>
<tr>
<td></td>
<td>Support Services (Positive)</td>
</tr>
<tr>
<td></td>
<td>- lots of networking opportunities</td>
</tr>
<tr>
<td></td>
<td>- both formal and informal introductions to startup founders, people working in startups, startup events</td>
</tr>
<tr>
<td></td>
<td>- friendly and open startup atmosphere, willingness to help out one another</td>
</tr>
<tr>
<td>2nd Tier</td>
<td>Policy</td>
</tr>
<tr>
<td></td>
<td>Culture (Negative)</td>
</tr>
<tr>
<td></td>
<td>- risk averse nature of German culture</td>
</tr>
<tr>
<td></td>
<td>- startup entrepreneurs still need to prove themselves</td>
</tr>
<tr>
<td></td>
<td>- fear of failure, shame</td>
</tr>
<tr>
<td>3rd Tier</td>
<td>Infrastructure (Negative)</td>
</tr>
<tr>
<td></td>
<td>- lack of high-speed internet bandwidth connectivity</td>
</tr>
<tr>
<td></td>
<td>- old office buildings</td>
</tr>
<tr>
<td></td>
<td>- increased cost in office rents and renovations</td>
</tr>
<tr>
<td></td>
<td>Markets</td>
</tr>
<tr>
<td></td>
<td>R&amp;D/Innovation</td>
</tr>
</tbody>
</table>

Table 6: Berlin’s Tiered Entrepreneurial Domain Framework
(Source: From the author)

Although a number of recent reports and surveys have shown that venture capital has increased in Berlin, most of the respondents have indicated that it is still difficult getting funding and capital investments for startups. Two of the interviewees indicated that if a product or idea is good, finding funding should not be too difficult. However, most interviewees said the availability of capital is still an issue and a challenge that can be improved or made easier for investors who want to invest in startups. Another challenge in Berlin’s startup ecosystem is overcoming the risk-averse and difficult acceptance of failure in German culture. These cultural stigmas are reflected in the lack of German startup entrepreneurs and the cautious nature of
German investors to invest in the uncertainty of startups. A third challenge is the old and lack of modernization of office buildings and infrastructure in Berlin. Part of the attraction for people and startups to be located in Berlin is the lower cost of living versus other cosmopolitan city, which was mentioned by one of the interviewee. However, five of the interviewees said the infrastructure has a negative impact. Three of the interviewees call out specifically the lack of high speed internet connections from not only their own office buildings but also throughout Berlin in general. Berlin can and should modernized its infrastructure as it's having an impact on startups.
7. Conclusions

The main objective of this research study was to analyze and understand the factors that have contributed to Berlin's rise as a startup destination and hub. Evidence from the literature review showed that a number of domains and/or factors contribute to building a startup ecosystem. Using the tiered entrepreneurial domain framework, three main domains, Human Capital, Financing, and Support Services, were most prominent and were considered 1st tier domains with the 2nd tiered domains being Policy and Culture. The 3rd tiered domains were Infrastructure, R&D/Innovation and Markets.

This study suggests there were two 1st tiered domains, Human Capital and Support Services, have a positive impact on Berlin's startup ecosystem. In additional, Berlin's startup ecosystem required some improvements as well. The main factor in the Support Services domain is the networking opportunities that abound in Berlin, not only in meeting people informally but also in formal startup events and gatherings. The open and friendly atmosphere for entrepreneurs and startups as well as the willingness to help out one another was unanimously agreed upon as a positive by all the interviewees. The main factor in the Human Capital domain is the attraction of Berlin as an international destination for both employees and startup companies. This attraction of international people contributes positively to Berlin's culture in general and more specifically to the startups as seen through the availability of qualified employees and the prevalence and use of English as the main language in lieu of German.

Most surveys and reports have shown that venture capital investments in startups in Berlin have increased the past few years, however, the interviewees in this study have indicated that it is still a challenge and difficult to get financing and venture capital. A couple of interviewees mentioned that having a good product or idea could ease the difficulty in getting funding and one interviewee mentioned specifically that acquiring seed funding is a big issue. But in general, those interviewed in this study pointed out that access to financing and venture capital should be made easier and more available. A second factor that can be improved is the overall
infrastructure of Berlin. Although Berlin has an overall lower cost of living and office space compared to other international cities, five of the six respondents said that the internet connections at most office buildings and throughout can be improved as it currently has an impact on how well the startups can do business. A third factor for Berlin’s startup ecosystem to overcome is the German culture, which seeks stability over risk-taking, failure and uncertainty. This aversion to risk and failure has an impact on the number of Germans who choose to become entrepreneurs but also on the how German investors, both large and small, decide to fund startup ventures.
8. Recommendations

The results and conclusions from this research study has shown that two domains of the startup ecosystem framework have a positive impact on Berlin's rise as a destination and hub for startups. In addition, this qualitative study of five startups shed some light and provided an in-depth understand of the startup ecosystem in Berlin. It's recommended that future research be conducted with an extended sample size of both interviewees and startup companies to gain a more comprehensive understanding of the startup ecosystem in Berlin. The future research should focus on the availability of venture capital investments in Berlin's startups and on which stages of the startup lifecycle the investments are received.
9. Bibliography


Institut für Strategieentwicklung (IFSE). (2016). *Booming Berlin: A closer look at Berlin’s startup scene*.


10. Appendix

Interview - Company Identification A1

How long have you been living in Berlin?

I've been living here for nearly 2 years, not quite.

What does your company do?

It's a piece of software that we sell to large organization. It helps the organization to anonymize and open up sensitive data that they have. So it does dynamic query answer anonymization. Actually Apple introduced differential privacy or will introduce differential privacy in a couple of months? Ours is sort of a scientific or mental neighbor of differential privacy. We started with DP and we improved upon that. The idea is the same. It's a middleware that sits in front of the data set, you query the data set and you get anonymous results.

How many employees do you have in the company?

We are 7 people at the moment.

How old is the startup?

There's different answers to that question I guess. So, this is a spinoff from a research institute, Max Planck Institute for Software Systems. So we started research in 2012 and in 2014 we founded the company as a vehicular company, we knew the name and it sounds good. And since last year we are operational. So founded or incorporated in 2014, whatever you want to call it.
Is the startup self-financed or are there investors?

No, we actually won a German government grant called EXIST. So if you look into German startups you will come across EXIST a lot. It's an important part of the ecosystem. There are 2 variations of EXIST. There's the EXIST Gründerstipendium, stipend for founders which is 1 year and the EXIST Forschungstransfer, research transfer, and that's 2 times 18 months. Actually the latter has quite a lot of money for next to no, you don't have to give up equity or anything like that. It's up to 700,000 EUR. Which is in our climate is a reasonable amount.

So you are able to operate for a couple of years?

Yea, well, it depends on how big you are. We also are making revenue. Actually we have a few projects running, working with a couple of big companies already. But this EXIST helped us in the beginning.

What's your position in the startup? So you are the CEO, Founder?

Yes that's right.

Is this your first startup?

Yes.

Have you previous worked at another startup?

A matter of definition I guess. My mother had a small company when she was still working. And she founded herself and I helped with the management and everything. It wasn't a tech company but in the medical field. I also worked at internships at startups. But I never had a full time job at a stereotypical startup.
How is the work culture at your startup?

Good.

How's the organizational structure of the company?

No, it's very flat. I as the CEO trying to do the job of keeps the work off the backs of the engineers so to speak. The CTO is the only management layer. He's the one integrating and working with all the engineers. Everyone has their own projects and so it's very flat. We also work completely distributed. So we actually have, I'm one of only 2 people in Berlin. The CTO and myself, we are both here. We have 2 bodies in Kaiserslautern, is close to Frankfurt. We have 1 guy in Poland, I guy in Croatia, and 1 guy in Romania.

What's the general view of entrepreneurs and startups in the Berlin or Germany?

To some people, its...you can seem sort of like a charlatan in a way. Like this gold rush sort of idea that these guys are just coming in and are building this product that nobody needs and is sold for 500 million. I guess there's this kind of thing. Among the younger generation, among my own social circles and friends I think they mostly find it as courageous. Germany as a country, we are very much into this idea of stable growth and something you can rely on. You don't want to have a job where you don't know what happens in 3 months. If the job is always like that it's even worse. So it doesn't really fit very well with our culture. And people of my generation in general, in Berlin it's a little different, but in general probably this would be a little too adventurous.
Do you feel this is specific to Berlin? Germany? or across the EU?

I’m sure this is a European thing. But probably even more so a Germany thing. Germany is a country of people that build houses and they put their money in a bank account and leave it there. It’s the kind of thing that you do. If you contrast that to Israel for example. I was in Israel as well last year. They always want to improve upon everything and they’re never content and they want to work. We want to work as well but more stable. If it’s not broken, don’t fix it.

How’s the startup environment in Berlin?

Berlin is the least German city in Germany. And that is something you also see in the startup culture here. It is very artistic. A lot of startups you’ll come across are artsy in a way. Very much B to C, cool design this kind of stuff. Berlin is extremely international. There are a lot of cafes where you have to order in English. They don’t understand German. About a third of people living here are from Berlin. I don’t think it’s very representative. But the startup culture here is great, absolutely. There are lots of opportunity for networking. All the investors, all the startups, all the advisors and accelerators are all here. I’m sure there other hubs in Germany. Berlin is predominately. And it’s a friendly atmosphere.

What is bad about the startup environment in Berlin?

Germany or I guess maybe Europe. We certainly have a problem with financing. It’s something you’ll hear across the board. I mentioned EXIST to you. EXIST is exactly there because no one gives risk financing in Germany. This idea of high risk, high rewards investment as it is in the State is only very slow growing here. So usually if you want proper investment you have to demonstrate a very well working business model and considerable revenues. And even then its very hard, you have to fight quite a lot for investment. Much more so than in the US. And that’s the reason why many startups go over (to the US). Not only the investment but also the willingness of the corporations that go into collaboration with startups. It’s a very long process
here exactly because of the mentality that I mentioned before. So collaborating with someone, means that you have to very many months of different of buying centers and groups of people have to look through this. One test after the other. All the legal hurdles. It’s lots of problems on this front. That’s why people leave. And they go to the US, they get funding very quickly, they get into contact with big corporations quickly. There’s a lot more willingness to try something out than there is here. It’s just a different philosophy. I heard from an investor say at some point we are building a more stable startup economy here than it is in some more risk friendly environment. Which maybe true. But for the startups immediately it’s a problem.

Do you think that Berlin is better or worse than other places for startups?

If your only option is to go across the ocean to a different place and start there. If it becomes important later, people are willing to do it. In our case we are in the privacy business and this market is historically bigger here than the US. So it makes sense for us to be here.

What are some of the challenges startups face in Berlin? What’s the most challenging?

Financing and collaboration with corporations.

Are there any policies in Berlin that you’d like to see changed?

I can’t really say any particular policy. But what’s pretty bad in Berlin is the modern infrastructure. The internet connection in many many buildings here is really bad. Especially they were built quite awhile ago and we put 2 or 3 phone lines in there and that would be enough for all eternity. But of course now it’s not. You have 10 to 20 startups in the building and they all need broadband connection. They talk to everyone around the world and they crazy service running and everything just breaks down. This is very bad. Obviously this is something that could be solved politically to some extent but it’s probably very costly and could take awhile. In
our current building we have wifi connection and maybe we have 5Gig down and 1 Gig up. Skype video becomes impossible. The infrastructure is just not there.

Do you feel there's enough support for startups in Berlin?

Well, VCs I talked about. There a lot of people that want to help startups. And naturally most of them can't. But I think you get support if you can probably find it somewhere. I don't think there's a general place where you go to look for support. Berlin is a thriving scene so you will eventually meet people that will help you out.

Are there any policies that would make the startup environment better?

We realize with some other founders that there's a lot of stuff where a lot of startups keep reinventing the wheel. Especially first time founders that have to figure out a lot of stuff. It could be really stupid things like how do you organize your documents. And how do you do vacations? It's really small stuff that you have to figure out. If there was a good way for us to exchange our experiences and ideas. It has to be really open. Often stuff that you really don't want to talk about. Man I missed this up, how am I going to do this better. I think if there's culture of exchange in that direction, it would save each of us quite a lot of time. It's very hard to create an atmosphere where it's intimate and good where you can opening talk about problems and insights that you have. If the group gets too big, then its awkward and some of us may feel like they are sharing some secret. It's tricky and we haven't found a solution to do this. But I think it would help.

Is the company generating revenues? Is the company profitable?

Yes. Not quite profitable. We have a small burn rate but we plan to raise a little bit because just so we can grow. We are in a field where we have very long sales cycles so we need some runway. Our current run rate is until October or November.
**Identification - Company Identification A2**

How long have lived in Berlin?

I moved to Berlin 3 years ago together with my wife.

How many employees do you have in the company?

We have about 50 plus.

How old is the startup?

18 months. We started in October 2014.

What does the company do?

We are a Salesforce implementation partner. Salesforce consultancy and we are focusing on startups. Recently Salesforce invested in us.

Is the startup self-finance or are there investors?

Salesforce is the only investor. We started in our own equity and recently salesforce invested in us but more as a strategic investment for both sides. Self-finance when first started.

What's your position at the startup?

I'm the chief development officer.
How long have you worked at startup?

I joined the company 3 months after the company started.

Have you previously work at another startup?

Yes. I supported another startup in 2010 called Talents connect. It’s a recruiting platform. I helped them start find the 1st financing round. I worked there for 7 months. After that I moved to Ernst and Young and worked as a management consultant. I’ve done some internships in my time as a student at big companies. I was curious how it is to work in a startup ecosystem. I realize it will be one day it was where I want to work. But first I want to gain more experience and learn from experienced people. And don’t want to make every mistake on my own. This is the reason why I first started in the old economy then moved to the new economy. Receive some experience and now I’m back in the startup ecosystem.

How’s the work culture at the startup?

At our startup it’s really cool. I’m working more or less 2 to 4 days remote from home sometimes. I will have parental leave in August for 2 months. The company is supporting 3 1/2 months with full salary for example. We are working really in save management. It’s a really nice culture. We try to avoid hierarchies. We invest a lot time and money in development our employees and developing our own culture.

What is the social status of startups and entrepreneurs?

I think it’s a small startup ecosystem in Berlin. In the startup ecosystem as an entrepreneur it’s a really nice status. People really like what you are doing. Among my friends, they like what I’m doing. But I can still remember when I started working for my last company, I switched my title in the startup to business development instead of cofounder. Because I had the feeling that to
work in the startup doesn’t count as a title of business development. This was the feedback I received. In 2010, about 6 years ago I think the status of entrepreneurs was totally different in Germany. In Germany, it's more like you have to work in a bank instead of startups. You can fail. I think the normal people does not think a startup is a normal company. A big company counts more than a startup.

How’s the startup environment in Berlin?

What is really good is the networking. The people are really open to everyone. So if you are looking for money it’s easy to get money. It doesn’t have to be the best idea. You'll easily get 500k EUR. Because you just have to ask, so can you invite me this guy, can you invite me to the girl, I've met him, can you give me the email address, etc. This is really really good. What in general I don’t like but this is not necessary, the Berlin ecosystem is action-ism in startup. Everything is cool, everything is funny, and just do it without a plan. Sometimes you have to have a plan and strategy and then you can do whatever you want. Calm down, sit down and consider the pros and cons. This is in general. What I think could be better in the Berlin startup world. When you want to do something you have all the opportunities to do it. When you don’t get funding it’s not up to the startup. There are lots of opportunities to get information, introductions and events. To fund and invest in startups in Germany is not always so easy from a business angel investor or venture capitalist perspective. This should be better, so this could be improved.

Do you think Berlin is better or worse than other places for startups?

I think it’s easier to found a startup in Berlin because of the infrastructure. You’ll easily find employees for startups, but it’s a negative point because when I compare to Cologne for example. The people are sticking longer to the company. They are showing more commitment to the company. And I think the mentality in Munich is different, it’s a closed ecosystem. It's not so easy to get into this world. Here in Berlin, just go to an event, drink a beer and you are in.
Are there unique things about the Berlin that makes it better for startups?

Recently I met the founder of Delivery Hero and I just talked to him and he said to just send me your idea of a product. We will have a chat, come over to my place and I will help you. It’s not so difficult to speak to the right people. It’s really easy. And someone is asking me to introduce to a VC, I can do it, why not?

What are some of the challenges startups face in Berlin?

One of the challenges is office space. When you are growing, it’s not so easy to find the right office space because the office space could be possible to use is expensive and the old factory buildings are really cheap but then you have to invest money. And the employees, finding the right employees. Maybe the support of the government. Especially when you have an idea and you don’t want to give equity in the first place. There should be an opportunity, a way to get funding like a convertible loan. I know there’s the High Tech Gründerfonds. But this is the only possibility.

What are some of the benefits working in Berlin? What’s the best thing working in Berlin?

It’s the capital of Germany. I really like the architecture and the work life balance. I love riding my bike to the customer along the cathedral and nice architecture. And at night I have a beer by the canal. So this is the life.

Are there policies in Berlin that you like to see changed for startups?

From an my perspective, there’s no policy that moved us backward. I know there’s some policies that need to be changed but this is more from an investment perspective. From a startup perspective of course obviously it should be changed as well because then the investor can invest
money easier. Make it easier to invest in startups. Even from a private perspective, from a business angel perspective. It's an opportunity for the German Mittelstand as well because they have the experience. They can not just give you money, they can give lots of know how but they don't invest in startups.

Do you feel there's enough support for startups in Berlin?

From other entrepreneurs, as I said yes. But this is up to the founder, so you have to go out and ask for support. You can't sit alone in the room and wait for someone to help you. This is like in your life, you have to ask for help. From VCs and investors, I see a change over the last years because in the past, it's not only money that we invest in startups, but we help them with HR process. And now I really see a change. We are working really close with some VCs and I see they not only invest money, they really support the startups with their network, the HR processes, etc. From the government, I cannot say to be honest if there's enough support. It's also a push and pull. You have to be proactive and not just reactive.

Are there any policies that you like to see changed that would make it better for startups?

To be honest, I'm too far away from the policies. So I cannot say.

Do you feel that Berlin's startup culture is influenced by other startup hubs?

The culture is influenced by the city. So the people who live in Berlin. In general Berlin is the capital, it's the biggest city in Germany. Here more english speakers are hired by the companies so it's influenced by the employees. I would like the culture of every startups be influenced by the Nordic countries with regard to parental leave. Parental leave policy, I don't think when you are a father or mother, and you want to be with your child, you are only allowed 1.8k EUR net for 12 months for 1 parent. In the Nordic countries you'll get 100% of your salary for 2 years covered by the government. There's a possibility to align the work and to be a father. I will be a
father at the end of August. I’m really lucky that my company will cover all my costs for 3 1/2 months.

Is the company generating revenues? Is the company profitable?

Yes to revenue. Yes, profitable from the beginning on. Only way to finance.
Interview - Company Identification A3

How long have live in Berlin?

Forever. Really for like always.

How many employees do you have in the startup?

12

How old is the startup

8 years old.

What does the company do?

It's an engineering company so it really has to combine everything. You can kind of compare to Apple for example. We have to build the hardware, deliver the software and we offer services as well. So for example, the users of the hardware because it's a space application. We deliver something into space and we are kind of also a logistics company in this space.

Is the startup self-finance or are there investors?

It's of course mixed over the 8 years. Because we initially started a self-financed. And then we got some early stage investors. Then we get some funding from Google, a lot of it actually. And this so called price development funding. They were awarding money to the technically most advanced teams in the field of space exploration. Its like an award. We won 2 of these awards for about 750,000 EUR. And then we get sponsors, several of them, the largest of them being Audi. Companies investing in terms of marketing and technology. And then we have customers,
customers buying launch options. So they want to be part of the first mission. They want to send some technology to the moon. What we don’t have is one large investor. It’s kind of different from many companies. Many companies start out with an initial big investor in the beginning. It’s something we didn’t do and I’m really happy about it because it keeps your flexibility.

What’s your position in the company?

I’m the CEO and founder from the beginning. From the entire team, only 2 people are from Berlin, everyone else moved to Berlin. Mainly that’s interesting to know about Berlin, there’s a lot of people who just got here. So it’s really a mixed city from a cultural point of view, a really mixed city, which I think is good. It gives it a different feeling. So a lot people are always coming in to Berlin.

Have you previously worked at another startup?

This is my first startup. I think it’s pretty normal for German based startups. Because the problem is that you can’t fail so easily. Failure is really a horrible thing in Germany from a startup perspective. Because for me for example as a CEO, there’s no easy way to get rid of my company when something doesn’t work out from a legal perspective. Let’s say we run out of money, I cannot simply close the company because I have to do tons of regulations. And I have some like burn soil. For example in the US, what I notice in the US and and even in the UK, it’s easy to open one startup after another, which is not bad. Because you can learn. But here, you have to really make sure that you know what you are doing. So yes, that’s the first company.

What made you want to work at a startup?

A little bit maybe the feeling that I really wanted to be the boss of my own. Before I’ve been working as an IT security consultant was developing security solution for the German government. I had a job where I made some good money as a consultant but the point is, you’ll
always working on a contract basis so you have neatly signed contracts and you have no flexibility. So you can say only yes or no to certain parameters. And that’s all you do and it’s something I didn’t want to do for the rest of my life. When you have a company on your own you can give directions. That was what was driving me.

How’s the work culture at the startup?

Let’s say highly flexible is a good term. Something that we don’t do, which is kind of extraordinary in our Berlin perspective. For example, we don’t monitor our employees. Not in a negative way. People can come and go to work as long as the job gets done. I don’t care if someone sits 8 hours a day in the office, if he gets the job done in 6 and goes home to his family or if someone comes in later if he has something private to do, he should do it. It’s a different thing for us is that we have a mission. We have a mission to go to the moon in less than 2 years from now. Everyone knows it’s a big deadline hanging above the project. It’s very specific. It’s not a product that you are selling that you are trying to increase sales. But it’s an actual launch that’s going to happen. So everyone knows that they need to get the job done. I don’t have to motivate. Really put up this flagship goal. Everyone knows their part is important. For example, the software team, they know that if they don’t get their software done in the next 18 months then there’s nothing going to launch because this rover you can’t update on the fly.

How’s the organizational structure?

Flat organization but working teams. We have an like an engineer team, we always call it teams from a verbal perspective. It’s not hierarchical.

What’s the social status of entrepreneurs?

What my feelings is that you are not explicitly taken seriously in Germany. Not in a bad way. A startup is somebody who still has to prove himself. Everybody in their mindset like I wait a few
years and see what happens. It's what people think about startups. So when you come along and say I have this startup, don't expect people to think it's going to be a great product. It's a cool idea. I don't know when people in Berlin pick up new innovative stuff.

How's the startup environment in Berlin?

The biggest issue I see is seed funding. The risk level is too low. Most investors are risk averse, they are taking too long to decide. Something that's good is that it's quite easy to get in touch with people who can help you. Berlin is the hub for politics.

What can be better?

Change in culture. Specific for us. Most startups are software companies. Most companies in Berlin are software and services. Our company is hardware, we need a place to do testing. Enlighten people to hardware.

Do you think that Berlin is better or worse than other places for startups?

Berlin is the best place in Germany and probably the best place in the EU. What I learned and I talked to some investors, they said to me that the top ranking was always, Silicon Valley followed by Israel worldwide. Then there's long time nothing, then comes Berlin. 2nd place after Berlin is Hamburg. Somewhere around this is the UK. But with the UK leaving the EU.

Are there unique things about the culture in Berlin that makes it better than other places?

The openness. Everybody is accepted as who he is, you can be a student, a professional. Most people don't care about the difference from the culture. From the employee from the investors.
What are some of the challenges startups face in Berlin?

In the beginning for us, it’s finding space. Office space. It sounds silly. There’s lots of work space available. There’s Google and other companies that bought housing and modernize them and offering them to startups on the cheap end. But again only software startups. Google invited us to some of them but they weren’t suited for us to build space hardware. The other thing is Berlin is too hyped. We are at the outer edges of Berlin.

Are there policies in Berlin that you like to see changed?

Not really. I don’t think so. I think some of the policies which are troubling for most startups are quite good. For example, there are some rules that you need 25k EUR in deposits to fund a company, which I think is a good rule. It’s highly debatable. I think it good because it shows you have a little bit of money to start with so not anybody can go out and fund a companies just one after another. I think the rules are ok as they are. I think it should be a bit easier to hire interns. There’s lots of paper work associated with it. It’s easier to hire as an employee.

Do you feel there’s enough support for startups in Berlin?

I would say from the government yes. From VCs, I don’t know we don’t deal much with them. We deal more with sponsors and bigger companies for investors. We get companies to invest in us rather than the classical VC.

From other entrepreneurs?

Yes, a lot. That’s a really nice thing here. You get to meet them at events and you network with them.
Are there any policies that you like to see changed to help the startup environment?

It’s complicated. There lots of protection laws if your company fails, you are liable as the CEO and founder. A founder of a company is always, even 10 years later, liable for the it. This is something I like to see lowered a little bit. The legal risk of founding a company that’s what I like to see lowered.

Is the startup culture in Berlin influenced from other startup hubs?

A little bit unique due to the historical situation of Berlin being split into 2. After the wall came down, a lot of people immediately moved away and a lot of new people from all over the world not only from Germany, moved into Berlin. It’s really multicultural. Really strong. It’s not like London, the groups here are totally mixed. Hamburg is similar due to it shipping ports. Munich is highly expensive. There’s lots of government support in Munich.

Is the company generating revenues? Is the company profitable?

Revenue. 1.8 million EUR from last year. This year is a little bit more because we sell payload space. We will be profitable after the 1st mission, about 1 1/2 years from now.
Interview - Company Identification A4.1

How long have you been living in Berlin?

Since 18 years.

How many employees are there at in the startup?

35 employees.

How old is the startup?

2 1/2 years.

What does the company do?

Product plus SaaS solution for energy management solution.

Is the startup self-financed or are there investors?

Startup has investors, now we are in Series B. It was initially bootstrapped. And it didn’t start in the garage but at the kitchen table.

What’s your position in the startup?

I’m head of technical sales.
How long have you worked at the startup?

Worked at the startup for 9 months.

Have you previously worked at another startup?

Previous worked for 3 startups. Because I’m a freelance SaaS sales person, that’s why I work in difference projects.

What made you want to work at a startup?

I worked 15 years for corporate. This corporate was not innovative. They didn’t do anything in online marketing and they didn’t do anything in targeting young customers. I try to do it on my own but always against the willingness of the company and that’s why I decided to search for other startups. The most important reason was I wanted to sell sustainable product with a great value for the customer, which I didn’t have in corporate. So I was amazed by the product and solution.

How’s the word culture at the startup?

It’s first of all very transparent. It’s very very customer oriented. They don’t just say it but they do it. And it’s fast.

How’s the startup organizational structure?

I think in most of the startups I worked in and in the current startup, it’s very lean. Not just hierarchy, we work in project teams on different challenges. So the project teams are built by the challenges that come up.
What's the social status of entrepreneurs and startups in Berlin, in Germany?

It depends on the age structure of the person. If you ask someone who comes from an age under 50, you have a high status, respect and some kind of interest in startups, what they do and how they work. And the generation over 50, they don't understand what happens there. This is one important aspect. And the other mega important aspect, if you are in Berlin or in other cities, it's a huge difference. In Berlin we have a very open-minded mindset. We are very English speaking. You don't have that in other cities and in the landscape. For example I worked for a company in Munich, and they said we don't burn the money of our investors like the Berlin startups do everyday. So in that saying you can get an idea of how they think.

How's the startup environment in Berlin?

Very good. I think the ecosystem and the acceptance of startups is very big. Office space is cheap, investment is there, network of mentors is there, lots of accelerators so you have lots of aspects here that you need for a good startup ecosystem.

What's bad?

Sometimes the hype around the buzz words. You need to differentiate between a valuable business concept or an idea that is just an idea that is hyped for a few months and its over, this is sometimes not so easy to decide which is sustainable business and which is hype.

What could be better?

So I think the most important thing in doing better here is to have a real failure culture. We need to learn more to accept failure and learn from it. And not to think a failure is something of being broken and you need to be shame for it. In Germany, in some people's eyes you need to shame for failures. And this is completely wrong.
Do you think that Berlin is better or worse than other places for startups?

The best place in Germany as far as I can estimate that. And one of the best places in the world. One of the best 5 or 10. This is something what other people say that come from around the world to Berlin.

What's unique about the startup environment in Berlin?

I think one of the basics of startup ecosystem is to have people that have kind of revolutionary gene in themselves. And Berlin has that. Because in Berlin we tear down the wall, and in Berlin we happen so much in history that changed the history of the whole country or whole continent. And thats why I think here it has a concentration of people that have this revolutionary mindset in themselves.

What are some of the challenges startups face in Berlin?

I think the acceptance of failure is most important. And to be honest, one of the most challenges is the good internet connection. It's really not standard to have a good internet connection. Everywhere. You think in the center of Berlin you would have good internet connection.

Are there any policies in Berlin you like to see changed?

The registration of a company needs to be much much easier. For example in portugal, you can go online and register a new company within 2 hours. It's completely different here. There are lots of hurdles to come to establish a company. The other most important thing is the process of immigration of foreigners. If you come here as an US citizen it's so horrible to register you here when you want to work for my company. These are the 2 things. Registration of a company and the hiring process of foreigners.
Do you feel there’s enough support for startups in Berlin?

Yes. you have enough investment, you have enough government money. You have more and more understanding the needs of startups. We have really good network and knowledge meetings where you can build knowledge and learn so much in so less time. We have a good ecosystem. Its not a problem to find enough money with a good idea. It’s much less than in the US but not a problem to find that money. About a few months ago I read, 2.3 billion EUR investment in startups in Europe and 1.7 billion EUR of that came to Berlin.

Are there any policies you’d like to see changed for startups?

There are some legal issues that we need to change to make processes for startups easier.

Is the startup environment in Berlin influenced by other startup hubs?

I think its quite on its own. Its influenced by silicon valley but pretty soon you realize that you can’t think of Germany as the same as America. You have a different mindset, culture, regulations, history and that’s why when you come with some valley culture, you soon realize it works different here.

Is the company generating revenues? Is the company profitable?

Yes to revenue. Not profitable. Our milestone planning says we will be break even at the end of next year, which is the beginning of our fourth year.
Any additional comments you’d like to add?

We missed the next unicorn. What doesn’t happen here is real innovation, so these giant innovators like Uber, Airbnb. Something like this we don’t have in Berlin. But this is what I wish for. And the other thing I wish for is that we here in Berlin could establish a real Fintech innovation. We have some interesting Fintech startups here but they aren’t very disruptive. Because they do some things that are more or less cosmetic on existing products but not real innovation that brings real new value to the customers. It’s not from zero to one.
Interview - Company Identification A4.2

How long have you lived in Berlin?

I was born here. I’m 27 now.

How old is the startup?


What’s your position at the startup?

Technical sales.

How long have you worked at the startup?

Since Feb. 2014 so also nearly 2 1/2 years.

Have you previously worked at another startup?

No, 1st startup.

What made you want to work at a startup?

Because you can really influence what is happening. That’s a big reason. You are not 1 of thousands of people. You can see what you are doing and you have influence on many many topics. This is what I like about it.
How's the work culture like at the startup?

It's really open so the people are very open for new ideas. If you have an idea you can discuss it with anybody and if it's a good idea you can try it and do it. It's also like experimental. They have team meetings everyday for software development but they pair people with each other. Everyone wants to improve and move forward. It's not like competition, it's more like working together and achieve something better.

How's the startup organizational structure?

It's really flat. You just have our CEO, COO, CTO and then the normal the software development parts of the products owner you have a dev team. You have HR and etc. but there are no hierarchy in between.

What's the social status of entrepreneurs and startups?

People in general it depends. I think for people living in cities it's quite cool when you work in startups. They think positive about them. I think if you were living in the countryside, then it's like startups is buzz worthy, too cool. It really depends on the people. Its really different. I think it's 50/50 with my friends.

How's the startup environment in Berlin?

I think there's so much startups in Berlin because here the conditions are really good. You have cheap working places and cool working places. You have lots of networking opportunities. These are the reasons that startups are here. You have lots of different people for all over the world which can contribute to your startup or to new companies. There are lots of creative people and this is what startups also need. So conditions in Berlin are perfect for startups.
What’s bad?

Maybe there’s too much startups? Its like everybody is working for startups. And in the end they’re the same.

What could be better?

I think you have really good networking opportunities, you just need to take them. If you want you can really achieve something here.

Do you think that Berlin is better or worse than other places for startups?

I think it’s better. So in Germany, it’s better to be in Berlin than in other cities for the reasons I already mentioned. I think in Europe its hard to say. Maybe there are other big cities but have good conditions but are too expensive. So Berlin is compared to other competitors in Europe it’s more cheaper. The creative scene and the startup scene is, I think, big in Berlin than in other European cities.

Are there unique things about the startup environment in Berlin?

I don’t know if its the right word to describe it. Maybe the compilation of all these effects make it unique.

What are some of the challenges startups face in Berlin?

I think most challenging is to be highlighted between all these startups because there are so many startups you need to be visible. That you are not 1 of thousands but that you are a special company and you are making something that creates value. And to find people who are your
target group and get in touch with them. So you need to take all the networking into account. If you don’t have the connections to the right person and then it’s hard to be visible.

Are there any policies in Berlin that you like to see changed?

I think it’s already quite good so there are lots of foundations that give money to startups. And from the country and state there are lots of programs where you can get money for fundings. Government programs. I think it’s quite good from my point of view.

Do you feel there’s enough support for startups in Berlin?

I think, apart from other startups, its good. There are lots of opportunities where you can meet other startups and you can exchange your ideas and your business models. There are so many meetups for example. You can go to the meetups where you can also learn from each other. There are lots of opportunities to connect and exchange your experiences and so on. And investors, I have no idea, I don’t know. I also think there are lots of investors looking for startups because there are so many startups.

Are there any policies that would make the startup better?

I don’t know. No idea.

Do you feel Berlin’s startup culture is influence by other startup hubs?

I think so. because all the people coming to Berlin are from all over the world. We also have an employee from San Francisco for example and he always talks about his experience from silicon valley. So we get all the input from outside and its quite good. It helps the startup scene to improve. So I think there’s a big influence from people coming here.
Any additional comments you’d like to add?

There are so many events for startups so you can get lost because there are so many. I don’t know how many startup events are taking place but I have a friend he’s in the startup scene and he’s doing workshops and stuff. And everyday he’s in another city and other places. The capitals of the different federal states in Germany like Stuttgart, Munich, Cologne, they all have startup scene and they are connected in Germany. And in Berlin is the biggest one. There are so many opportunities and workshops from the government. There are also lots of university courses to study for entrepreneurship and stuff.
Interview - Company Identification A5

How long have you been living in Berlin?

Well I have living here since the middle of last year but also with some minor breaks for studying as well. I have been working for the company since May of 2015, mostly as a freelancer. I joined just a month ago as a full time employee.

How many employees are there in the startup?

We have 23 full time employees and unsure number of interns. Currently it's 4 interns.

How old is the startup?

Well the idea goes back to late 2014. In this setup we started at the beginning of last year, 2015. We have been on boarding pilot customer since August of last year. We will be going live completely probably end of this month. At the moment we are kind of in pilot phase but we have already quite a high number of assets under management as well as investors. So that's a short timeline.

Is the startup self-finance or are there investors?

It was initially self funded but I think we quickly raised seed capital from one of the major company builders in Berlin. Project A ventures. I don't know if you have heard of them. You know Rocket Internet? That's the kind of largest or most well known German company building and Project A is not really a spin off, but at some point their senior management left and decided to build out their own company builder.
Have you previously worked at another startup?

It's the first one. I actually joined Project A. They did the seed money and obviously the whole concept of company builder is provide resources at very early stage of development. I worked for Project A but was staffed for the whole time here at the company until August. From August, I joined the company as a freelancer. So basically it's the first startup I worked for, although I worked for 2 different companies.

What made you want to work at a startup?

I think the main point is that you have much more responsibilities and much more space to develop your own ideas. Much more competence as well, decision competence. I used to work a small German private bank, very long, I think like 7 years. And it was sometimes really frustrating that you have very limited possibilities to decisions.

How's the startup organizational structure?

Well, we have a kind of hierarchy yes of course but it is quite flat. We are still a very early stage.

How's the work culture at the startup?

As you see, the atmosphere is quite good. That was one of our MDs. They like to make jokes. I think it's very open. The atmosphere is really good. The team is very very mixed. Perhaps that's one of the reasons. Mixed as in internationally and considering professional backgrounds. As a FinTech startup, we have some people who have a finance background, and many employees coming from development and tech background.

We do loads of our own development, especially considering front end, so everything the customers sees. We do a little outsourcing on the backend. But for our case is that the tech part
is really key to our business success. So, we have a much larger dev team than business related team.

What's the social status of startups and entrepreneurs?

I think you have divide between classic entrepreneurs, which would be entrepreneurs in the industrial Mittelstand. The small and mid sized companies which are very important to Germany. I think the social status of those is quite high. Which applies as well to entrepreneurs in the startup ecosystem. But in the public opinion, maybe the importance of entrepreneurs is seen in those classical industrial structures rather than startups because the vast majority of the German economy is still industry. Maybe tech industry but very advanced corporate style tech industry. And startups is quite young in Germany. So I think most of the people aren't too aware of what happens in this world. But in general, I think, Germany is very entrepreneur friendly environment. However if you look at the political developments. Most of the major parties in Germany have at least by now started to address the availability of capital for startups. So its actually on the political agenda to support young tech startups.

How's the startup environment in Berlin?

I think what's really good especially compared to other regions in Germany is the availability of employees. Why is the availability good? Berlin is currently not only for Germans but also for international people very attractive. Many people move to Berlin just because they want to live here. There's a high inflow of very qualified people especially here you have the startup ecosystem. It's much easier to find software developers that in other regions in Germany. What is probably not as good, is the availability of capital as I already mentioned. It's on the political agenda, most politicians talk about providing capital but don't really take actions. I wouldn't say it's underfunded. But if you compared to Silicon Valley, it's ridiculous the amount of capital invested. In Berlin, perhaps in the continental Europe as a whole, in terms on private investors, VCs. High Tech Founder Fund, which is funded by the German government. HTGF. The big
VCs obviously, like Bessemer or Andreessen Horowitz, they do investments in Europe but very rarely and they are not really focused on Europe. You have some VC German investors. What you see here is the tendency of large family fortunes increasingly being invested in VCs. But still the numbers aren't that high.

What’s bad?

If you look at that building, it’s probably about 120 years old. So it has very old copper wiring. I think it should be in the interest of any tech startups would be glass fiber internet. So we have capacity restrictions you could call it. I think it goes for many German regions, not only Berlin.

Do you think that Berlin is better or worse than other places for startups?

Well as far as I know, I think Berlin even overtook London by the end of last year in terms of capital invested. Until last year, London was leading strongly. So considering Fintech startups, probably London is still the center in Europe. However, we’ll see how that will perhaps shift due to recent political developments. Within the continental, I think its reasonable to say Berlin is actually the center for startups. You have quite a strong startup ecosystem in Paris, but from the figures I’ve seen, Berlin is bigger. However this very subjective, I didn’t do any scientific research on that topic.

What’s unique about the startup environment in Berlin?

You have very strong networks in Berlin. Coming back to Rocket Internet. The founders of Rocket Internet went to a private business school, WHU. If you look at the startup entrepreneurs in the tech business in Berlin, you will see many many of those went to the same business school. For example, the Project A ventures, the other big company builder, they all went to the same school as well. In general, you have very strong networks. I think the sector as a whole is smaller than Silicon Valley. The attractions of international employees its very outstanding.
You probably have a similar movement towards London at least again until Brexit. Many of my friends work in London as well. It’s very attractive also for international employees. I think it’s the same for Berlin, especially in comparison to many other continental cities in Europe.

What are some of the challenges startup face in Berlin?

The availability of capital would be a challenge, derived from the problem with a lack of capital. I think however, if you have a very good idea, you will be able to get funding. Probably many good startups could grow quicker if they could raise larger rounds. In general, it’s very hard a Berlin specific challenge.

Are there any policies that you’d like to see changed?

In general, there are some policies in Germany which at least make VC investment more difficult. That has to do with tax issues and how you can book losses at the beginning of funding with taxes. That’s Germany specific not Berlin specific. I think the city of Berlin does a lot to help the startup sector. Because traditionally Berlin had a very isolated in position in Eastern Germany when Germany was divided. The startup industry is high importance for Berlin and the Berlin region.

Do you feel there’s enough support for startups in Berlin?

I think so yeah. I think there’s good networking. Well probably every industry complains that there’s not enough government support for it. So I think the situation isn’t bad. I think in general, the policies are quite startup friendly. However, if you take the German culture as a whole, I think it’s a huge difference than the US culture. If you fail, you bare a much bigger mark in Germany than in the US. So if you go bankrupt with a company there will be much more people cheering at it actually than it will be in the case of the US. The people working in the
industry they don't have that perception, but the public as a whole has this perception that failure in general is a huge problem.

Do you think Berlin's startup culture is influenced by other startup hubs?

I think, the culture influence of the US, and especially Silicon Valley. It's probably not only for Berlin but for any other startup ecosystem in the world. The largest influence comes from the US. For example, the you have conferences where you talk about your own business failures in order to tell others what you learned and help others to avoid those mistakes. Many of those ideas come from the US and now are adapted here.

Are there policies you like to see changed to make the startup environment better?

The availability of glass fiber. Which is a huge issue in the political agenda, but it is not solved. It's just talked about over and over again. With reasonable amount of government investments in the technical infrastructure, conditions could be improved. And some of the taxation and regulatory issues for VC investors, I think, the hurdles could be lowered a bit.

Is the company generating revenue? Is the company profitable?

We already have revenues, yes. Not profitable.