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Global Entrepreneurship Monitor Country Report Germany 2020/2021

Executive Summary

The 21st German Global Entrepreneurship Monitor (GEM) National Report describes and explains entrepreneurial activities undertaken in Germany in 2020. It compares the findings with those of the other 44 countries participating in GEM in 2020 and with the data of previous years. The new national report on Germany provides answers to the following key questions:

- How has the volume and nature of entrepreneurial activity changed, and why?
- How do the entrepreneurial activities here in Germany differ from those in other countries?
- What are Germany's strengths and weaknesses with regard to the entrepreneurial framework conditions (e.g. funding, support schemes, education/training) compared with other GEM countries?

The results of the country report are based on the responses of 135,942 citizens surveyed worldwide (3,001 in Germany) in 43 countries and 1,821 start-up experts (72 in Germany) in 44 countries. German data was collected via personal telephone interviews between June and October 2020. With regard to timeliness, scope and international and intertemporal comparability these data sets are currently unrivalled in research of entrepreneurial activities.

A key GEM indicator of entrepreneurial activity is the level of Total early-stage Entrepreneurial Activity (TEA), defined as percentage of 18-64 year old people who are either actively engaged in starting a new business or owning and managing a new business.

Key findings of the report are:

- **Total early-stage Entrepreneurial Activity drops to 2018 level**

The current pandemic continues, and it is still far too early for a comprehensive assessment of its effects on entrepreneurship in Germany. Nevertheless, GEM data offer a first insight into the impact the pandemic has had on start-up activity so far. Total early-stage Entrepreneurial Activity (TEA) drops to 4.8 % in 2020, ranking third to last in international comparison. Thus, this year's TEA rate is similar to the TEA rate of 2018 (5.0 %). In 2019, the TEA rate was still historically high (7.6 %).

- **Business formations are being postponed, at the same time new entrepreneurial opportunities are emerging**

The majority of individuals with entrepreneurial intentions is postponing their business launch in spring 2020 due to the COVID19 pandemic. At the same time, the crisis creates new opportunities: a quarter of new TEA businesses in 2020 is based on entrepreneurial opportunities that first arose as a result of the pandemic.

- **Female TEA rate remains stable**

The TEA rate for women (4.4 %) in 2020 is closer to the TEA rate for men (5.1 %) than in previous years, and achieves almost the same level as in 2008 and 2009. In international comparison Germany has a very balanced ratio of male and female founders. Total early-stage Entrepreneurial Activities of women remain stable during the COVID19 pandemic.

- **Opportunity entrepreneurship predominates amongst migrants**

In 2020, immigrant founders are more likely to have non-economic motives for founding. They are more often willing to change the world with their new business than founders without an immigrant background (approx. 50 % vs. 38 %) and are less often motivated by great wealth and high income (27 % vs. 57 %). At the same time, they have higher growth ambitions than people without an immigration history.

- **Continuation of a family tradition remains most important motive for founding a company in Germany**

62 % of all founders agree with the statement that they want to continue a family tradition with their new business. Concerning this motive Germany ranks first among all 30 high-income GEM countries. The motive "to earn a living," which is categorized as necessity entrepreneurship, increased only slightly in 2020 compared to the year before the COVID19 pandemic (2020: 45 %, 2019: 42,6 %).

- **Fewer regional startup opportunities**

In 2020, 36 % of the respondents in Germany agreed to the statement that in the next six months there would be good opportunities to start a business in the region where they live. In the previous year, significantly more people saw good entrepreneurial opportunities in their region (52 %). This development is also visible in many other GEM countries and is very likely related to the pandemic.

- **TEA founders expect high employment growth**

In 2020, one in four TEA founders expect both high absolute employment growth (at least ten expected employees in the next five years) and high relative employment growth (the number of employees expected in five years will increase by at least 50 %). In 2019, this value was just under 20 %. Despite - or because of - the COVID19 pandemic there is a great deal of optimism here.

- **Regional customers play an important role**

The majority of TEA-entrepreneurs focus on customers in the region where the company is founded (85.9 %). At the same time, the export orientation is quite low: only 1.2 % of the founders expect exports to account for more than 75 % of their turnover. In 2019, this proportion was even higher.

- **Entrepreneurial Framework conditions: public and financial environment is well rated by experts, conditions for women and migrants need improvement**

Germany's strength as a location for entrepreneurship are, amongst others, the protection of intellectual property, financial support and public funding. The framework conditions for women and migrants, however, still need improvement, according to experts. For example, better family support for women as well as more visible support programmes for immigrants are needed.