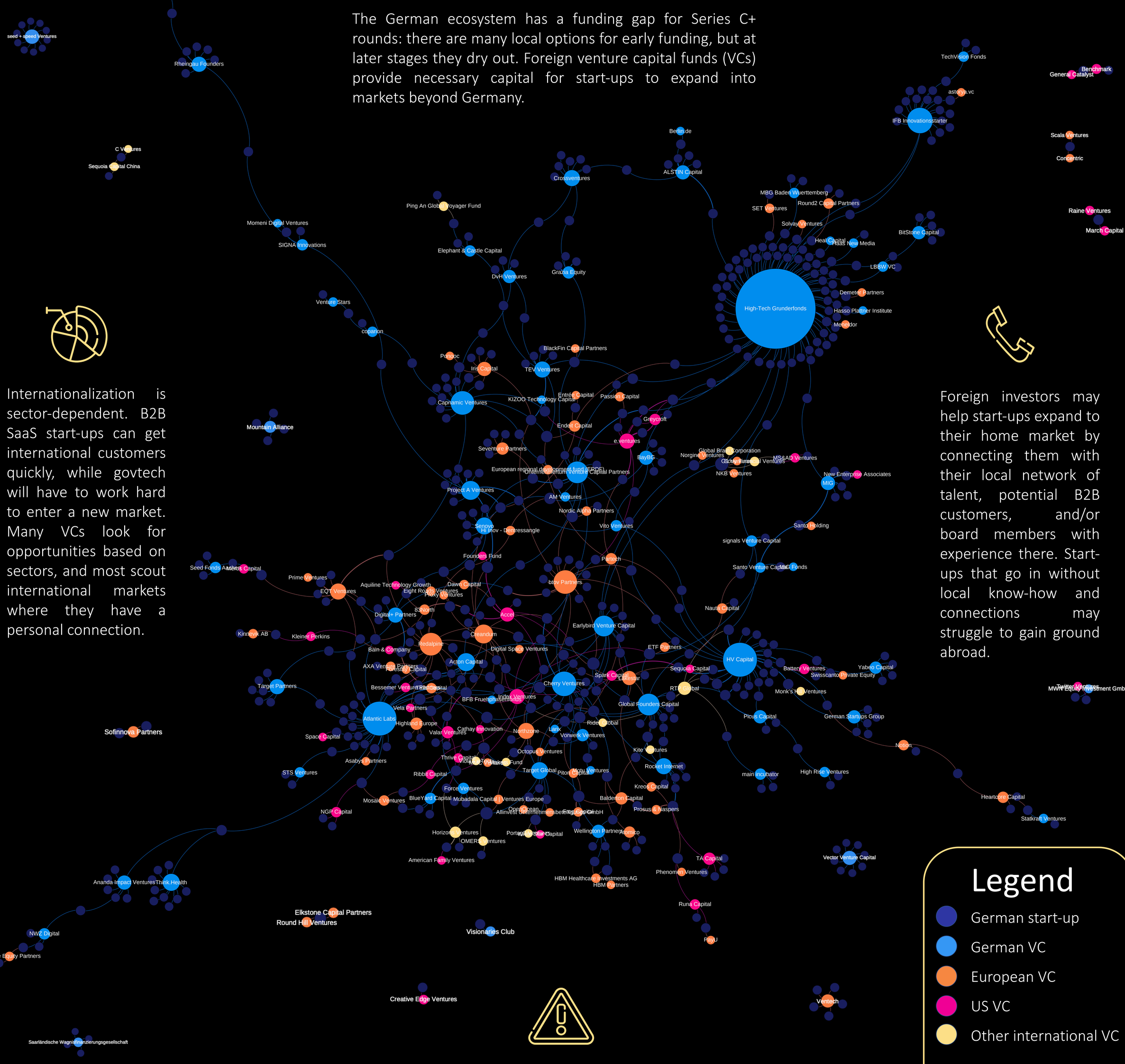
Germany’s Innovation Constellation

Who is who in German venture capital and entrepreneurship ecosystem

What are the networks that enable German start-ups to enter international markets?

Based on: Crunchbase data on funding rounds of German start-ups in 2010-2020 | Selected most interconnected actors out of 1153 players and 1066 interactions | 11 in-depth interviews with investors

The German ecosystem has a funding gap for Series C+ rounds: there are many local options for early funding, but at later stages they dry out. Foreign venture capital funds (VCs) provide necessary capital for start-ups to expand into markets beyond Germany.



Internationalization is sector-dependent. B2B SaaS start-ups can get international customers quickly, while govtech will have to work hard to enter a new market. Many VCs look for opportunities based on sectors, and most scout international markets where they have a personal connection.

Foreign investors may help start-ups expand to their home market by connecting them with their local network of talent, potential B2B customers, and/or board members with experience there. Start-ups that go in without local know-how and connections may struggle to gain ground abroad.

Germany (incl. DACH region) can pose an ‘awkward-sized economy’ trap for start-ups in many sectors. It is a comfortable market that is not large enough for a venture to gain critical mass of users before international expansion. Therefore, start-ups often build a product for local market and then get trapped with the struggle to re-adapt the product instead of building to go global from day one. Presence of foreign investors could stimulate founders to plan for growth early.

Legend

- German start-up
- German VC
- European VC
- US VC
- Other international VC

- Each investor is connected to the start-ups it funded
- More funded start-ups = larger investor circles

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