

German Startup Monitor 2022



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Startups in Germany



The 10th German Startup Monitor (GSM) represents...

1,976 startups

4,815 founders

34,539 employees

Three goals

- Demonstrate the importance of German startups and their founders, and analyze developments
- Identify challenges and potential for improvement in the German startup ecosystem
- Promote entrepreneurial thinking in German society in order to encourage more people to start their own businesses

Three characteristics

- Startups are less than ten years old,
- are growth-oriented in terms of their employees/sales and/or
- are (highly) innovative in terms of their products/services, business models and/or technologies.



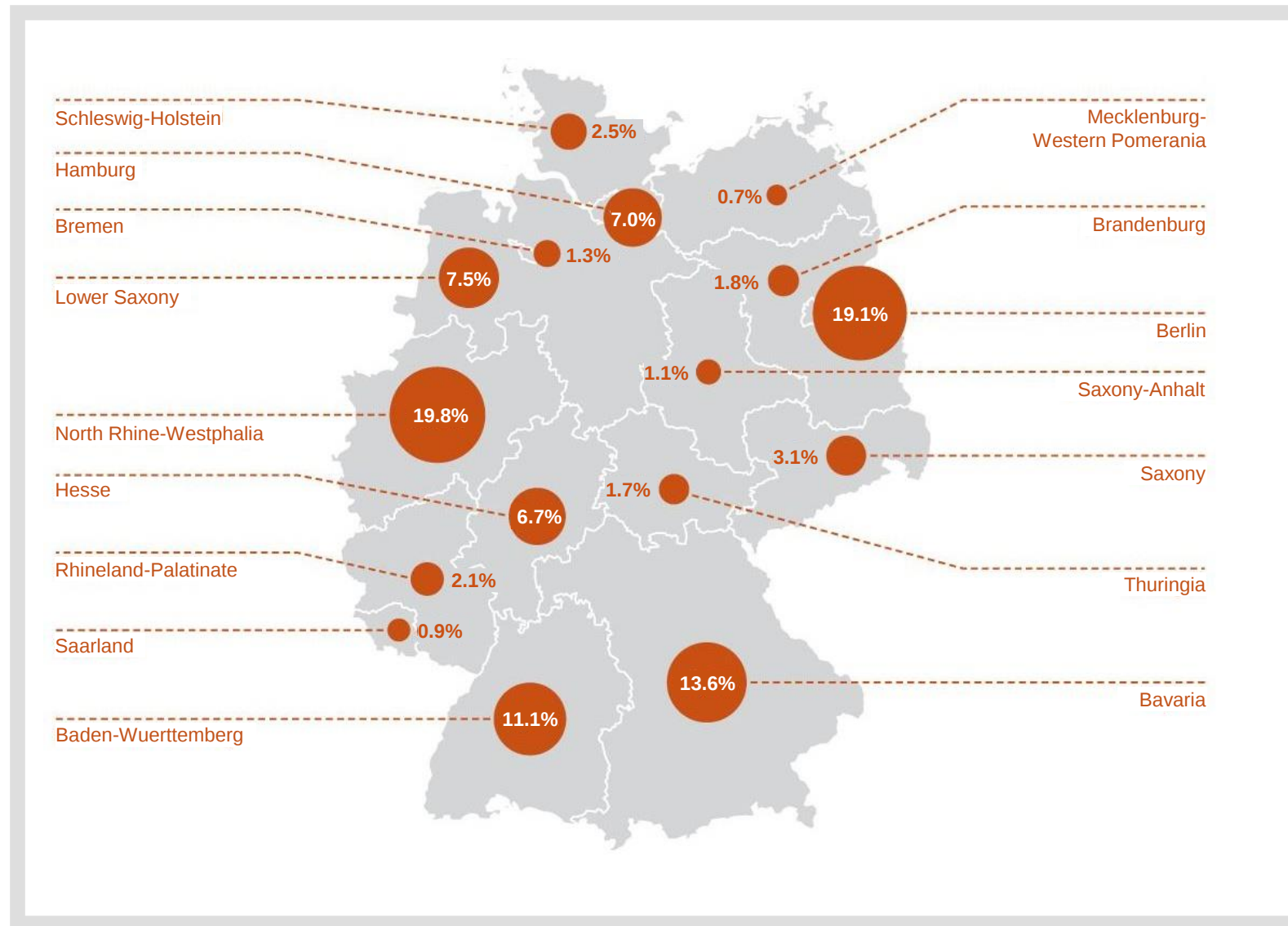
The GSM captures the diverse ecosystem across Germany

Having started in 2013, the German Startup Monitor was the **first comprehensive study** to systematically cover the German ecosystem.

More than **300 partners support the survey**, allowing the GSM to provide substantial and novel insights.

Our **study represents and addresses** startups in all regions of Germany – going beyond hotspots like Berlin and Munich.

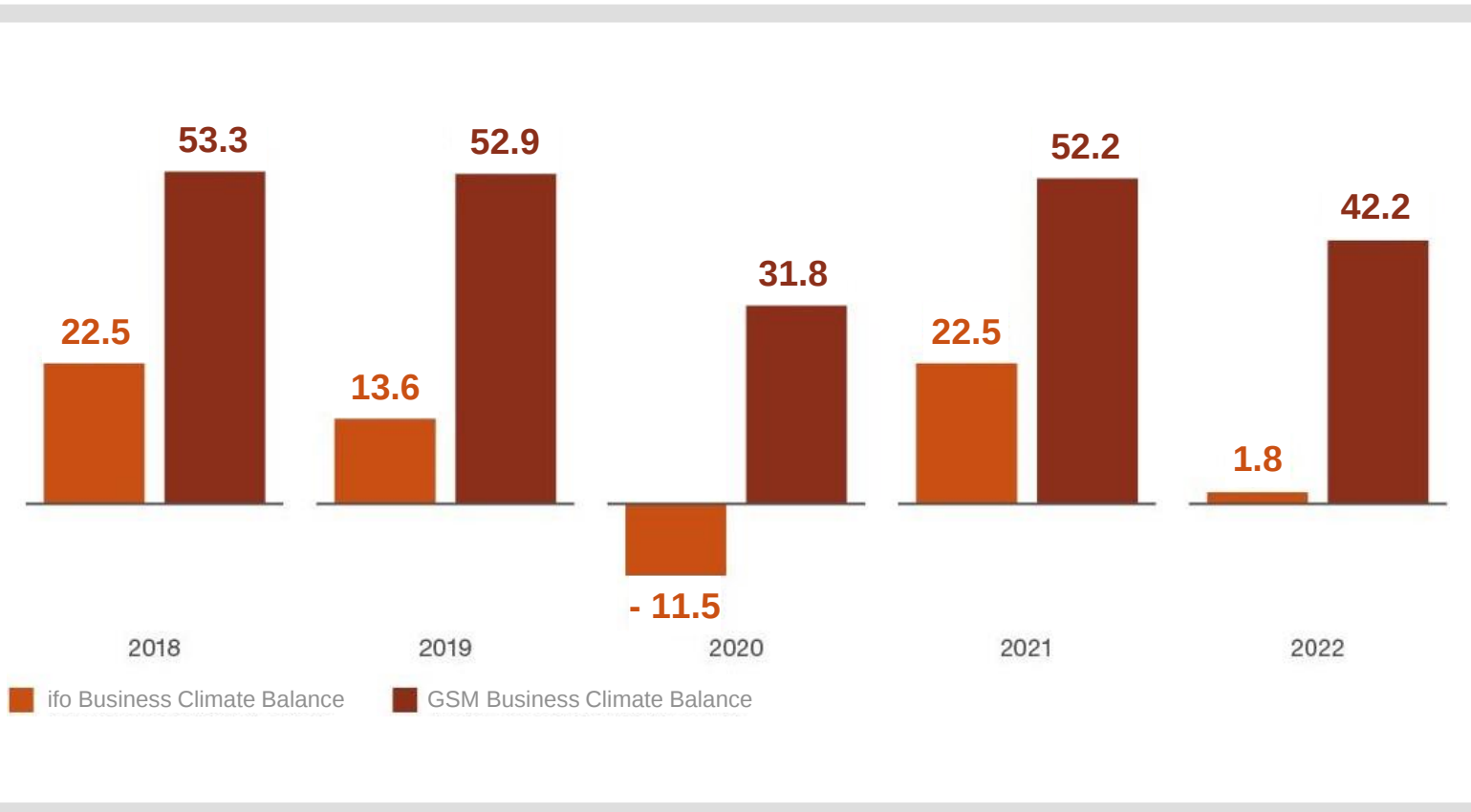
Headquarters of DSM startups (2022)*



* not representative, no ranking possible

The startup business climate has declined – especially future expectations have become more uncertain

Business climate (2018-2022)



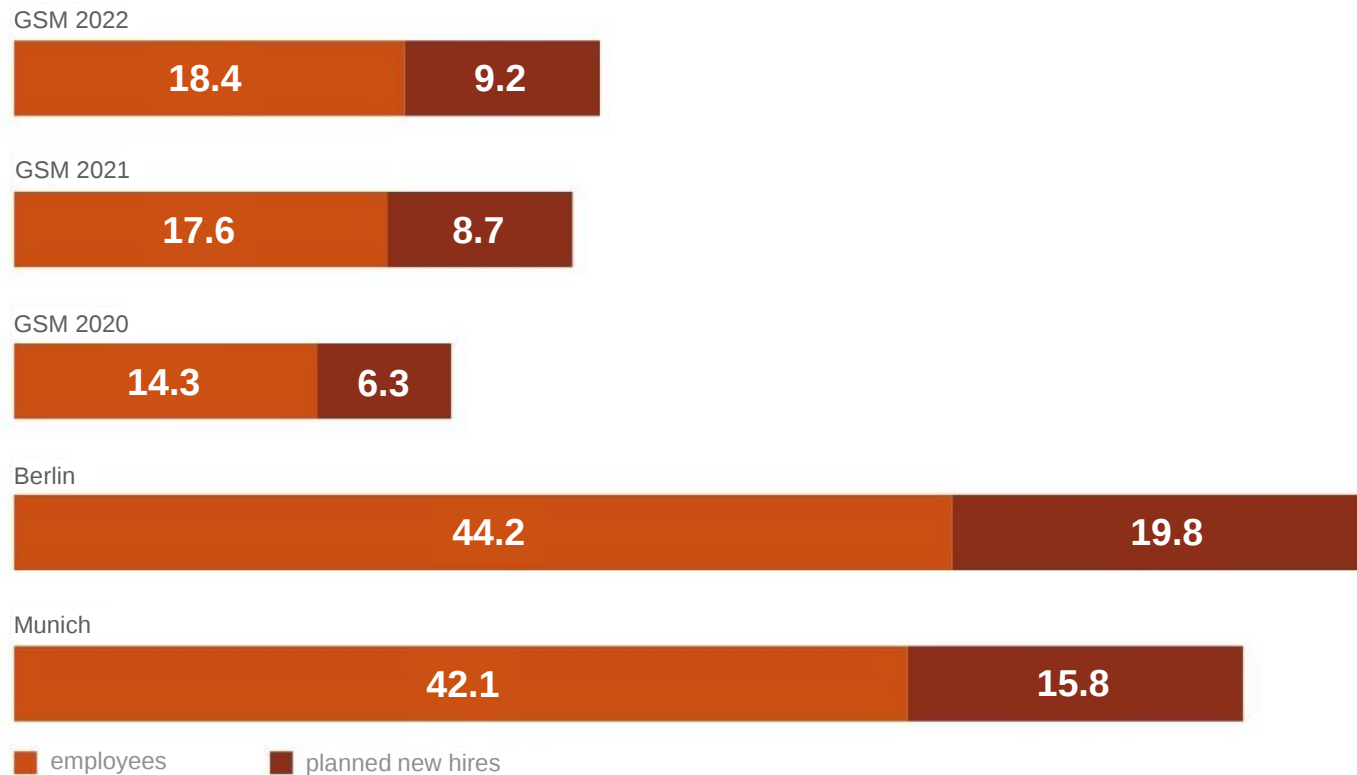
The startup **business climate**, which reflects both the current situation and future expectations, **has dropped** compared to the previous year.

While the assessment of the current situation remains stable, **significantly fewer startups** (54%) have reported a **positive outlook** than last year (72%).

However, it is striking that the business climate in the startup ecosystem is still significantly more **positive than in the established economy**.

Despite current challenges, employment numbers in the startup ecosystem remain strong

Average number of employees and planned new hires (2020-2022).



The importance of the startup ecosystem **for the German labor market** is steadily increasing.

Despite current challenges, startups have proven themselves to be robust so far and continue to **plan new hires**.

The **effect on employment** is particularly significant in the startup hotspots **Berlin and Munich**.

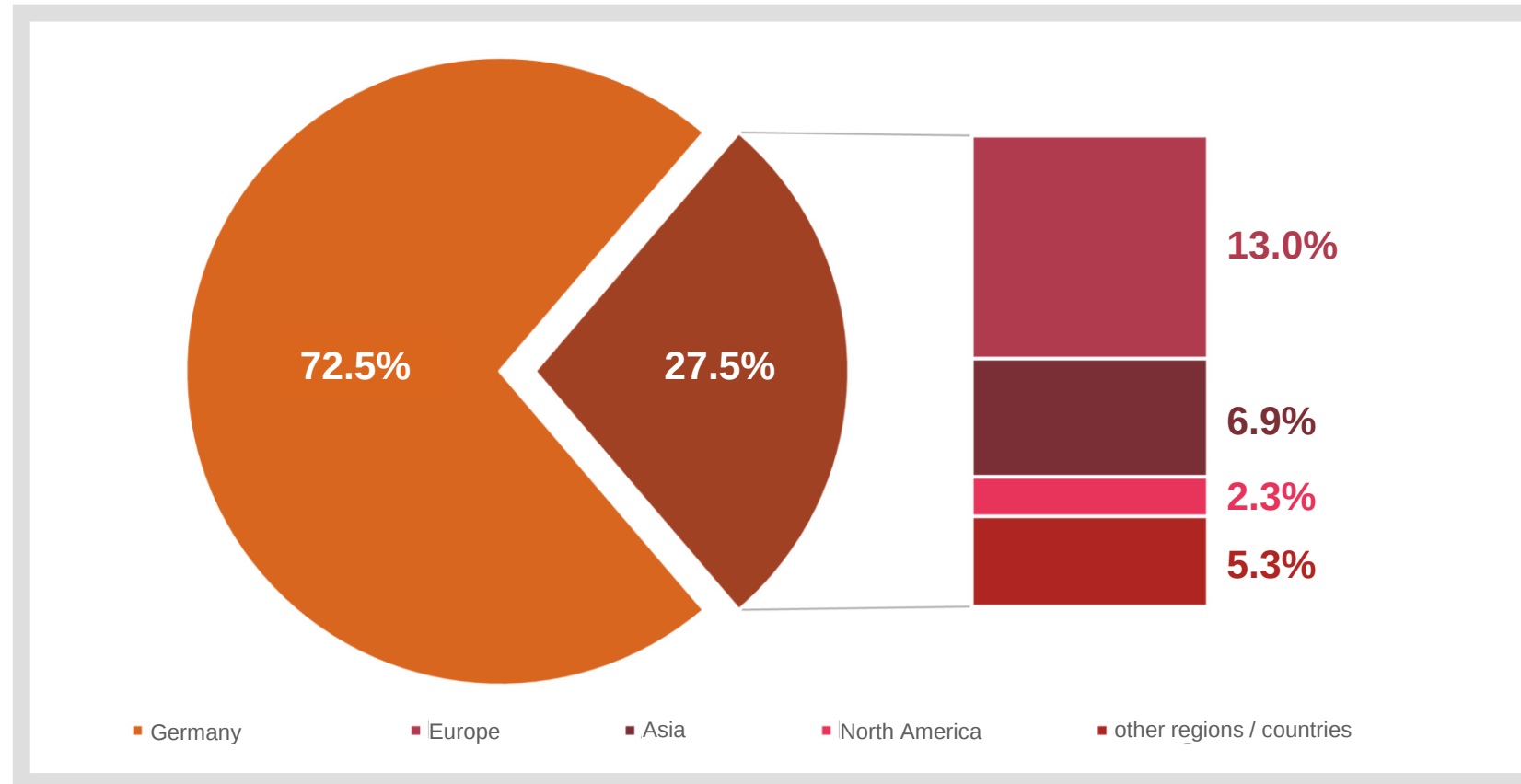
More than a quarter of employees are international – in hotspots, teams are even more international

More than a **quarter of Startup employees are internationals (28%)**: Teams in Berlin (41%) and Munich (36%) are particularly diverse.

In addition to countries of origin, it is also important to consider **other diversity aspects** – especially the representation of all genders in the tech ecosystem.

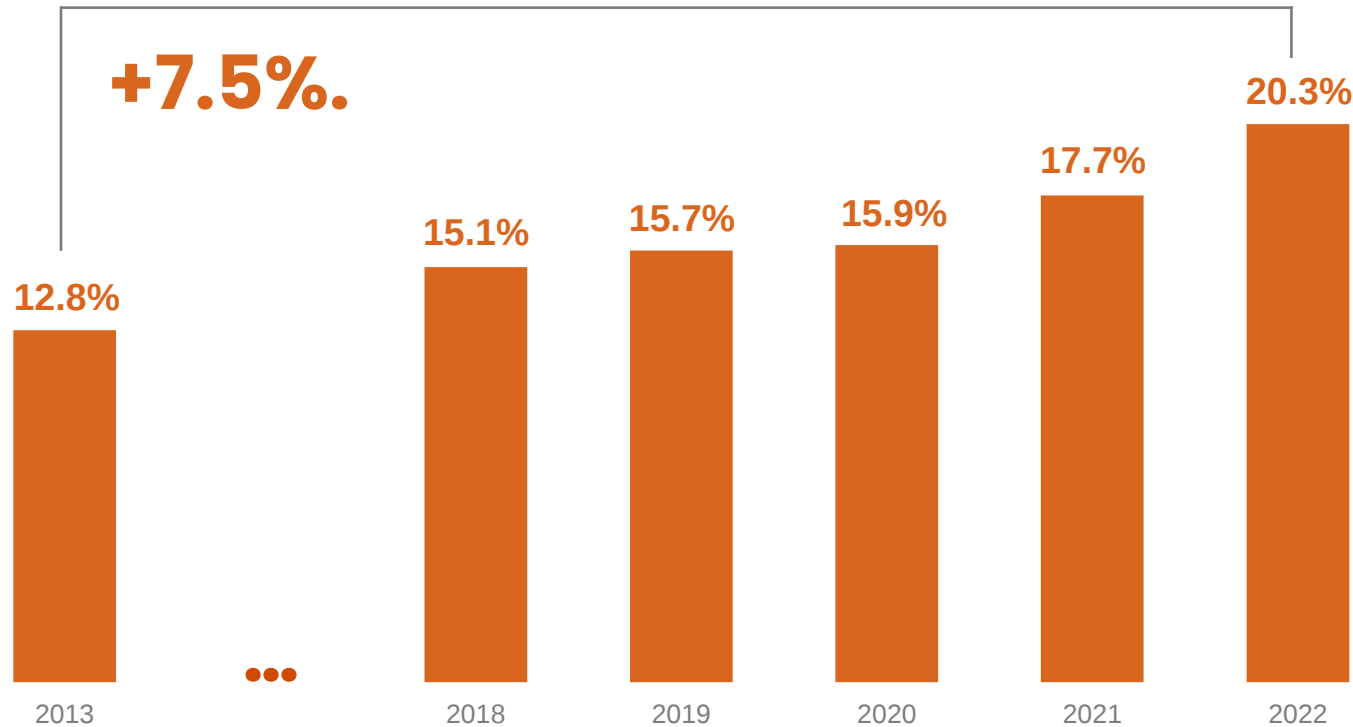
While the **share of women** in the general workforce in Germany is 47%, it is significantly lower **among employees of startups (37%)**.

Share of international employees (2022)



Since 2013, the share of female founders has increased by 7.5 percentage points

Share of female founders (2013 & 2018-2022)



The **share of female founders** in the German startup ecosystem continues to rise and, **for the first time, exceeds 20%.**

At the same time, however, almost two-thirds (63%) of startups still **have an all-male founding team.**

Structural barriers persist and there still is a lot to be done in the areas of **networks and reconciliation**, among other aspects.

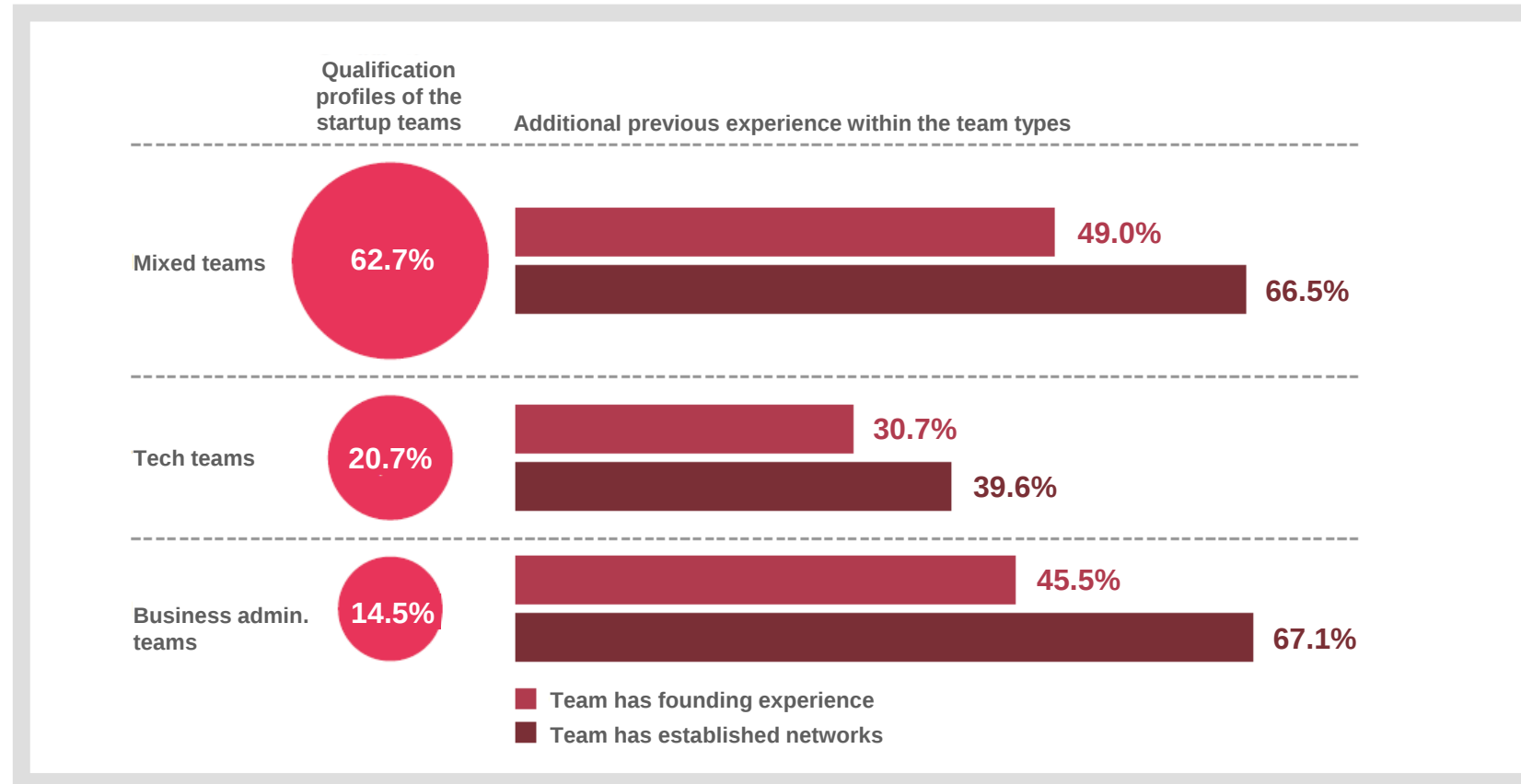
The majority of founding teams combine tech and business expertise

For the first time we also asked about the **qualifications** that **founders bring to the startup**.

“**Mixed teams**” in which the founders have both technical and business expertise **predominate**.

Among **tech teams**, the **low proportion** of teams with **startup experience and networks** is particularly striking.

Qualifications of startup teams (2022)



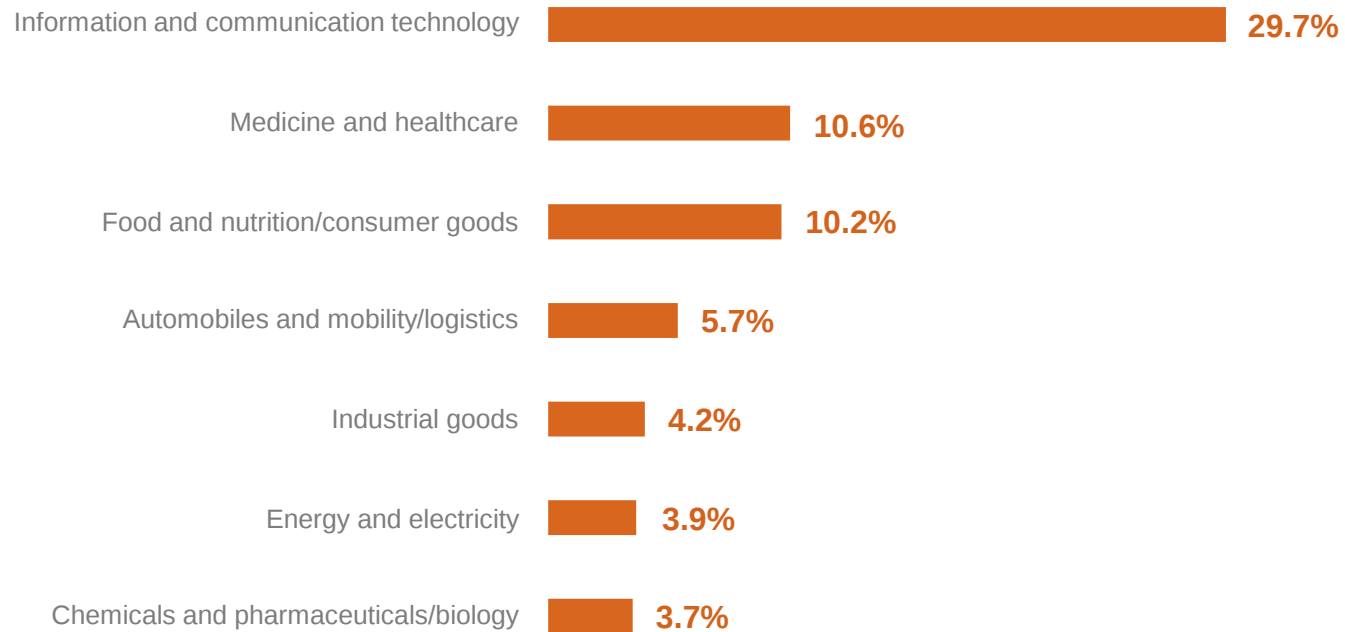
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Innovation, capital and partnerships



Startups are active in all sectors of our economy and deliver important innovations

Breakdown of startups by industry (extract, 2022)



The **main sector** remains to be **information and communication technology**, which accounts for three out of ten startups.

The **medical and healthcare** as well as the **nutrition and food/consumer goods** sectors are also in the top 3.

At the same time, **Startups are active in all sectors** and play a key role as drivers of innovation – even in traditional industries.

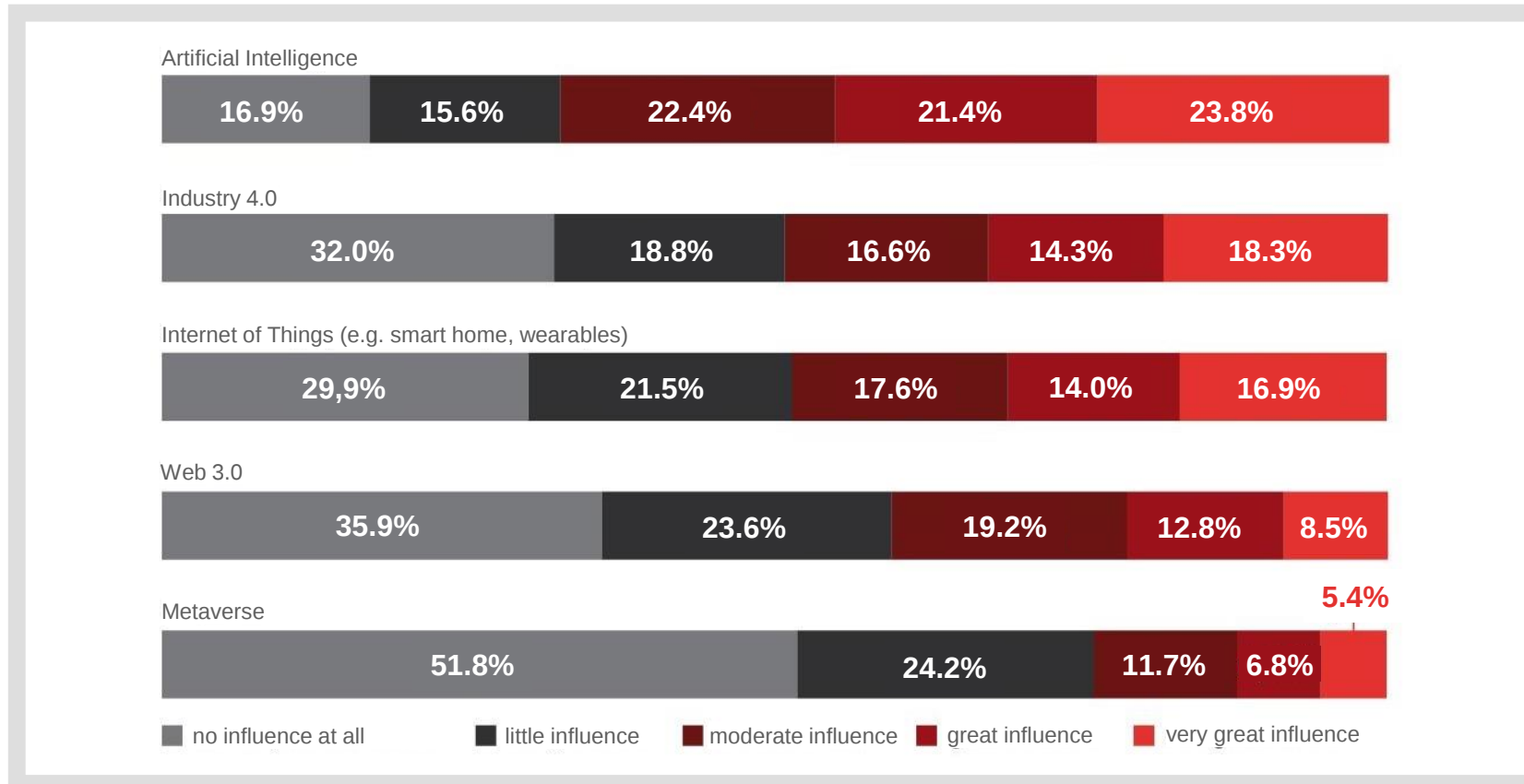
Startups put important technologies into practice – with artificial intelligence leading the way

Crucial technological developments in the areas of **Artificial Intelligence (AI)**, **Internet of Things (IoT)** and **Industry 4.0** continue to gain importance among startups.

AI applications are particularly relevant: Their significance continues to rise and gained 3.4 percentage points compared to 2021.

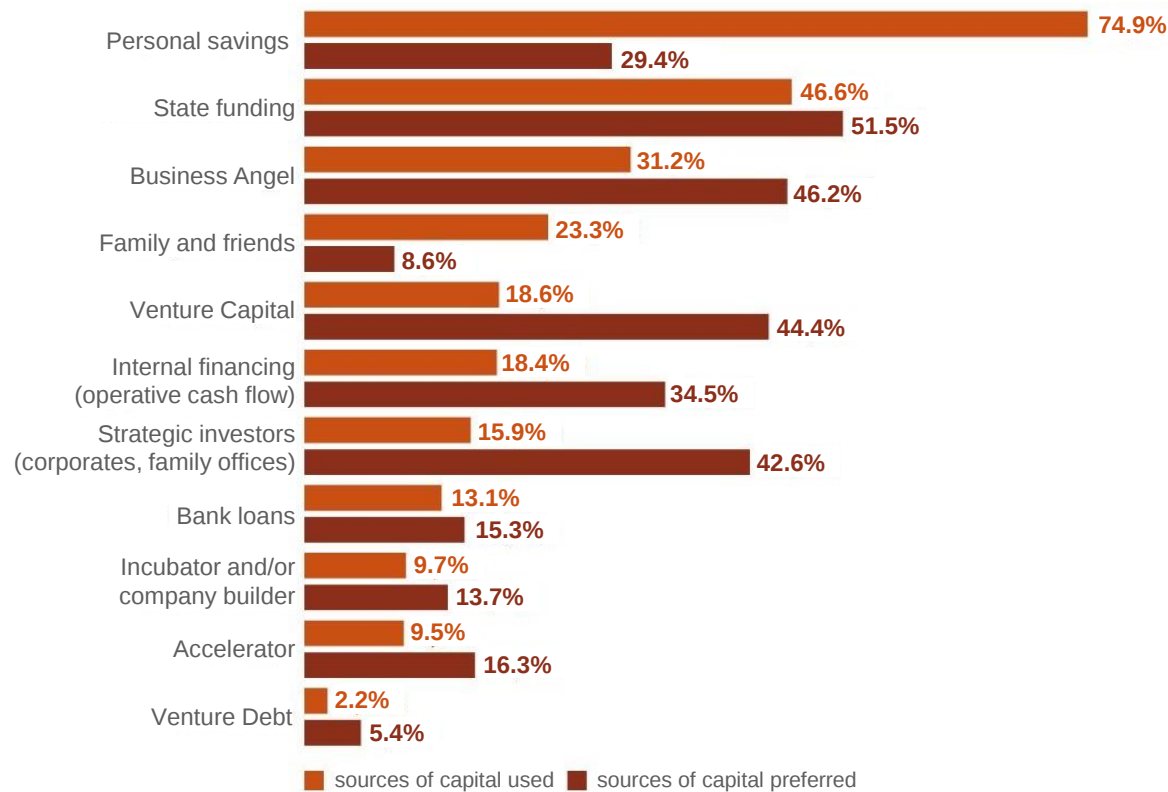
New trends such as **Web 3.0** and the **Metaverse** are also being taken up by startups – although it remains to be seen how they will develop.

Technologies of the future (2022)



Startups use a mix of funding – most respondents are satisfied with their investors

Used vs. preferred sources of financing (2022)



The **majority** of startups financed by business angels (82%) and venture capital (77%) are **satisfied with their investors**.

Overall, **61%** of startups are **aiming for an exit** – the current decline in IPOs worldwide may make this a challenge.

68% of the startups surveyed plan to raise money in the coming year – the **average capital demand is 3.1 million euros**.

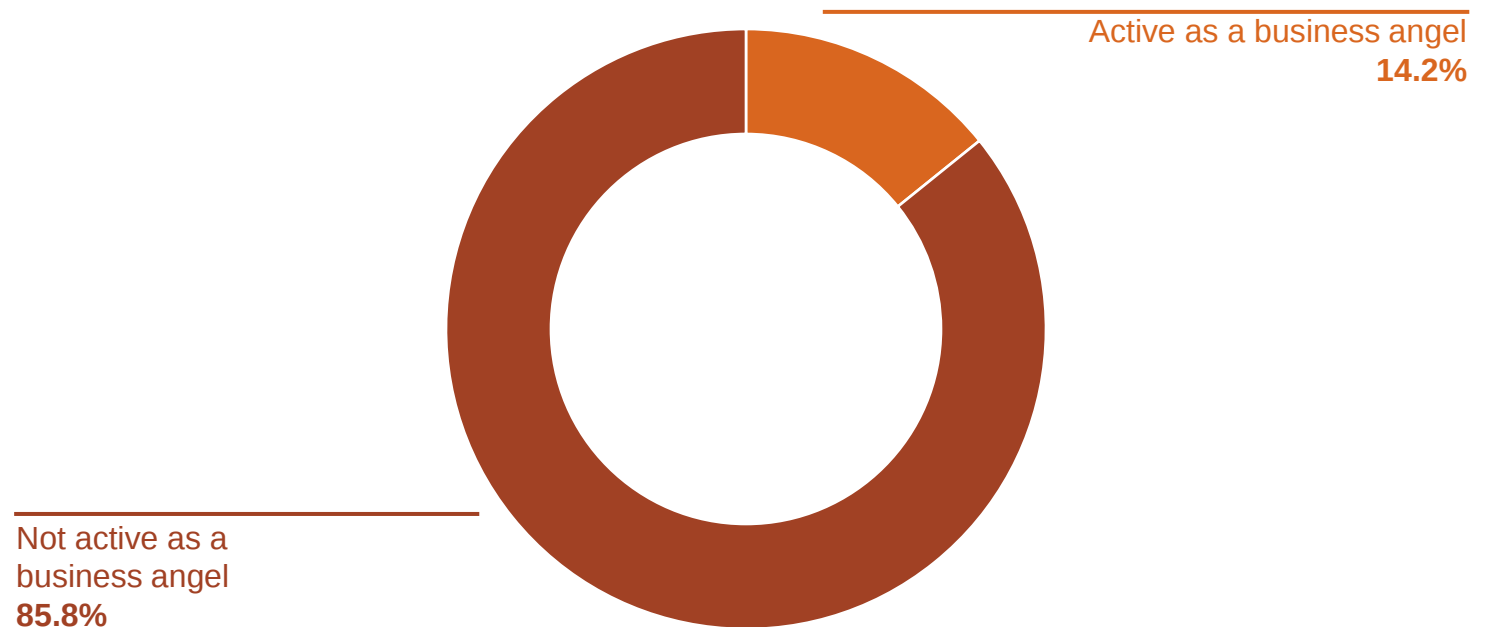
Founders play an important role as business angels – in addition to providing capital, they also share experience

Founders as business angels (2022)

14% of the startup founders surveyed already **invest** in other companies as **business angels**.

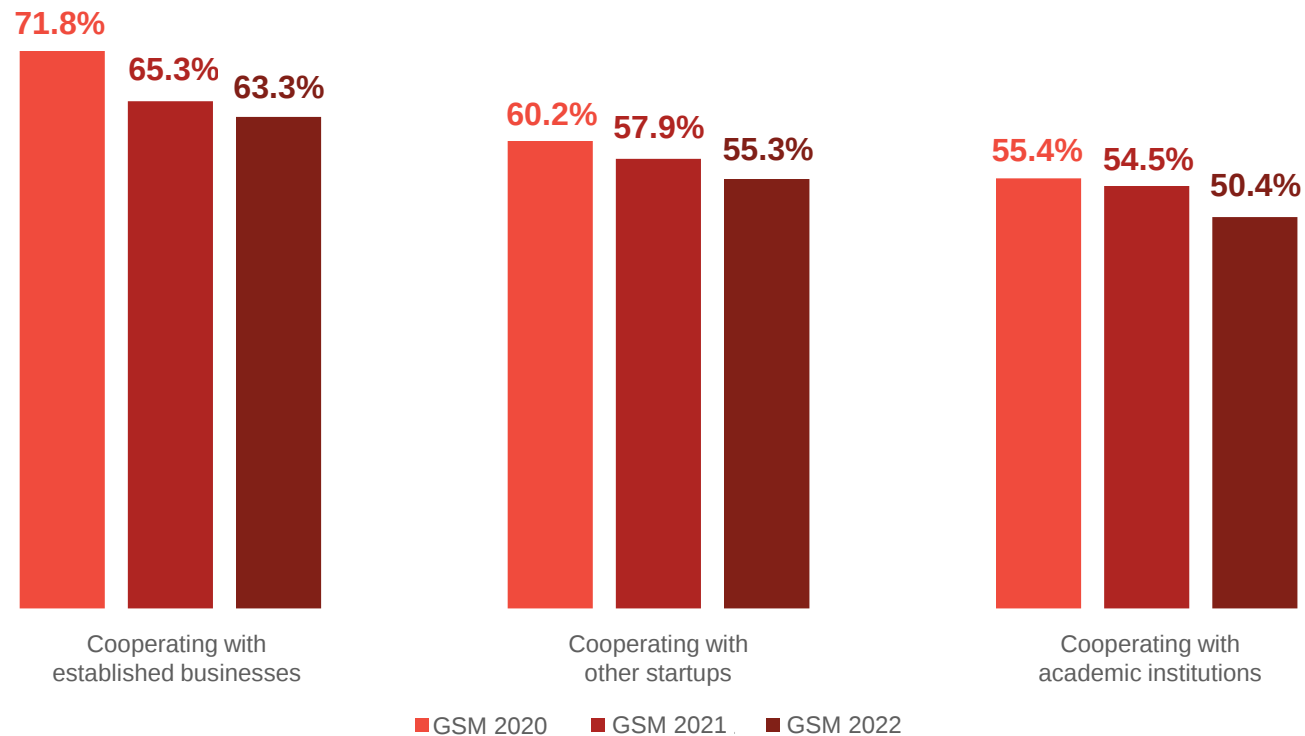
Among serial founders, the share is even higher, **at 25%**. In addition to capital, the exchange of experiences is important.

Founders who do not invest **often lack the capital to do so** (80%) – only 18% are not interested in making such investments.



Exchange between startups and the established economy creates momentum – even more commitment is needed

Share of startups cooperating with... (2020-2022)



Partnerships create an **important exchange** between players with **different strengths and needs**.

Both established players and startups can **derive considerable** benefits from collaborating.

However, the **noticeable decline** since the pandemic year 2020 should serve as a driver for new initiatives.

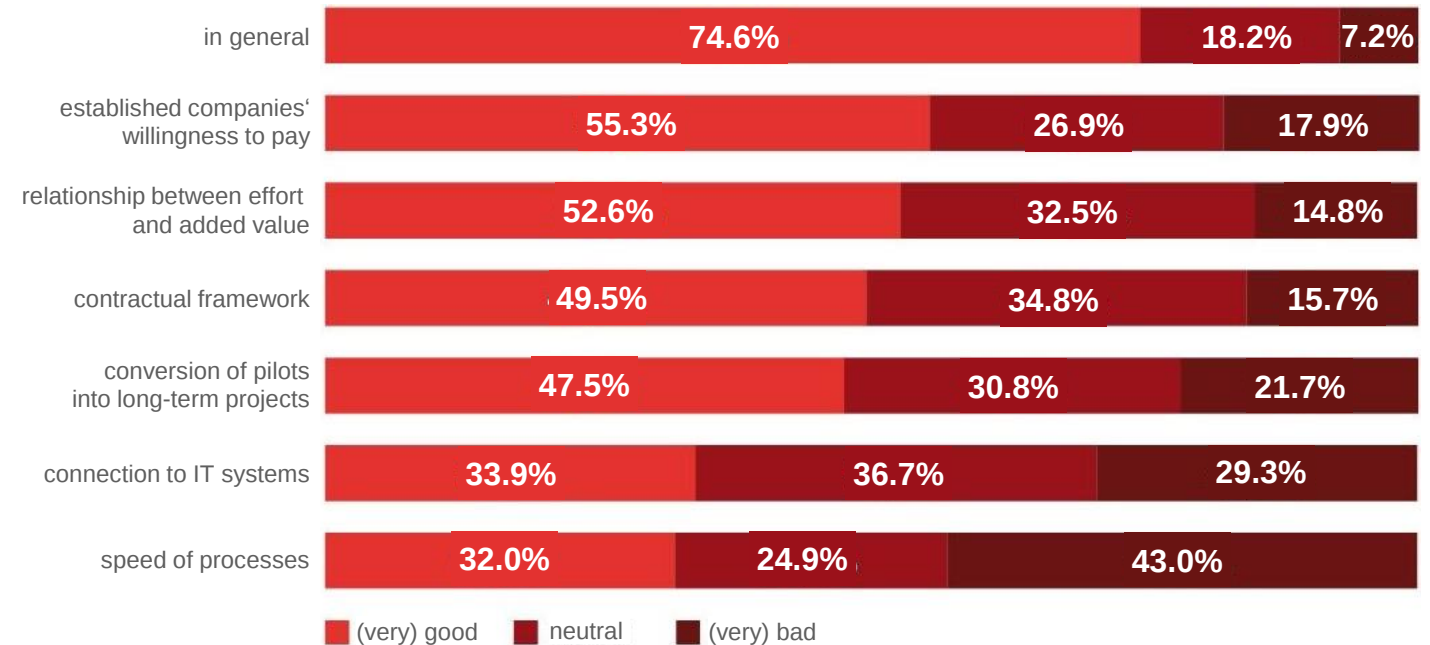
Cooperation with the established economy pays off – there is a high level of satisfaction among startups

Three quarters (75%) of startups rate their experience of working with established companies **as (very) good**.

The established companies' **willingness to pay** and the **ratio between effort and added value** are seen particularly positive.

In contrast, the **connection to IT systems** and the **speed of processes** are more often **viewed critically**.

Evaluation of cooperation (2022)



Corporate venture capital (CVC) also brings established companies and startups together

Satisfaction with CVC investors (2022)



Among VC-funded startups, 78% have independent VC, 32% have public VC and 30% **have CVC investors**.

The majority of startups is satisfied with **access to expertise** – but many expect more in terms of **distribution channels**.

There still is room for improvement: 49% of all startups that prefer VC **would like to receive CVC**.

3 | Challenges and regulatory framework



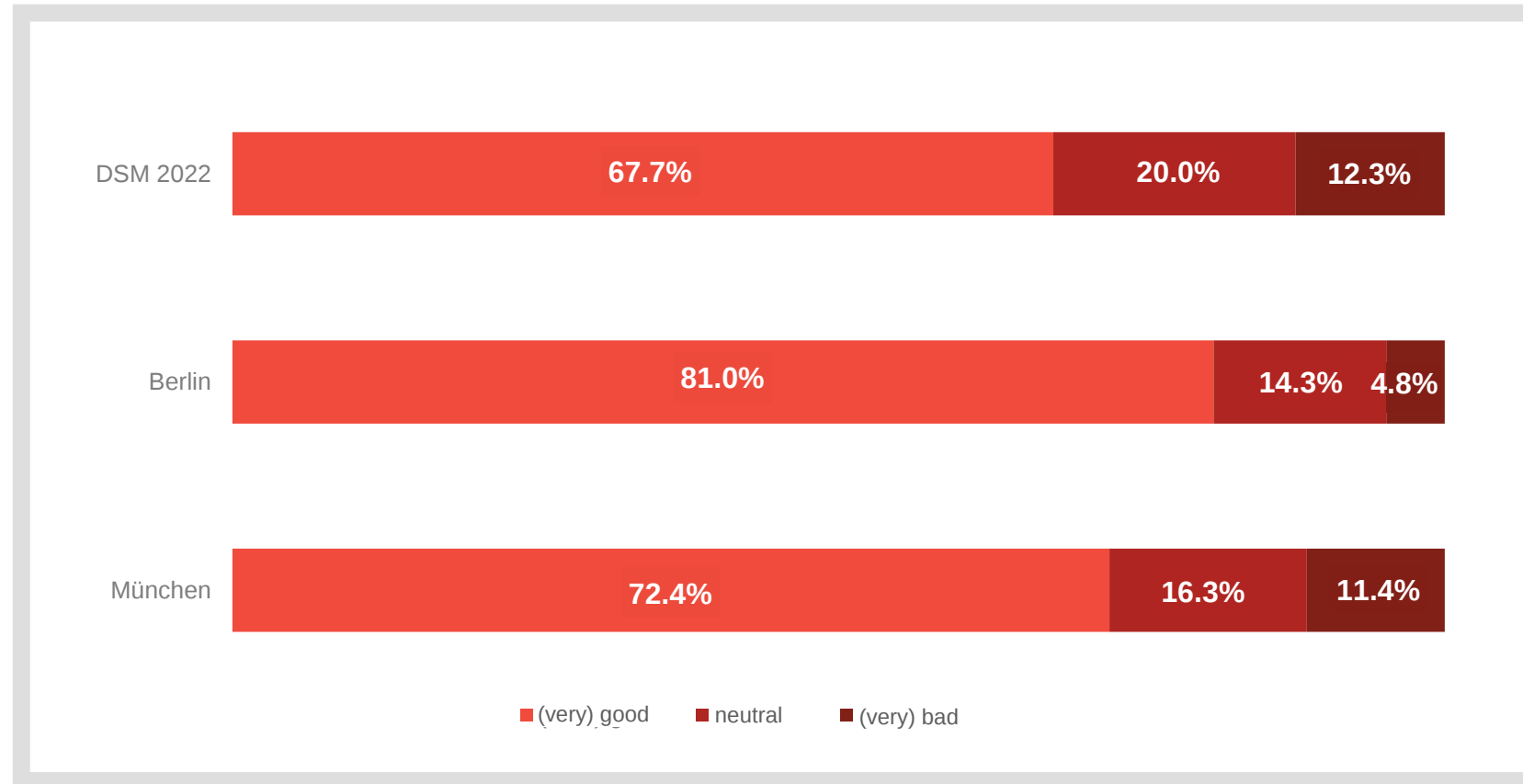
More than two thirds of startups rate their local ecosystem positively

The **ecosystem rating** has improved to 68% (65% in 2021) – with the hotspots Berlin (81%) and Munich (72%) standing out.

The **proximity to universities** (74%) and **networks to other founders** (70%) are most often rated positively.

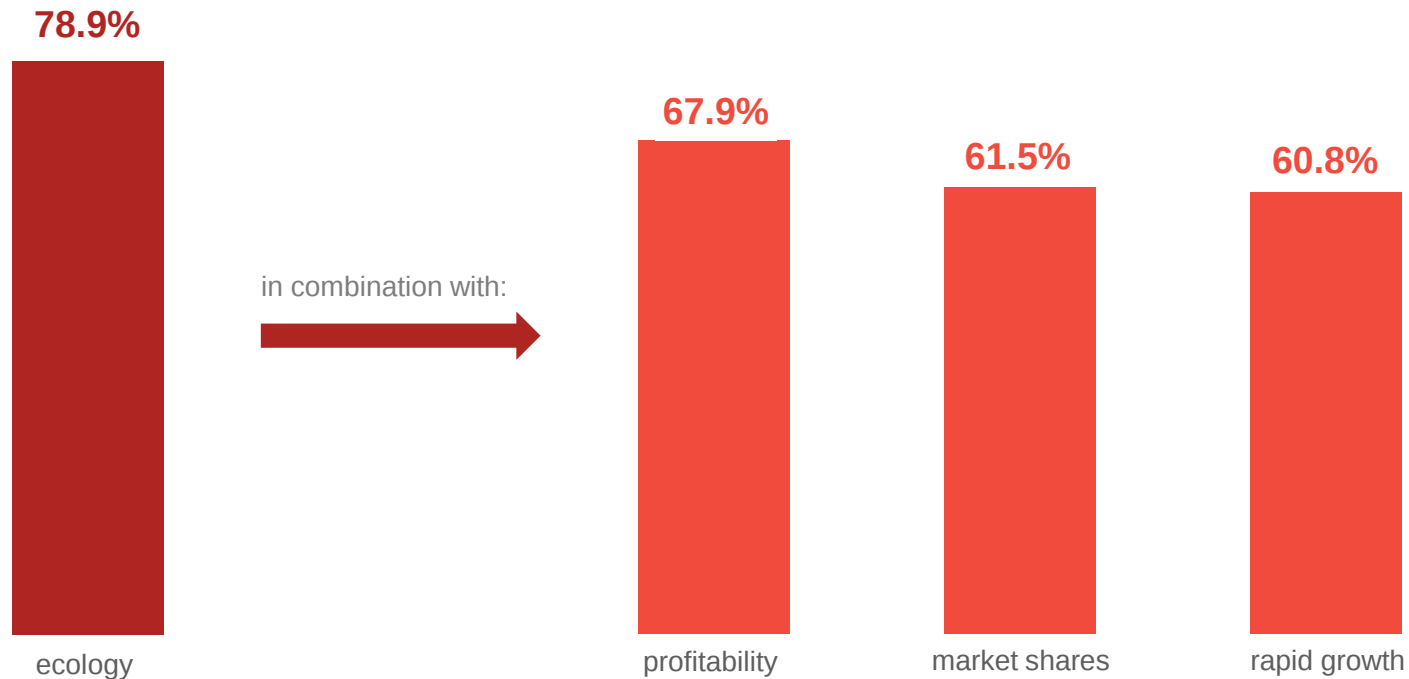
Challenges are evident in **access to capital** (37%) and **availability of affordable office space** (41%).

Startup ecosystem rating (2022)



Sustainability and growth are seen by the majority of startups as complementary strategies

Business strategies (2022)



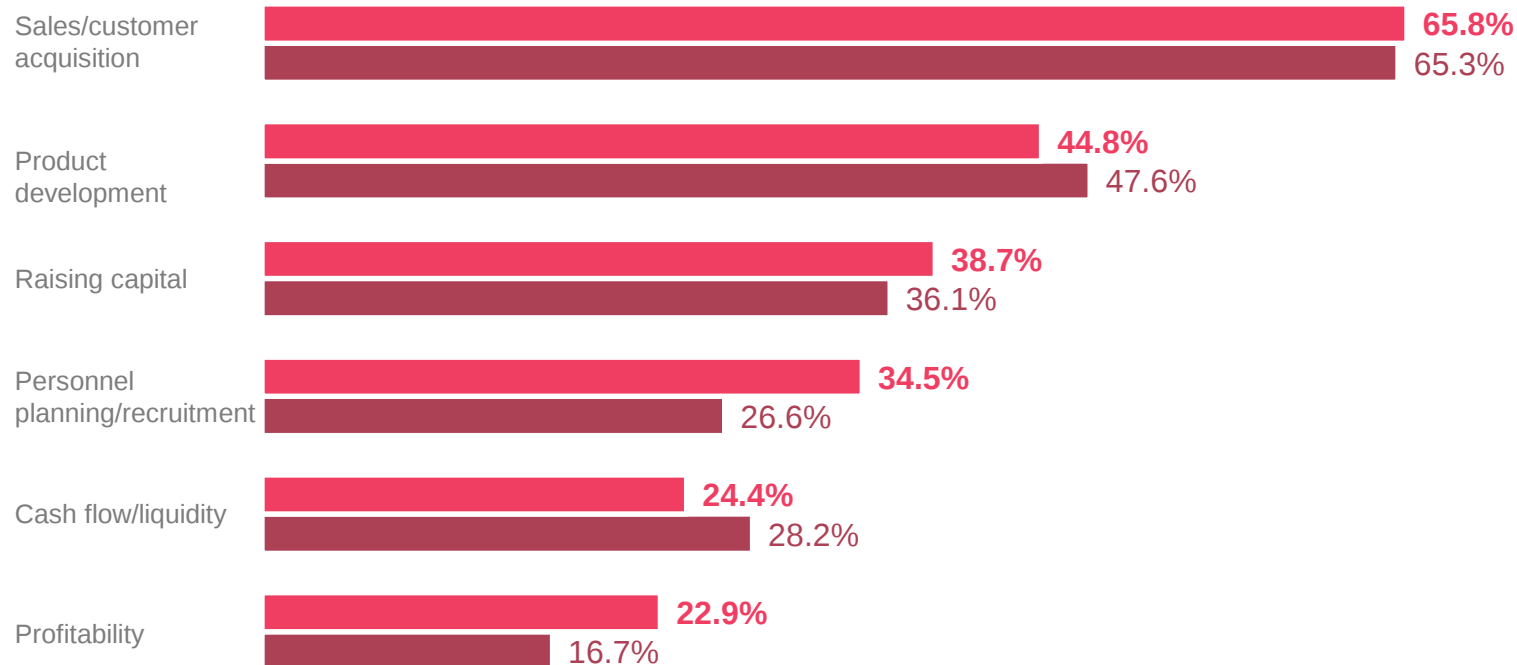
46% of startups see themselves as **part of the Green Economy** – a significant increase compared to the previous year.

Startups combine **environmental goals with economic goals** such as profitability, gaining market share and growth.

Bündnis 90/Die Grünen is by far the leading political party among founders (51%).

The lack skilled labor continues to gain massively in importance – for scaleups it becomes the key issue

Current challenges faced by startups (2021-2022)



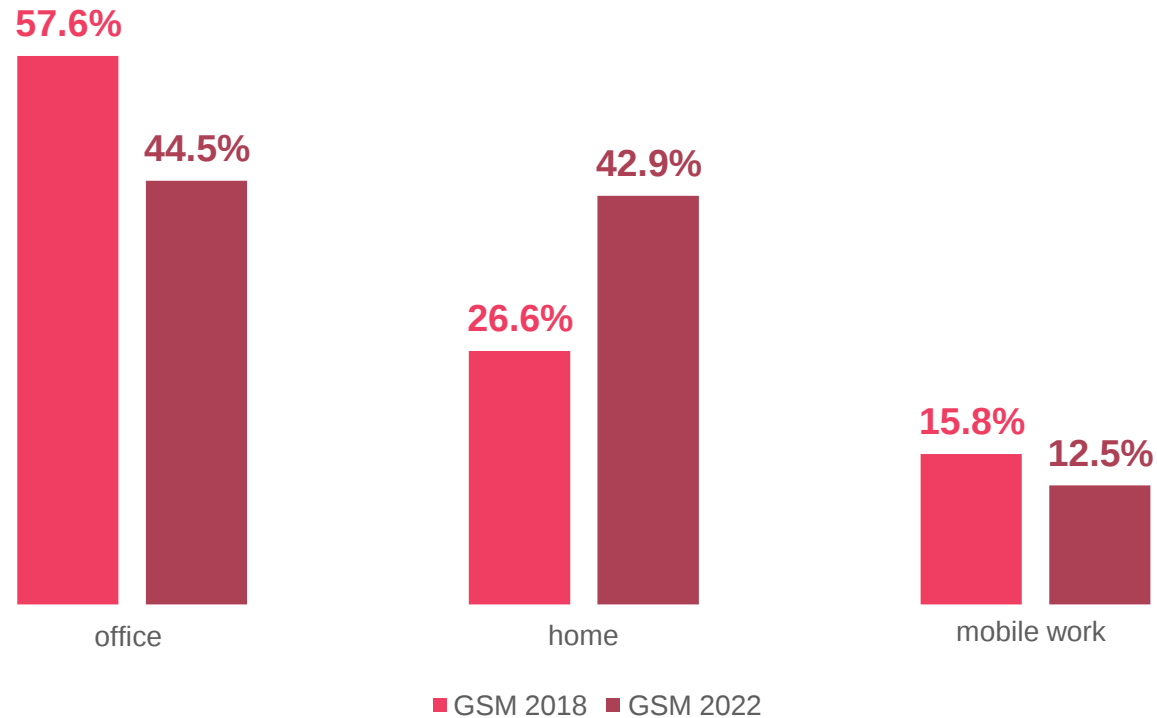
Customer acquisition, product development and raising capital continue to be the biggest challenges.

For the second year in a row, the issue of **personnel planning and recruitment** has increased significantly, rising by 8%P.

For **scaleups with more than 50 employees**, this figure is even higher at 67% – becoming a real constraint on growth.

Changes in work culture due to the pandemic are clearly visible among startups

Workplace location over time (2018 vs. 2022)



On average, founders **work 55 hours a week** and do so just as often in the office as at home – on weekends, founders work about 7 hours.

Changes in work culture **due to the coronavirus pandemic** become evident: The home office share has increased by 16 percentage points compared to 2018.

Overall, only 59% of founders say they are **satisfied** with their **work-life balance** – among female founders, that figure stands even lower, at 51%.

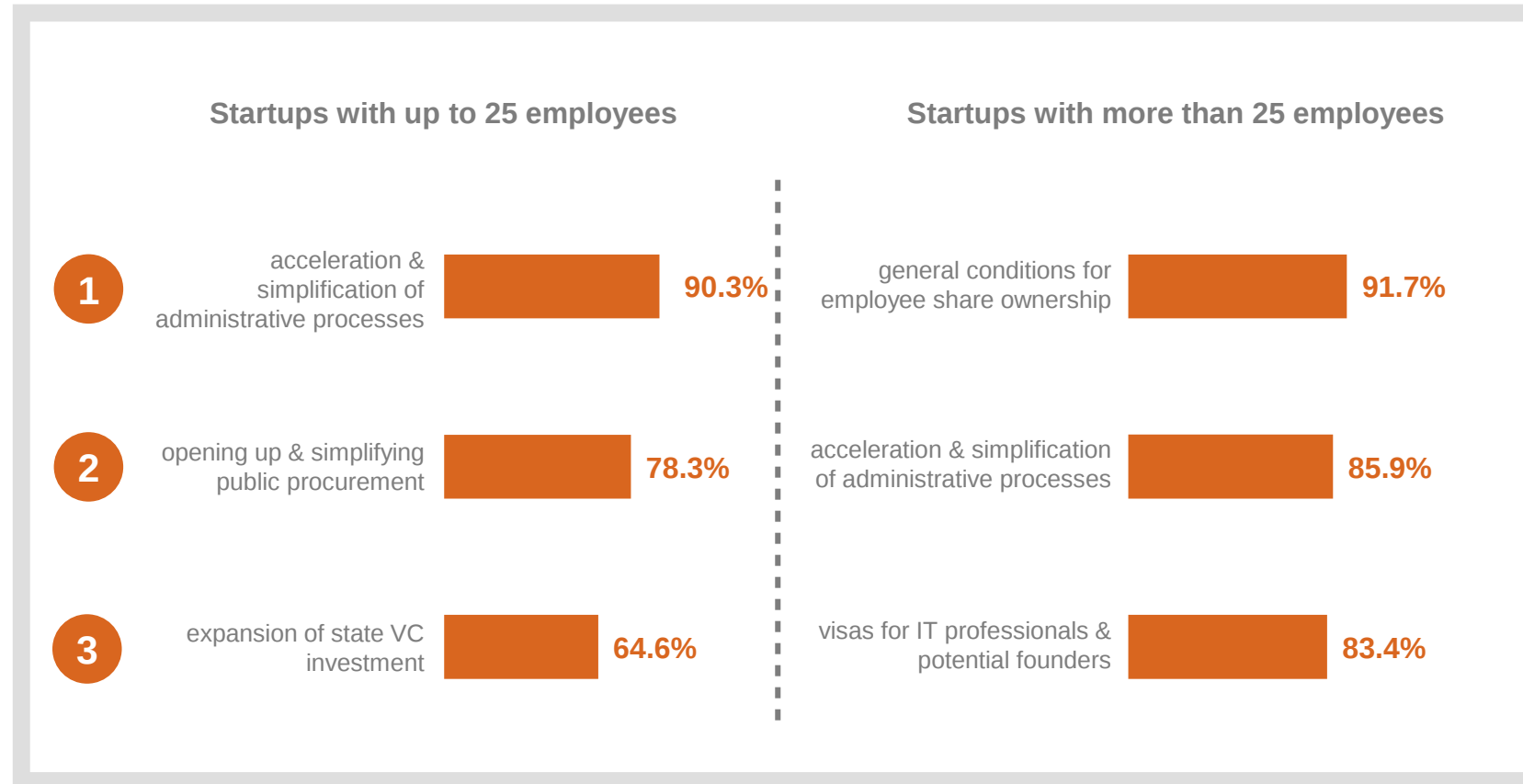
It is crucial to provide the right political impetus for the startup ecosystem

Both small and larger startups see simpler and faster **administrative processes** as a key lever to support the startup ecosystem.

For **smaller startups**, **public procurement** and the **expansion of public investments** are key.

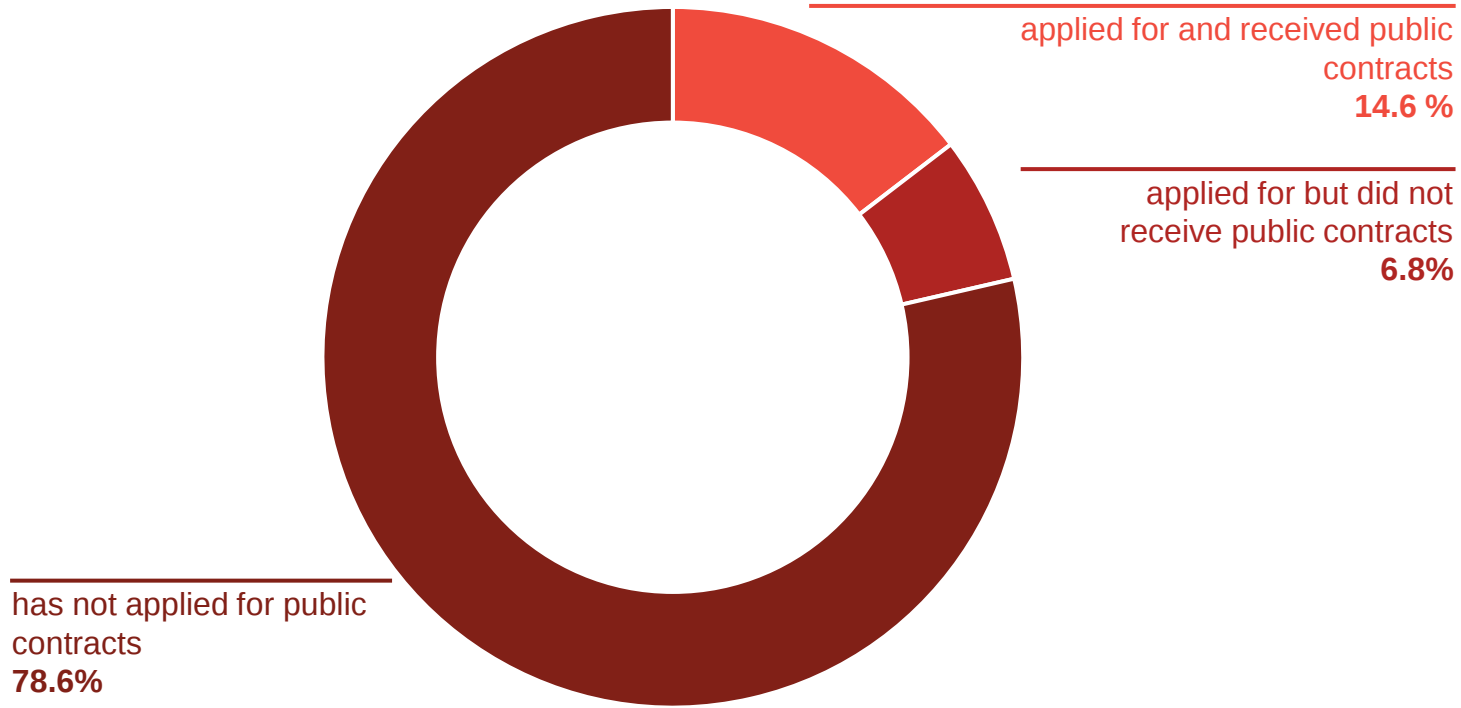
In contrast, **larger startups** prioritize **employee shareholding** and improved **visa conditions** for skilled workers.

Most important policy levers by startup size (2022)



The potential of cooperation between startups and the state is not fully realized

Obtaining and applying for public contracts (2022)



Innovation is not only an **important factor** for the private, but also for the **public sector** – e.g. regarding the digitization of administrative processes.

But so far, only **21%** of startups have **applied for public contracts** – just over two-thirds of these have won one, leading to a small overall share in B2G revenues.

Reasons for startups not to apply are their own stage of development (48%), difficult tender conditions (34%) and the length of procedures (31%).

Startups play a key role as drivers of innovation and renewal – especially in challenging times

Startups in Germany...

... remain robust:

Employment figures in the startup ecosystem show stable development, while expectations regarding future business are growing significantly bleaker.

... need exchange and partnerships:

The steady decline in partnerships makes it clear that new initiatives and projects are needed.

... identify important policy levers:

Now is the time to take measures with a view to modernizing the state and competing for talent.



Thank you!

All the information
and a download of the study
are available here:



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