European Startup Monitor – Country Report Spain

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Introduction

This report shows the main results for Spain of the survey carried out by the ESM in 2016. The use of a homogeneous methodology in all the countries studied allows a greater perspective in the evaluation of results which makes the ESM a very valuable source of information to know the situation of the national ecosystems of startups.

The ESM survey is aimed at the founders or CEOs, in order to have the most direct and reliable information about the situation and characteristics of the startups. In the Spanish case, the founder replied in a great majority of cases (86.3%). The low presence of CEOs is explained by the small size of most startups. The number of startups surveyed was 95, although the level of responses in some questions was somewhat lower so that the results should be considered with caution.

Main Findings of the European Startup Monitor 2016 for Spain in Brief

- Madrid is the main hub with a great difference over the rest of the locations, 32.6% come from there. Other important places are Barcelona, Valencia and Asturias.
- The most common source of startups is 'independent risk foundation', with 53.7% of cases.
- The founders are mostly Spanish (74.7%), men (77.0%) and with an average age of 37.1 years.
- Despite of their youth, they have a fairly broad experience, with 7.1 years of average.
- Many of them, 47.3% reported having had previous business experience.
- The internationalization of Spanish startups is quite limited. Only in one third of the startups declare revenues from abroad account for more than 20 % .

- The size of the Spanish startups is very small, 23% have no workers and 55.2% have only between 1 and 5 employees.
- The perception of government institutions is quite negative. 59.6% consider that the government does not have the startups between their priorities.

Participating Startups

The location of the startups is very concentrated geographically. Only four provinces concentrate more than two thirds of the total Spanish startups. Madrid (32.6%), followed at a distance by Barcelona (16.8%), Valencia (11.6%) and Asturias (9.5%) are the main places. The rest of the locations have a testimonial role.

As expected, being startups, the average age of companies is very low. 67% of them were founded after 2014.

Regarding their origin, 53.7% of the companies are 'independent venture foundation', the 'spin-offs from an existing company' represents 8.4%. The role of companies linked to universities is very limited. They represent only 1% of the total, which shows the traditional lack of link between university and company that suffers the Spanish economy.

Founders / entrepreneurs

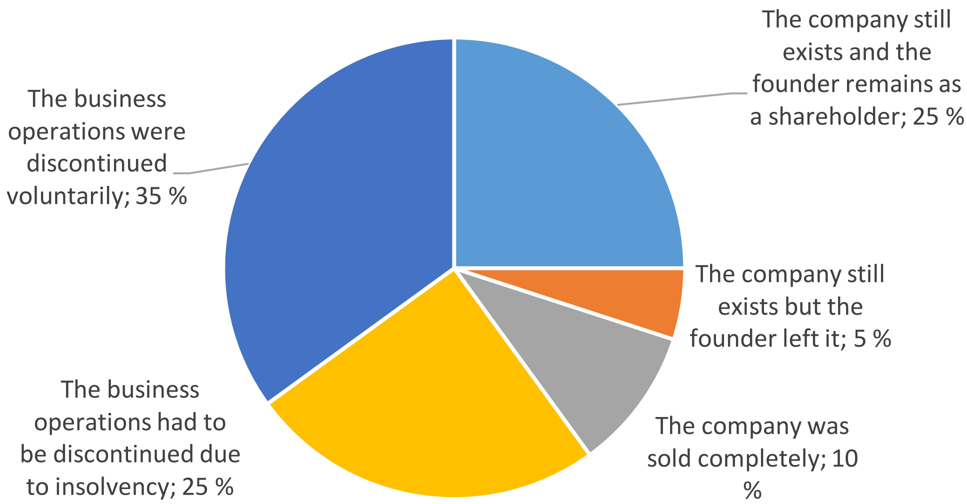
The average number of founders per company is 2.8, with a female participation of only 23.0%. This scarce presence of women can be explained not only by their lower rate of activity but also by their low participation in university studies in mathematics, science, engineering and technology, in which male participation is more than double that of women.

In general, they are young people, with a mean age of 37.1 years. By gender, men show 37.3 years of mean age, versus 35.7 of the women.

In terms of nationality, most of the entrepreneurs (74.7%) are Spanish, the rest of the surveyed founders belong to other EU countries.

Although the average time in the project is about two years, the experience of many of the entrepreneurs is significantly broader, about 7 years. This fact explains why about half of them claim to have had previous business experience. Among these, 26.8 have had two or more previous startups. The survival rate of the previous projects was 40%, a very high percentage considering the high probability of exit of the market that show the firms in their first years of life. Figure 1 shows the current situation of these previous startups.

Figure 1.- Current situation of the previous startups



In general, the entrepreneurs indicate that they are satisfied with their current life despite of the difficulties what they find in their activity. On a scale of 0 to 10, 78.9% of founders valued their lives with 7 or more.

Economics / Relevant sectors / Financial Situation and Business Climate

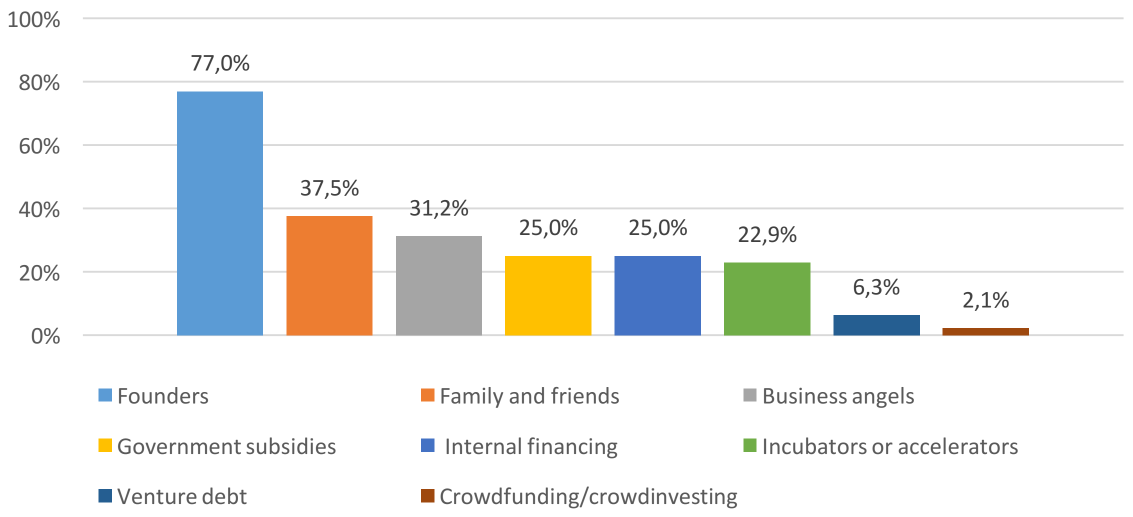
In general, the internationalization of Spanish startups is limited. Only a third claim to have income outside Spain worth more than 20% of their total income and comes almost exclusively from the Eurozone countries. Sales in North America and Asia are marginal. However, their forecasts are optimistic in this regard. 80% of the startups expected to increase their internationalization in the next year, although maintaining their orientation towards the European markets.

Most of the respondents considered that the business model of their companies was innovative or very innovative (56.2%). On the other hand, only 5.9% of the entrepreneurs considered that it was little or nothing innovative. Regarding the innovation level of the product, more than three quarters of the respondents considered that it was innovative or very innovative while little or nothing innovative only 1.2%. Similar levels of high-level innovation are seen in technology and production processes.

Almost three-quarters of startups are in early stages of development, in 'Startup Stage' 53.7% and in 'Seed Stage' 18.9%. In 'Growth Stage ' was 24.2%. The strong dynamism of this type of companies is manifested in the fact that only 1% was in 'Steady state'

In 77% of cases funding for the start-up was made, at least in part with funding from the founders (figure 2). External financing has been scarce. 56.5% of the companies that offered information have received less than € 50,000 so far. Expectations for future financing are significantly more optimistic. 54.5% of companies expect to get more than € 150,000 next year.

Figure 2.- Initial startup financing



Revenue is scarce since many of them have not even reached the start-up phase: Of the 39 companies that declared revenue last fiscal year only 12 reported more than € 50,000 and two companies entered more than one million euros.

Human Resources / Jobs / Employees

The size of Spanish companies is very small, 23% do not have workers and 55.2% have only between 1 and 5 people. Most respondents (80.6%) state that hiring tends to occur more with specialized profiles than with generalists.

The number of foreign workers is 14.4%, most of them from other EU countries.

Political and legal environment

The opinion on the government's activity in supporting the ecosystem of startups is quite negative, only 8.5% of the respondents consider it satisfactory. At the regional level the results are something more successful 13.0%.

Almost all participants think that politicians do not understand the needs of startups.

Maybe because of this they expect almost nothing from the politicians, only some reduction of the fiscal and regulatory burdens.

In general, their experiences with government institutions have been frustrating, 48.8% consider them negative or very negative. In the same sense 59.6% believe that the government has no serious interest in supporting startups.

At the European level the valuation is significantly better, only 23% have had negative or very negative experiences. Only 26.7% consider that European institutions are not interested in supporting startups.

Cultural environment

The opinion about the role of the educational system in the promotion and communication of the entrepreneurial ideas and activities was quite low, although better in the university area than in the schools.

In the terms of the relationship with the workers, the founders feel very responsive of them but they expect a high effort from them in line with the that they make themselves.

Sustainability issues play an important role in the development of startups.

Conclusion

The results of the ESM survey for Spain are interesting to know the current state of the start-up ecosystem. This information can be very useful for both founders and policy makers when designing their actions.

The female presence is small; however, it has grown in relation to the 2015 report. However, it is likely that this problem is late in solving, given the low number of women studying university degrees in technical and scientific areas.

The size of Spanish startups is very small, 23% have no workers and 55.2% have only between 1 and 5. This small size is largely explained by the fact that they are in the early stages of development.

Most startups are in Madrid (32.6%), making it the main hub at the national level. At some distance, Barcelona, Valencia and Asturias are also important places.

Spanish startups have serious difficulties both to financing and to internationalize their sales which can negatively affect their viability. Less than half of the startups claim to have obtained external funding worth more than € 50,000. Only a third claim that income outside Spain is worth more than 20% of its total income and comes almost exclusively from Eurozone countries.

The perception of government institutions is quite negative. 59.6% consider that the government does not have among its priority themes the support to the startups.