

## An interview with Nikolas Samios, COO and GP of the German Startups Group "Berlin is its own startup"

**Mr Samios, according to a study by Ernst & Young, more money was invested in Berlin than anywhere else in Europe in 2015. With EUR 2.1 billion worth of funds invested, the German capital even overtook previous European champion London. How do you explain the hype surrounding Berlin? What makes the city attractive?**

Berlin's startup scene was created in the 1990s. After the fall of the Berlin Wall, East Berlin in particular offered entrepreneurs the freedom to express their creativity. This must have been the initial trigger. Imagine this: people who wanted to open a shop in Stuttgart at that time were unable to find anywhere available or couldn't afford it. In Berlin, you could open a cool bar, pub or restaurant – more or less legally – anywhere you liked. That attracted lots of people – initially, and especially, artists and restaurateurs. They were followed by the creative industry, including web designers and programmers, in a second wave. The third wave brought more entrepreneurial talent to join them and fresh new companies sprung up in the fields of e-commerce, web solutions and many more. 90 per cent of companies operating in the east of Berlin today were not founded until after the fall of the Wall. This essentially makes Berlin its own startup. This spirit is similar to that of San Francisco in the 1970s and has led to the formation of today's cluster. Now, a few years further down the line, the first successful founders have already sold their startups, reinvesting the proceeds in the local scene. This means that the area's existing talent is now receiving the capital they require – a further boost for Berlin's cluster.

Erst 2012 gegründet, ging die German Startups Group am 11. November 2015 an die Börse. Hinter dem Erfolg stehen CEO und Gründer Christoph Gerlinger (links) und COO Nikolas Samios.

Founded in 2012, the German Startups Group was listed on the stock exchange on 11 November 2015. Behind the success stand CEO and founder Christoph Gerlinger (left) and COO Nikolas Samios.

If you talk to the young company founders in this area, around 30 to 40 per cent of whom are from abroad, incidentally, they are people who compare Berlin with London, Stockholm, Paris or New York. Here they can find a high standard of living and access to office space, talented staff and stability for a very reasonable price in comparison with other countries in the world. Those are attractive conditions. However, I don't want to call this attractiveness a "hype". This word usually refers to something that will not last. In Berlin, we are currently witnessing the early stages of the critical mass of a cluster which will continue to grow significantly in size and quality over the next 10 to 20 years. Can we compare Berlin to today's Silicon Valley? No. Is it similar to Silicon Valley 10 to 20 years ago? That's a much better comparison.

**Other major cities such as Hamburg, Cologne and Munich are also popular with startups. Are there any industry-specific hubs?**

A few years ago, this was certainly the case. The IT industry came together in Munich, while the media were drawn to Hamburg and Cologne. However, I think that Berlin has already overtaken the other startup hubs, both in terms of the number of businesses founded and the quality of the ecosystem. I was born in Munich, but I think that Berlin is right at the top of the list for smart, international, experienced company founders and foreign investors looking at Germany.

Apart from the reasons I've mentioned, it is down to the interaction between cultures in Berlin. Here you

can get by with English without any problems. There are some pubs where you can order a beer using English alone. Not everyone will be happy about this, but a cosmopolitan environment is essential for a successful startup scene – to attract international talent and operate on the global markets. I also see a parallel with the Silicon Valley of the 1970s in this respect: behind the majority of success stories, there was and is a first- or second-generation immigrant in the USA too. If you walk through the streets of San Francisco, you can't miss this international flair. And Berlin is currently developing this flair.

**Do you think there are any disadvantages for founders of startups in terms of the conditions in Germany?**

When someone tells me that Germany is too bureaucratic and complicated a place to start a business, they are simply the wrong person to start one. I think that's just petty whinging. Our system is completely fine. Of course there is always room for improvement, of course it's nice to finish registering your limited liability company (GmbH) in two days instead of two weeks, but if that puts you off starting a business, you shouldn't start one at all. From my point of view, the German system has no significant disadvantages in comparison with the British or American system. Anyone who wants to establish a company in Germany is unlikely to fail due to bureaucracy.

**Now, about Britain. What do you think about Brexit and its possible impact on Berlin as a business location?**

First and foremost – Brexit is a disaster. I have said before how important an international spirit is to developing a startup scene. That's why I think Brexit is a huge step backwards for British society – with severe consequences for individuals. The future has suddenly become totally unclear for many people and families in the UK. Talented entrepreneurs from all over the world value freedom of movement and interaction between cultures, and it is these very characteristics that are now being jeopardised in Britain. What will happen to the business conditions? A FinTech company in the UK was previously able to obtain a licence and gain access to the EU Single Market. This access is now under threat – a significant disadvantage of the location for a startup which is reliant on the global market. Berlin is set to benefit indirectly from this, as will Frankfurt, Paris and Dublin. A few short weeks after the decision, demand for Frankfurt from the traditional financial sector has already increased – thousands of employees could be transferred from London to the banks of the River Main. We are also seeing interest in Berlin grow at this early stage, particularly from startups. The city, which has left London behind in areas such as maintenance costs and available office space, is now being given a further advantage in relation to the British capital.



**How does the German startup scene view the Baltic States?**

At least since the advent of Skype, TransferWise and other huge success stories, people have been referring to the Baltic States as IT tigers. Establishing an IT-oriented company in the Baltic region has now become a positive cliché. Word has got around about its performance and high level of talent compared with its small population in cutting-edge, up-and-coming fields such as IT and e-government. Estonia, Latvia and Lithuania offer quality, energy and spirit, meaning that investors need to take a team of founders from this region very seriously. The region is also an attractive business location. Companies such as Skype can be started from anywhere in the world. You simply need a qualified team, an Internet connection, a good standard of living and reasonable maintenance costs. The Baltic region offers all of these and people here in Berlin are well aware of it. I know of many German companies with a second office there, especially to make progress with IT development projects.

**If you could only give one tip to people looking to start their own company, what would it be?**

Nowadays, anyone can build up a company from scratch with the right attitude, good common sense and a laptop. The charm of the early stages is that you can act very quickly and flexibly. You can test out your abilities. You should make the most of this period when you don't have many running costs. There is no shame in needing two or three attempts to perfect your idea in this phase, and no problem with this approach from a business perspective either. However, the pressure builds suddenly as soon as you begin the next stage, sign up larger-scale investors and start to focus on growth, because this often means taking on lots of staff and incurring significant costs very quickly. Most startups fail because they scale up too soon and suffer from premature growth syndrome, so develop the proof of concept for your business model first and only approach investors to grow your idea once you have done this. ab

Im Berliner Ostteil sind 90 Prozent der heute aktiven Unternehmen erst nach der Wende gegründet worden.

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Nikolas Samios is COO and a General Partner of the German Startups Group. The venture capital and shareholdings management expert has been helping entrepreneurs and investors to make their plans a reality and establish (corporate) venture capital firms for over ten years. The German Startups Group from Berlin specialises in new and rapidly growing companies. It acquires majority and minority stakes, particularly by providing venture capital. Since it began operating in 2012, the German Startups Group has become the country's second most active venture capital investor. [www.german-startups.com](http://www.german-startups.com).



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