2 Theoretical Background

2.1 The Concept of a Start-up Ecosystem

Governments in advanced countries have always been interested in fostering entrepreneurship in order to generate innovation, economic growth, and job creation (BMWi, 2012; WEF, 2013; Autio et al., 2014; Herrmann et al., 2015). As these socioeconomic impacts are per definition attributed to start-ups, it has been observed that there has been a shift in policy to focus more strongly on such high-growth firms (HGFs). However, policy makers recognize that their traditional policies often fail when it comes to strengthening the development of HGFs. As a result, a general consensus has arisen among researchers that there is a need for taking a holistic approach when thinking about policy interventions; an approach that takes account of the distinctive types of environments in which start-ups flourish – the start-up ecosystem (Mason & Brown, 2014).

2.1.1 Definition of the Start-up Ecosystem

Since the concept of a start-up ecosystem is a rather recent phenomenon there is no commonly accepted definition yet (Stam, 2014). Due to the increasing interest of public authorities, researchers, and economic entities (Napier & Hansen, 2011; Herrmann et al., 2015), a rising number of researchers have contributed to describing the essence and the construct of such ecosystems (cf. Isenberg, 2011; Aleisa, 2013; WEF, 2013; Autio et al., 2014; Mason & Brown, 2014; Stam, 2014). Despite variations and differences in the definitions, all attempts follow the same fundamental idea: Derived from the ecological concept of the ecosystem, the basic idea is that entrepreneurship evolves in the context of, and impacted by, the interaction between individuals and their environment (Valdez, 1988).

Mason and Brown (2014) have synthesized recent definitions from contemporary literature to the most comprehensive definition thus far. This thesis follows their definition of a start-up ecosystem as

“a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organisations (…), institutions (universities, public sector agencies, financial...
bodies) and entrepreneurial processes (...) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment” (Mason & Brown, 2014: 5).

This definition confines start-up ecosystems to locally restricted geographical areas, which is well in accordance with the author’s intention to explore the ecosystem of a specific city.

2.1.2 State of Research

So far, little is known about how start-up ecosystems arise and evolve (Feldman, 2014). Entrepreneurship literature discusses different concepts about how start-up ecosystems come into being (Mason & Brown, 2013; Regalado, 2013). One model states that a whole ecosystem can be created alongside the rapid expansion of an exceptional company (Napier & Hansen, 2011: 13ff; Feldman, 2014: 12ff). Another approach explains the inception of ecosystems through the creation of innovation centers or technology parks by governmental institutions (Regalado, 2013). A third and widely discussed concept describes the development of start-up ecosystems through complex causal and partly simultaneous processes, impacted by various determinants and actors. New start-ups arise “(...) by a constant recombination of ideas, talent, and capital, embedded in a supportive culture (...)” (Fuerlinger at al., 2015: 7) and the engagement of a group of successful entrepreneurs who reinvest into the system (Stam, 2014).

However, research has identified certain determinants that support the evolution of a start-up ecosystem – or hinder its development if they do not exist. Analogous to the variety of existing definitions, several formulas of ecosystems have been developed. That is why there exists a variety of models some of which are very comprehensive (e.g., WEF, 2013) while others focus on key domains only (e.g., Isenberg, 2011; Koltai, 2015). The Aspen Network of Development Entrepreneurs (ANDE) has synthesized nine of these models from international organizations and research institutions into one framework (Figure 1). Eight interconnected domains were identified and categorized according to the degree of influence on the development of start-up ecosystems and thus of HGFs.
A *direct impact* on the evolution of a start-up ecosystem is attributed to determinants from the domains ‘*finance*’ and ‘*support*’. While it is controversial whether venture capital is a crucial financial resource or not, it is recognized that a critical mass of investors and business angels is essential to provide sufficient seed funding sources (Mason & Brown, 2014; Stam, 2014). Main support comes from the entrepreneurs themselves through both the spillover effects that successful entrepreneurs bring along with their exits and the interactions among and between the founders and the stakeholders of the ecosystem. The former is reflected in the fact that most successful entrepreneurs help other start-ups by giving advice and financial resources. They act as mentors, advisors, venture capitalists or business angels (Isenberg, 2011) and are thus an important source of support. The second way in which entrepreneurs grant help is indirectly, within the start-up communities. Founders and diverse participants of an ecosystem create local informal supportive networks through which they facilitate learning and innovation (van Weele et al., 2014). It has been reported that entrepreneurs share knowledge, experiences, and innovative ideas, encouraging each other within the local community in personal conversations (Wenger & Snyder, 2000; Davidsson & Honig, 2003; Herrmann et al., 2015). A critical mass of successful entrepreneurs which facilitate the founding process of newcomers through their massive support is essential to the emergence of a self-sustaining and strong start-up ecosystem (Napier & Hansen, 2011). Co-working spaces
as places where founders have the possibility to work and connect with each other as well as incubator and accelerator programs can provide support in start-up ecosystems as they help a start-up to prepare for first investors (Herrmann et al., 2015). These institutions are not mandatory but may help speed up the evolution of an ecosystem (Isenberg, 2014).

Determinants that have a *partially direct impact* on the development of a start-up ecosystem can be summarized under the domains of ‘markets’, ‘human capital’, ‘infrastructure’, ‘research and development’, and ‘policy’.

**Markets** are important because start-ups need early customers as they rely on fast feedback to their innovative products or services and as these consumers generate their first revenues (Isenberg, 2011). A high number of customers who are quick in adapting new technologies enables start-ups to grow faster (Herrmann et al., 2015).

**Human capital** is a further essential domain. Entrepreneurs are the most valuable resource within a start-up ecosystem as they are the individuals who identify and realize ideas and manage their businesses (Ardichvili et al., 2000). Driven by intrinsic motives, such as the desire to be independent, achieving personal success, raising one’s social status, and the will to solve a problem, in combination with extrinsic factors, such as improving one’s financial situation, lead entrepreneurs to start and advance businesses (Hansemark, 2003; Shane et al., 2003; Segal et al., 2005; Cassar, 2007). Nevertheless, start-ups have to rely on qualified employees for their sustained growth. That is why a start-up ecosystem needs to provide sufficient well-trained workforces. As soon as a region has diverse jobs to offer, people from the outside will be attracted to move into the system (Chen & Rosenthal, 2008). However, when a start-up ecosystem comes into being, local human resources are also crucial. Therefore, educational institutions within the ecosystem, such as universities and business schools, are sources of additional human capital in the form of both qualified experts and new entrepreneurs (Isenberg, 2011).

Besides educational institutions, a start-up ecosystem depends on adequate **infrastructure**. Good connectivity has been proven to be another important factor. The ecosystem of London profits from Heathrow airport (Mason & Brown, 2014). It does not neces-
Sarily require an airport but connectivity to other regions, e.g. through highways and railway connections as well as an extensive public transportation system is beneficial (Isenberg, 2010). The same can be said about the technical infrastructure. Advanced internet connectivity is vital, particularly as a majority of new start-ups are based on business models which are related to the internet or use the web as their (main) distribution channel. With internet accessibility, start-ups can compete on international markets (Herrmann et al., 2015).

Research institutions and big companies are sources of research and development (R&D). Having access to R&D, entrepreneurs can develop products and new business ideas by using the latest scientific knowledge to start a new business (Morales-Gualdrón et al., 2009).

Among the partially direct domains, policy is the domain with the most publications so far. It is well established that governments (local and national) cannot simply ‘implement’ a start-up ecosystem. Such systems have to grow organically through the interaction of several participants, especially from the private sector (WEF, 2013). To help a start-up ecosystem come into being, policy makers need to understand that it is not possible to replicate other successful ecosystems such as Silicon Valley (Isenberg, 2010; Autio et al., 2014). That is why it is not possible to simply adapt policies from other successful ecosystems. Each ecosystem is different and evolves under a unique set of prerequisites and conditions (Isenberg, 2010). What policy makers can do is to ensure ‘perfect’ framework conditions for the participating actors within a respective start-up ecosystem (Isenberg, 2010). Such actors are, for instance, entrepreneurs, employees, big companies, research institutions, service providers, and investors. Therefore, policy makers need to determine the status quo of the start-up ecosystem’s determinants and understand their interactions in order to derive actions for improving the conditions (ANDE, 2013). By way of example, such actions could be the implementation of tax incentives for investors to attract capital (WEF, 2013) or ensuring business-friendly policies such as the reduction of bureaucratic and regulatory requirements (Isenberg, 2010). Furthermore, policy makers can set targets for public investment in education, infrastructure, and R&D. Investing in the research of new technologies, fostering research in
state universities, and guaranteeing a tight network of basic infrastructure such as medical services, supermarkets, natural environments etc. help attract human capital into the ecosystem (Ewers, 2007). Policy can also help to implement a start-up friendly culture.

**Culture** is classified as a domain with an *indirect impact*. Especially the attitude of people with regard to failure is crucial in start-up ecosystems. Start-ups are, in most cases, unproven concepts. Therefore, it is not unlikely that these concepts will fail (Blank, 2013). Entrepreneurship is fostered in an environment where failure is accepted as part of a learning process (Isenberg, 2011). Furthermore, it has been recommended that successful HGFs and exits should be ‘overcelebrated’ in the media and in public speeches of governmental authorities (Isenberg, 2010). This creates role models which attract the attention of both outsiders and insiders of the ecosystem. Outside the ecosystem, this can lead to an increased awareness on the side of, for instance, investors, entrepreneurs, consultants, qualified workforces, and freelancers which may then move to and thus enrich the system. Inside the start-up ecosystem, these kinds of role models are a moral support due to their hero status, as individuals tend to orientate on and learn from such personalities (Bosma et al., 2011).

When looking at all these interconnected domains with their high number of determinants, knowing that there is an additional level at the micro perspective concerning the role of individual actors, it becomes obvious that start-up ecosystems are of a very complex nature, with many impacts, prerequisites, actors, and simultaneous processes.

The aim of policy makers should be to improve the supportive conditions for an ecosystem since this is a prerequisite for the development of a self-sustaining and dynamic system (Fuerlinger, 2015) which offers better opportunities for HGFs to evolve compared to other areas (Rosted, 2012).

Due to this complexity, a holistic view is necessary. This requires knowledge about every single domain and also about their interconnection within the specific ecosystem (ANDE, 2013) as well as the identification of the roles that the participating actors play (Mason & Brown, 2013). Such actors are, for instance, investors, entrepreneurs, big companies, employees, and service providers.
In the case of the start-up ecosystem Berlin there has so far been no attempt to analyze all these elements and the key actors. There have been contributions concerning single domains (e.g. McKinsey, 2013; Herrmann et al., 2015) but these are rare and have not been brought together. Hence, there is a need to determine the Berlin-specific domains and actors as well as their interrelations.

### 2.2 Berlin – a Dynamic Start-up Ecosystem

It is undisputed that the media and many experts hype Berlin as an open and very dynamic ecosystem (cf. Metzke, 2012). Indeed, the latest published facts confirm this hype by indicating Berlin’s dynamics. In contrast to the overall trend in Germany, where 2014 has been the year with the lowest enterprise birth rate since the introduction of the DIHK statistics (DIHK, 2015), the number of business foundations in Berlin has been continuously on a high level. No other place in Germany produces more start-ups than its capital (Metzger, 2014). According to official statistics, a new company is registered every twelve minutes; a new start-up, every 19 hours (IHK Berlin, 2013; CDU Berlin, 2014). Thus, around 40,000 new firms emerge per year (SenWTF, 2015) (see Figure 2), which has led to a total number of up to 3,000 HGFs in Berlin (Herrmann et al., 2015).

If this trend will be maintained over the next four years, 40,000 new jobs will potentially be created directly by 2020 (McKinsey, 2013).

![Enterprise Birth Rate in Berlin](image)

*Figure 2: Stable enterprise birth rates in Berlin (adapted from SenWTF, 2015)*
Concomitantly, a rising number of start-up events take place and there is an increase in the number of co-working spaces as well as incubator and accelerator programs of national and international companies such as Deutsche Telekom and Microsoft (Hansen, 2014; Pretzell & Seyfert, 2014). The availability of financial capital also shows a positive trend. While a significant lack in financial capital was reported in 2012, around $2 billion of venture capital was invested in Berlin in 2014. Thus, the city attracted even more capital than London, Europe’s leading ecosystem (Herrmann et al., 2015). Furthermore, the highest increase could be observed in the relative growth rate of the exit value: it increased twentyfold (Herrmann et al.; 2015). Besides some big exits, such as the sale of Wunderlist to Microsoft ($200 m), Sociomantic to Tesco ($200 m), and Quandoo to Recruit ($198.6 m), the IPOs of Rocket Internet and Zalando were celebrated in the media. Individually, these two start-ups are worth more than $6 billion each (Herrmann et al., 2015). Besides, Zalando is the fastest growing company in Europe (Mac, 2014).

All these facts indicate the conspicuous dynamics of Berlin. Within the last years, Berlin’s start-up ecosystem grew more than any other ecosystem in the world (Herrmann et al., 2015). That is why Berlin improved its position from 15th in 2012 to 9th in 2015 in the ranking of the Global Startup Report which compares the most important start-up ecosystems globally (Herrmann et al., 2015).

Due to these good conditions some famous start-ups from other places have decided to completely relocate to Berlin (such as ResearchGate, founded in Boston, USA), or to open up an office in the city to be part of the ecosystem (such as Freeletics, Munich, Germany) (Kyriasoglou, 2015). It has been reported that many start-ups from Israel move to Berlin (Ferber & Jauernig, 2014), but also from other countries such as Switzerland (Krimphove, 2015).

Attracted by these dynamics, an increasing amount of would-be entrepreneurs move to the German capital and start their own businesses. The city does not only attract German founders but also entrepreneurs from all over the world. In 2012, 25,000 international people moved to Berlin (McKinsey, 2013). In 2013, this number rose to about 34,000. As a result, 24.5% of Berlin’s inhabitants had international roots in 2013 (IntMK, 2015).
Many of these immigrants founded their own start-ups. In 2012, 17% of the Berlin-based start-ups were founded by migrants (McKinsey, 2013). In 2014, 50% of new start-up businesses were started by internationals and Germans with a migration background. That is why the Berlin Chamber of Commerce and Industry (IHK) calls migrants an “(…) engine of start-up activity” (IHK Berlin, 2015).

As mentioned earlier, it is not yet completely clear which domains and which actors contribute to the dynamics in the case of Berlin. The rising number of international founders may indicate a correlation between their strong presence and the current dynamics. This paper aims to fill this research gap by bringing together the aspiring research fields of start-up ecosystems and diaspora entrepreneurship.

2.3 Diaspora Entrepreneurship

Just like Berlin, a lot of places in developed countries report an increase in migration numbers. In 2013, 247 million people lived outside their COO. In 2015, this number is assumed to surpass 250 million (World Bank, 2015). This development is caused by both crises and politics. On the one hand, many migrants leave their COO as refugees due to terrorism and economic, political, or armed crises. On the other hand, especially developed countries implement incentives to attract highly skilled foreigners, mainly in order to moderate demographic developments. By 2050, the population of the EU will have declined by 12%. In order to keep the pension systems sustainable and living standards as well as tax incomes on a high level, EU member states rely on the influx of migrants (Kapur, 2001). Additionally, countries like Germany can compensate for the lack of specialist work forces only by encouraging immigration in order to foster, or rather, to maintain the economy’s strength (Salzmann et al., 2010).

Innovations in communication technology such as e-mail services, the internet, and social networks, as well as declining costs of global telephone services and air transportation make it easier for migrants to stay in contact with relatives and friends in their former home countries and thus maintain relations to their COO (Riddle, 2008; Drori & Honig, 2009).

These developments lead to a rising number of diasporans and diaspora entrepreneurship.
2.3.1 Definitions of Diasporans, Diaspora Ventures & Entrepreneurship

Similar to the concept of the start-up ecosystem, diaspora entrepreneurship is a newly emerging research area which attracts a lot of interest (Barnard & Pandock, 2012).

Despite the great amount of research in this field (e.g., Safran, 1991; Riddle, 2008; Tung, 2008; Elo, 2014; Harima, 2014) there is no generally accepted definition of ‘diasporans’ so far. The term describes people that live outside their COO and is derived from the word which was originally used for Jews living outside of Israel (Safran, 1991). What distinguishes diasporans from ‘normal’ migrants is their strong ties to their COO but also further distinctive features which most researchers mention (see Safran, 1991; Brubaker, 2005; Barnard & Pendock, 2013; Elo, 2014). According to Brubaker (2005) migrants need to meet the following criteria to be classified as diasporans: dispersion, homeland orientation, and boundary maintenance (Brubaker, 2005). The present thesis follows these criteria and understands diasporans as “migrants and their descendants who maintain a strong relationship with their country of origin” (Harima, 2014: 65, adapted from Safran, 1991: 83-84).

Diaspora entrepreneurship refers to entrepreneurial activity conducted by diasporans. For the purpose of this thesis, diaspora ventures are defined as enterprises which are founded and run by a diasporan or a founding team with at least one member that is a diasporan.

2.3.2 State of Diaspora Research

So far, the poor-to-rich orientation comprises a major proportion of diaspora research. It is reported that poor countries lose many of their highly skilled people to better-developed countries (brain drain) (cf. Saxenian, 2005) due to the fact that these states are more attractive with regard to income, personal wealth, advanced lifestyle, working careers and personal safety (cf. Märker et al., 2002). Thus, around one third of Africa’s skilled workforce has left the continent. Due to this phenomenon, global inequality increases (Kapur, 2001). Nevertheless, these countries do not necessarily lose their human capital for good. It is rather likely that some emigrated people will return to their COO (returnees) (Saxenian, 2005) or start to move between the country of residence (COR)
and the former home country (brain circulation) (cf. Tung, 2008). It is well known that diasporans generally aspire to help improve their home country in some way. Firstly, diasporans often invest in or send remittances to their COO (cf. Gillespie et al., 1999). The worldwide flow of remittances generated by diasporans in 2015 is estimated at approximately $440 billion (World Bank, 2015). Due to their large populations, China and India extraordinarily profit from this effect. While Indian diasporans generally send remittances, Chinese diasporans more often invest in their COO (Kapur, 2001). During the last 15 years, 70% of China’s foreign direct investment (FDI) was raised by expatriates (Kuznetsov, 2008).

Secondly, diasporans transfer social capital, information, and technology which they have gathered in the COR to the COO (Gillespie, 1999; Kapur, 2001; Saxenian, 2005; Riddle, 2008; Tung, 2008). Returning entrepreneurs which were educated abroad bring social capital that wholly domestic entrepreneurs in the COO would not have been able to achieve. Thus, the countries’ deficit in entrepreneurship can be reduced (Drori, 2009). Israel and China are good examples of countries that received enormous support from their diasporans in developing their home economies and institutions (Freinkman, 2000). Riddle & Brinkerhoff (2011) illustrate how diasporans help improve their homeland by acting as institutional change agents. Through their acculturation processes diasporans not only gain knowledge in the COR but also assimilate beliefs, values, behaviors and norms. Combined with their prior information status, elements from both cultures will be inherent in the diasporans’ mindsets. Diasporans bring this dual mindset with expectations of how institutions should be run to the COO and thereby acculturate governmental institutions and businesses with these new understandings (Riddle & Brinkerhoff, 2011). The presence of returnees does not only refine institutions but also positively correlates with the innovation process within the home country (Liu et al, 2010).

Besides these direct effects there may also be indirect effects. As Kapur (2001) describes, it was the presence of many Indian diasporans in US companies that raised the confidence of the management in the Indian workforce. That is why American corporations such as HP and General Electric opened up their R&D centers in India (Kapur,
Furthermore, many Indian and Chinese diasporans with a strong motherland affinity are participating in US graduate degree programs (Tung, 2008) or working as engineers or entrepreneurs in Silicon Valley. With their experience and knowledge they drive the development of the information technology industry in their COOs (Saxenian, 2005). The homeland governments have understood their potential importance in fostering economic development at home. That is why they attempt to attract diasporans to return (Tung, 2008).

Whether diasporans engage in their home country’s development or not depends on various factors such as their feelings towards their homeland, their migration experiences (Barnard & Pendock, 2013) as well as their reasons for migration (Vemuri, 2014). Apart from economic or political reasons, some migration decisions are based on personal motives such as family ties and marriage (Leinonen, 2012).

As is obvious from this overview, the main focus of diaspora research is on the impact of diasporans on the COO. But diasporans do not always go back as returnees. Some will stay in the COR (see Safran, 1991), while others will move between both countries or move to other countries (see Tung, 2008). During their stay abroad diasporans may also affect the COR. However, the impact of diasporans on the COR has rarely been explored.

What has partly been documented is the impact diasporans have on their COR as entrepreneurs (see Dalziel, 2008; Hull, 2010). Studies have proven that migrant entrepreneurs create a disproportionately large number of jobs (Dalziel, 2008). Hull (2010) shows that it is the immigrant entrepreneurs who play a key role in the US economy with respect to innovation and job creation. Migrant entrepreneurs have been identified as founders of some of the most important businesses in the US (Hart & Acs, 2011). Further research contributes to these findings (cf. Saxenian, 2000). Very often the companies founded by immigrants are more innovative and more successful as compared to other firms (Dalziel, 2012). Such companies are therefore potential prime movers which contribute to innovation, job creation and the economic power of national economies. Famous examples of such entrepreneurs are the founders of Google (Russian background), eBay (Persian background) and Yahoo! (Taiwanese background) (Ridgway, 2006). Saxenian
(2000) supports this argument with her findings on entrepreneurs in Silicon Valley. As her research outcome states, people from China or India occupy a large number of leading positions in the Valley’s high-technology sector (Saxenian, 2000). These HGFs are based on disruptive business ideas (for the concept of creative destruction see Schumpeter, 1911). The fact that diaspora entrepreneurs often engender successful ideas may be attributed to their mixed embeddedness (Kloosterman & Rath, 2001). Diasporans are per definition embedded in at least two societies – the society of their COO and the COR. That is why it is assumed that diaspora entrepreneurs have a major advantage over mono-cultural entrepreneurs with respect to the development of business ideas and tacit knowledge, due to the observation, assimilation, interpretation, and application of experiences and business ideas in their home and host countries (Aliaga-Isla et al., 2012; Dalziel, 2012). During the migration process diasporans scan their new environment and compare it with previously accumulated experiences from the COO. In this way they gain knowledge about markets, consumer behavior, and potential market gaps (cf. Venkataraman, 1997). For this comparison, information is needed which is unavailable to wholly domestic entrepreneurs as they did not go through a migration process (Sorenson & Audia, 2000).

In addition, the dual embeddedness creates the advantage of being able to make use of diversified networks in the COR (Kuznetsov, 2006). While mono-cultural entrepreneurs can usually refer to local networks, diasporans are brokers between these COR networks and their diaspora network (Portes, Haller & Guarnizo, 2002; Dalziel, 2008). Diaspora networks are defined as formations of “groups of individuals engaged in various ways in the economies and societies of their destination and source countries” (Elo, 2014: 2). These structures can be of a formal or informal nature but are not necessarily restricted to particular states (Elo, 2014).

Through this additional network, diasporans can get access to and support from people and organizations which are inaccessible to mono-cultural founders. This increases the likelihood of success in businesses because in using networks “(...) it is not only simply the size of the network that is a correlate of business success, but also diversity“ (O’Donnell et al., 2001: 754). Hence, through their ‘broker’ function (Dalziel, 2012: 6) diaspora
entrepreneurs are able to profit particularly from network support. Through networks, entrepreneurs can benefit from three categories of advantages: “(i) opportunity recognition, (ii) access to resources and (iii) motivation sustainment” (Harima, 2014: 70). Such support includes, among other things, (i) private and business-related information, product and service support, introduction to business contacts and associations (Birley, 1985, Stuart & Sorenson, 2007) (ii) access to resources such as labor forces, investors, specific knowledge and suppliers (Birley, 1985; Kapur, 2001; Hsu, 2004), and (iii) it provides encouragement, self-confidence and emotional support (Tjosvold & Weicker, 1993). Additionally, Light et al. (1989: 1) suggest that networks further support diasporans by reducing the “(...) social, economic, and emotional costs of immigration (...”). These researchers also found that diaspora networks can help in expanding a company to other countries. Through the existing contacts and their own knowledge about the COO with respect to culture, language, distribution networks, customers and their needs, diaspora entrepreneurs face fewer obstacles to becoming transnational entrepreneurs in comparison with native-born founders (Light, 1989). However, a common ethnic background does not automatically guarantee solidarity or a special bond between actors of the diaspora network (Elo, 2014).

To sum up, diaspora entrepreneurs are often extraordinarily successful entrepreneurs (Dalziel, 2008) and diaspora networks support the entrepreneurship of diasporans (Harima, 2014). Through their dual embeddedness, diasporans can better exploit entrepreneurial opportunities (Hart & Acts, 2011), a perquisites for the creation of HGFs.

All the potential and actual impacts of diaspora entrepreneurs on their COR described above refer mainly to the country level. Research on the impact of diaspora entrepreneurship on the local level is rare (Vemuri, 2014), especially with respect to start-up ecosystems. So far, there has been no contribution which connects the research field of diaspora entrepreneurship with the concept of the Berlin start-up ecosystem.

2.3.3 Diaspora Entrepreneurship in Berlin

Official statistics usually just provide information on the national level. The fact that these statistics do not distinguish between diasporans and migrants complicates the re-
search. That is why it is necessary to fall back on these general statistics on migration. There are macro level insights on the impact of ventures with migration background on the German society and economy. In 2012, around 760,000 Mittelstand entrepreneurs had a migration background. This corresponds to 17% of all German Mittelstand entrepreneurs (Leicht & Langhauser, 2014). Moreover, 44.8% of all sole proprietorship business start-ups in 2012 where established by founders with a migration background (BMWi, 2013). While the tendency to found a company is three times higher among foreigners and Germans with migration background compared to native-born Germans (BWK GmbH, 2013), the dropout rate is also on a higher level. 39% of all migrant ventures do not survive the first 36 months. In comparison, 30% of German founders fail (KfW, 2014). However, migration and diaspora entrepreneurship had created up to 2.7 million jobs in Germany by 2014 (Leicht & Langhauser, 2014) and thus was responsible for a significant part of German GDP, innovative power and overall job numbers (Leicht & Langhauser, 2014).

Despite the decreasing trend in Germany to found a company, there is an increase in the birth rate of enterprises among migrants. Within the last 20 years the number of self-employed migrants in Germany has risen by around 178%, to around 750,000 self-employed entrepreneurs, which is four times higher than the enterprise birth rate among native-born Germans (Leicht & Langhauser, 2014). 32% of businesses with migrant founders belong to the gastronomic or trade sector. 51% offer services, whether in knowledge-intensive or non-knowledge-intensive areas (Leicht & Langhauser, 2014).

These nationwide data indicate that Berlin, the city with the highest number of inhabitants in Germany, also profits from immigrant ventures. Indeed, data about the population structure (Figure 3) and the structure of newly founded businesses in Berlin (Figure 4) support this assumption. In 2014 the majority of newly established companies (58%) in Berlin were founded by foreigners or Germans with a migration background, even though their share of the population is only around 25%.

How many diaspora entrepreneurs are active in the start-up scene and create HGFs has not yet been determined. Moreover, it is not stated anywhere how many diaspora ventures in total exist in Berlin. That is why it cannot be derived just from the statistics
whether such ventures have an impact on the dynamics of the start-up ecosystem Berlin or not.


![Number of newly founded businesses, Berlin 2014](Figure 4: Number of newly founded businesses, Berlin 2014 (cf. AfS B-B, 2014b: 15))

The aim of the present thesis is to start filling this research gap by answering the following research questions through qualitative research:

(i) Do diaspora ventures have an impact on the dynamics of the start-up ecosystem Berlin?

(ii) What impact do diaspora ventures have on the dynamics of the start-up ecosystem Berlin?
The Impact of Diaspora Ventures on the Dynamics of the Start-up Ecosystem Berlin
Baron, Th.
2017, XIII, 86 p. 12 illus., Softcover