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# Scaling a start-up community: An interview with Berlin's mayor

The German city is actively—and aggressively—seeking to become Europe's entrepreneurial hub. Mayor Klaus Wowereit explains how.

**In recent years,** Berlin has become one of Germany's—and indeed one of Europe's—most vibrant start-up hubs. Berlin's mayor, Klaus Wowereit, has been an enthusiastic supporter of entrepreneurs since he was first elected, in 2001. Nevertheless, many leaders believe that continued work is needed for Berlin to catch up with international start-up hubs such as London, New York, or Tel Aviv in offering optimal conditions for young firms and investors. In an interview with McKinsey's Holger Haenecke, Katrin Suder, and Lea Thiel, Mayor Wowereit discussed his ideas on how to further encourage Berlin's start-up dynamic.

**McKinsey:** *Berlin has gained a reputation as a new-business boomtown. Is that true? If so, which industries are especially innovative?*

**Klaus Wowereit:** It is true to say that in business matters, Berlin is no longer lagging behind other cities in Germany. Since 2005, Berlin has demonstrated the strongest growth of all the federal states in Germany, and it is also in first place regarding levels of employment. Berlin's politicians have played their part in this through strategic and solid innovation and economic policy. We are not just relying on a single driving force; we have also established a broad and comparatively crisis-resistant footing. This has made us strong in areas such as business-related services and tourism.

Around ten years ago, we started paying special attention to particularly innovative sectors, which we are targeting along the entire value chain. These industries include healthcare; transport, mobility, and logistics; IT, media, and creative; energy technology; and optics. Successful projects, such as developing Adlershof into a hub for innovation and technology, are the outward expression of our policies. I am proud of how competitive Berlin's businesses have become.

**McKinsey:** *You've stated in the past that conditions for start-ups will get even better. Where does Berlin want to improve, and where is this change possible?*

**Klaus Wowereit:** We are already the number-one start-up city in Germany. But that's not enough. We want to be Europe's leading start-up hub. To achieve this, we all have to pull together: politicians, established companies, organizations that support businesses, chambers of



**Klaus Wowereit**

commerce and professional associations, and—of course—entrepreneurs. For a long time, key market players were completely unaware of start-ups. Happily, that is now all in the past.

To take the next step, we need to continue improving our welcoming culture—that means offering additional multilingual support and making visits to government offices more customer friendly. We need to better deploy our excellent resources in research and academia to generate spin-off businesses, and for that we need universities to develop a more pronounced entrepreneurial spirit. Additionally, we need to improve coordination among individual players: who offers what, who possesses what expertise, and who is the right person to contact.

**McKinsey:** *Which cities outside Germany can be role models for Berlin?*

**Klaus Wowereit:** Let's be perfectly honest—Berlin is one of a kind. In the future, though, it might be interesting to work more closely with the world's other leading cities. With regard to digital tech, places such as Tel Aviv, New York, and Silicon Valley are leagues ahead, and in urban tech, an exchange with Vienna or Singapore could be highly beneficial. We can all learn from one another.

**McKinsey:** *Five factors are extremely relevant for start-ups to grow—talent, infrastructure, capital, networking, and a city's reputation—according to a recent McKinsey report. (See sidebar, "Five start-up initiatives for Berlin.") In your view, what is the most important success factor for start-up hubs?*

**Klaus Wowereit:** I do not believe that there is a single, all-important factor. Capital alone is definitely not enough. Having watched Berlin evolve in recent years, it seems to me that the real success factor is actually a combination of individual factors. We have brought wall-era Berlin out of its slumber and transformed it into a cosmopolitan, pulsating, and attractive metropolis. Creative people come to our city to realize their ideas in collaboration with academics, economists, and urban society. Today, the city attracts more and more investors who want to invest their capital in Berlin ideas. Berlin has become a breeding ground in which new businesses are thriving. As politicians, we support this development however we possibly can.

**McKinsey:** *Where would you like to see Berlin in ten years?*

**Klaus Wowereit:** I see Berlin a decade from now as a city that has continued to catch up economically, both in Germany and at an international level. It is a city where more people live

a good and autonomous life without being reliant on social transfers. I also hope that Berlin manages to preserve its openness, its freedoms, and its creativity.

All three are absolutely essential to keep the most fascinating, most enterprising people from around the world coming to Berlin. At the same time, the general conditions in the city for start-ups, entrepreneurs, and skilled workers will be even more appealing. If we can achieve that, then I am optimistic that Berlin will be Europe's leading start-up hub in ten years. That's our benchmark. □

## Five start-up initiatives for Berlin

*Berlin has articulated and started implementing the following initiatives in an effort to become Europe's start-up capital.*

**A new-business boom.** It is vital to get students and professors excited about new businesses. Berlin could benefit from more attractive incentive systems for employees of research institutes and of universities, as well as specific awards for professors and research institutes that have a big start-up population. The city could expand the existing business-plan competition in Berlin-Brandenburg. Also, a "Berlin start-up curriculum" could ensure that universities' start-up-related activities are better aligned with what's happening in the city.

**One-stop agency.** Start-ups often need more support from the senate and administrative bodies. A multilingual start-up service agency could provide one-stop shopping for foreign entrepreneurs, helping them cut a fast path through the bureaucracy. Meanwhile, an online portal could provide a clearer overview of all relevant services offered by government offices and institutions.

**A start-up campus.** Berlin could benefit from an office in the city center 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 and for networking and support. The campus could also house a coaching center for growing companies and a coordination office for better networking.

**A start-up fund.** To acquire more capital for start-ups, a new private fund should be set up with at least €100 million to support young companies needing capital infusions of €3 million or more. Investors would mainly be corporations and small and midsize enterprises. Initial discussions are already under way. Details about the fund will be announced in the near future.

**The start-up network.** The city could work to create a "Berlin business dialogue" task force. Its job would be to bring together established companies and start-ups to foster support for the latter.

**Holger Haenecke** is a consultant in McKinsey's Berlin office, where **Katrin Suder** is a director; **Lea Thiel** is a consultant in the Munich office.