European Startup Monitor – Country Report Greece

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

- Startups in Greece are mainly in the seed or startup stage facing challenges related to these stages.
- Startup founders deal with an unsupportive political and legal environment.
- Capital resources are private or family owned, with small contribution from Venture Capital Funds or Angel Investors.
- Internationalisation, both current and expected, is confined within the Eurozone.

Introduction

The survey received a limited number of responses that do not allow for sound conclusions, meaningful correlations and analysis. However, these responses help us identify underlying issues and expectations. Despite that a strong startup ecosystem has been growing in Greece for the last 5 years, 36 startups participated in this survey administered by the European Startup Monitor. Because, there are no similar surveys for the Greek startup ecosystem, this survey is a great opportunity to connect empirical observations with its findings in an attempt to help the reader understand the status and challenges of Greek startups and their founders.

The definition of startups used for this survey is:

1. selected businesses with less than 10 years in the market;

2. businesses that feature highly innovative technologies and/ or business models;

3. startups that have or strive for a significant employee and / or sales growth

Participating Startups

In total 36 startups participated in the survey covering a wide range of activities, which will allow for a cross-sectoral discussion. No specific national trends for a specific sector concentration or other sectoral trends (e.g. exports, employment etc.) can be derived. However, the average age of the startups participating in this country survey is 2 years old (with only one outlier founded in 2007 (9 years old). This will help us to identify challenges and the current status of startups in initial development stages. 17 startups report being in the seed stage and 15 in the startup stage. This finding is coincides with the fact that the startup scene in Greece is almost 5 years old, with most of the businesses still trying to launch a marketable product.

Following the concentration of Greece's population around its capital, 83% of the participating startups are located in Athens. No activity is recorded in this survey in cities with notable student populations, such as Patras and Heraklion. Although the sample does not allow for such conclusions, this observation is on par with the finding that only 2 startups report being spin-offs from a university and 1 from a research institute. No startup is presented as a spin-off from an existing business.

The three key internal challenges for the development of the participating startups are as follows:

- Growth
- Product Development
- Cashflow/Liquidity & Sales/Customer Acquisition

Founders / entrepreneurs

The significant majority of respondents are startup founders from Greece with an average age of 33. Female entrepreneurs represent slightly over a quarter of our sample and are younger on average compared to their male counterparts by 3 years. The average number of founders per startup is 2,9 (0,8 female and 2,1 male). No previous startup experience is the norm for the majority of the respondents. Founders expect to lead their startups in the future, with low likeliness of exit.

Founders in this survey identify their responsibility towards their employees, the society and their ecological values. Given the average age mentioned above, these findings mirror the value set of millennials. With this in mind, it is interesting to see in this survey that founders are rather satisfied with their current life and, in connection to other elements of the survey, identify significant room for improvement. Finally, in case of failure, most of them would rather found a new startup or become self-employed, than work for someone else.

Economics / Relevant sectors / Financial Situation and Business Climate

The majority of the participating startups generates revenue mainly from B2B clients, with only 6 relying on end customers. However, most of them are strategically aiming for an equilibrium with revenue generating from both customer segments. An interesting finding that contradicts common belief in Greece is that 61% of the revenue generated by these startups comes from Greece and 15% from other Eurozone countries. This finding is not related to a specific sector. However, 80% of businesses plan to grow internationally focusing on other Eurozone countries, leaving the rest of the world markets out of their strategy. Most startups aim to focus on exports and a significant minority on partnerships to grow internationally. The key challenge for international growth is adapting their product or service to local market needs.

In terms of innovation, the participating startups rank themselves high on an international level, especially when it comes to their products or services. They focus on product development, profitability and organizational development. In order to achieve their goals, they form cooperations with other startups that are related to marketing and co-working, and with established businesses related to marketing and R&D. For the latter, the key goal is to gain market access.

Given the market immaturity for most of the participating startups, annual revenues are rather low and a safe average cannot be identified. This fact is underlined by the finding that although revenue, profitability and competition positioning are very important for the founding teams, they report that they are not satisfied with their startups' performance.

Almost all startups in this survey rely on their own and family capital sources, with no reports of investments coming from angel investors or venture capital funds. However, the Greek ICT startup sector has had access to significant funds in the past years through the EU Jeremie Funds scheme. At the same time, an upcoming angel investor community is financing several startups. We also need to take into account other EU subsidies that have become available to Greek businesses through the National Strategic Reference Frameworks 2007-2013 and 2014-2020.

Despite the above, participating founders rate the current business situation as satisfying and expect a significant improvement within the next 6 months.

Human Resources / Jobs / Employees

Given the young age of participating startups, it is expected to have no significant findings related to employment identified in the survey. The average number of employees is 2,2 per startup with almost half of them being interns or students. Internships as a means for career development are a new trend in Greece and the market is still immature. Therefore, several startups recruit interns in a non-effective way in an attempt to cover employment needs and do not incorporate on-the-job training. However, founders anticipate an increase of employment by 2,1 employees per startup, while the number for interns is 0,9 per startup. This is also related to the positive outlook the startups have for future growth which would enable the enlargement of their teams.

With the understanding that we are analysing a group of businesses with a small number of employees, it is expected that a flat hierarchy scheme is in place for the average startup. Most participating startups report that they have 2 hierarchical levels and low performance for their internal structure. For example, there is a clear issue with job organization and task allocation.

Political and legal environment

Overall the participating startups rate the surrounding environment in terms of supporting and promoting entrepreneurship very low. Governmental institutions receive significantly low evaluations for their work, while universities also perform poorly. This is also linked to the fact that we have a limited number of university spinoffs evident both in this survey and the empirical observation of the Greek ecosystem. Founders expect from politicians to address a variety of issues. However, Tax reduction, Reduction of bureaucracy and Support with raising capital make the top of the list. It is interesting to identify that startups expect solutions for short term issues such as the above, and rank long term issues such as Entrepreneurship education or Cultural awareness as a lower priority.

Conclusion

The above survey has a significant limitation since it is based on the small number of responses from startups. However, it helps us to identify the key characteristics of the average Greek startup irrelevant of its sector. The key takeaways from the above is that startups expect to perform better, survive and create paid jobs in the near future. This is a positive outlook both for the startups themselves and the Greek economy. However, it is clear that there are both organizational limitations due to the early stage of the startups and major external implications: Funding and Government support.