

PRESS RELEASE

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McKinsey study: Berlin can become Europe's leading startup hub

Berlin as top location for startups in Germany – Still room for improvement at international level – 100,000 new jobs through targeted initiatives in the lead-up to 2020 – Wowereit: "Valuable ideas for the city"

BERLIN. Germany's capital city is already perfectly placed to become Europe's leading startup hub. By 2020, Berlin could deliver more than 100,000 new jobs thanks to startups. These are the key findings from a study by McKinsey & Company called "Berlin builds businesses – five initiatives for Europe's startup hub". The city has already established itself as a top location for entrepreneurs in Germany. For every one new business in Munich there are 2.8 in Berlin. In 2012, German and international venture capitalists in Berlin invested EUR 133 million in startups, compared to just EUR 24 million in Baden-Württemberg, EUR 19 million in Bavaria, and EUR 14 million in Hamburg. Berlin is in the top 5% of regions in Europe when it comes to new businesses relocating within Germany and from abroad.

"However, catching up with leading international startup hubs requires that Berlin exploit its full potential," said Katrin Suder, McKinsey Berlin office manager, during a joint presentation of the study with Berlin's incumbent mayor, Klaus Wowereit, on Monday in the capital city. Suder added: "In terms of supporting startups and talent, Berlin still has some way to go to improve raising capital for new businesses during the growth phase and in networking startups with established businesses." Succeeding in this would move Berlin up the ranking of Europe's top startup hubs from its current fifth place behind Tel Aviv, London, Paris, and Moscow.

Speaking to journalists, Wowereit said: "Berlin has caught the public's attention as a startup hub. We want to capture that momentum and work together to drive Berlin's economy forward. The McKinsey study suggests valuable levers and ideas. We will work in partnership with organizations that support businesses, chambers of commerce, professional associations, established businesses, and startups, and will fully dedicate ourselves to becoming Europe's leading startup hub." McKinsey called the study "Berlin builds businesses". It was produced on McKinsey's own initiative with no external assistance or payment and in close cooperation with the Berlin senate.

According to the study, Berlin has much to learn from experiences in other startup hubs, such as New York, London, and Tel Aviv. Over the past few years, these cities have launched massive campaigns to strengthen the city's startup scene. McKinsey suggests that Berlin follow its international role models' lead and set up a delivery unit to serve as a central, coordinating entity that will be actively supported by the senate. "The city needs an organization like this to push through all of the initiatives, to define targets for the many different parties involved, and to ensure that targets are actually met," said Suder.

"While the situation in terms of financing new business is already very good, there is still some way to go in financing startups during the growth phase. Established businesses and private individuals could play a more prominent role here," said Jens Begemann, founder and CEO of social gaming firm Wooga, during the study presentation. He added that Berlin is a relatively young startup city where concrete initiatives in politics, the economy, and universities could help further stimulate entrepreneurial spirit. If all parties work to develop specific, startup-friendly structures and a distinctive, welcoming culture it could significantly boost the number of successful new businesses. Networking and collaboration between startups and established companies also need more work. Begemann's summary: "Everyone can do more for the hub."

"The five initiatives recommended by McKinsey focus specifically on improving the dynamics for new businesses in the city and on systematic support for the startup scene," says McKinsey partner Christian Malorny:

- **A new business boom for Berlin.** It is vital to get students and professors excited about new businesses. The study suggests better incentive systems for employees of research institutes and of universities in particular, as well as specific awards for professors and research institutes with high numbers of startups. It also recommends expanding the existing business plan competition in Berlin-Brandenburg. A "Berlin startup curriculum" would ensure that universities' startup-related activities are better bundled and better aligned.

- **One-stop Berlin agency.** Startups need more support from the senate and administrative bodies. A multilingual startup service agency should provide "one-stop shopping" for foreign entrepreneurs, helping them cut the fastest path through the German bureaucratic jungle. In the meantime, an online portal would provide a clearer overview of all relevant services offered by government offices and institutions.

- **Berlin startup campus.** The goal is to found an office in the center of Berlin with flexible leasing specifically for new businesses with digital business models, established companies, and venture capitalists. This type of geographical proximity would be ideal for exchanging ideas, networking, and support. The campus could also house a coaching center for growing companies and a coordination office for better networking.

- **Berlin startup fund.** To acquire more capital for growing startups, a new private fund should be set up with around EUR 100 million to specifically support young companies needing capital infusions of EUR 3 million or more. Investors would mainly be corporations and SMEs with which initial discussions have already been held.

- **The Berlin startup network.** McKinsey's fifth recommended initiative is to set up a "Berlin business dialog" taskforce via the senate. Their task: to bring together established companies and startups and thus foster support from said companies.

The study infers that these initiatives should focus on digital business models, biotechnology/medical technology, and urban technologies. These segments cover clean tech, electronics, and mobility, in other words, business models with a clear focus on "City of the Future". Berlin can already boast the most startups in these fields in recent times. "It's about building on existing strengths, and on focusing and bundling support," says Malorny. With this approach Berlin could create more than 100,000 new jobs by 2020 – around 40,000 in the actual startups and another 60,000 thanks to the multiplier effect, where each new job lays the foundations for additional employment relationships.

Study methodology

"Berlin builds businesses" systematically documents and summarizes the mood and current situation in the startup scene in Germany's capital city. McKinsey carried out and analyzed more than 100 structured interviews and conversations with entrepreneurs, startups, venture capitalists, incubator operators, providers of local infrastructure, and international experts in finance, science, and politics. Findings were quantified and compared against cities in other countries.

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The study is available to download from www.mckinsey.de