

Starting up in Spain: The Survey 2015

START  UPS

About Start ups Made in Spain:

Our initiative aims to find out what's good and what's not good about coming to Spain to start an innovative scalable tech start up. We've also uncovered the potential advantages to Spain of having a more internationally diverse environment for start ups.

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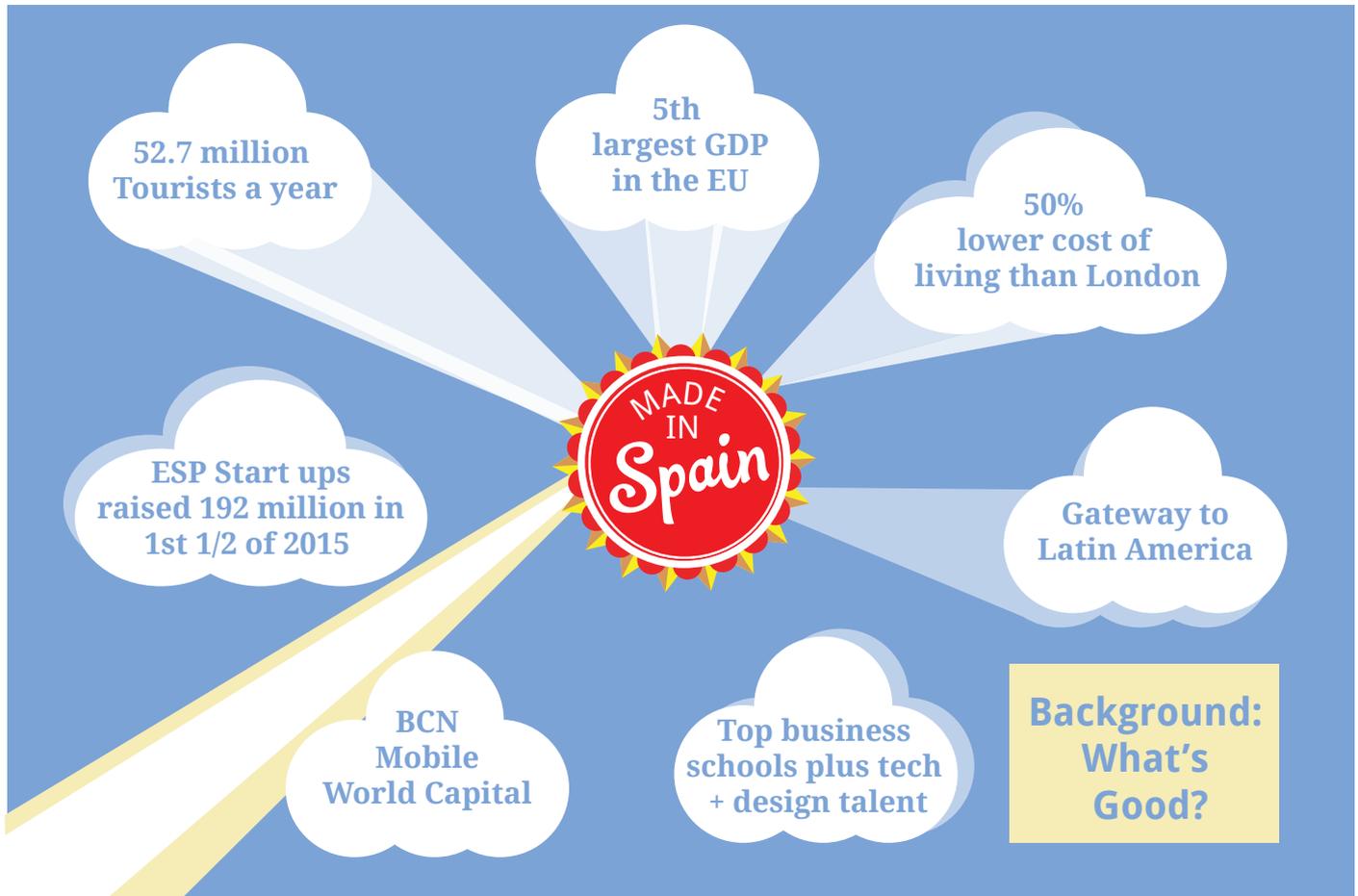
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Sponsor Introduction:

Andres L. Martinez-Ortiz a.k.a. Almo is Developer Program Manager in Google's Engineering team. He is focused on driving the success of Google's developer products and the open web by creating a thriving ecosystem of 3rd party applications and businesses built on them. Closely with Product Management, Marketing, PR, Business Development, and others, he works with and supports developer communities, initiating activities to meet the needs of the innovation ecosystem. In addition, he meets with developers and partners in large companies, startups, universities and enterprises, promoting Open standards and Google technologies.

Google Developers have been fostering the development of the technological and entrepreneurial ecosystem worldwide. After a few years abroad, I came back to Spain during the summer of 2013, and the development of the Spanish ecosystem became my main duty as Developer Program Manager at Google's Engineering Team.

Startup ecosystems sustain economic and social development, where technology plays an important role. Most of the jobs created in any country depend on SMEs and startups, as it is the case in Spain, where more than 90% of enterprises are

smbs. Government, private investors and academics look for this Holy Grail in trying to identify which factors support in the ecosystem's development.

Even though there were several macro approaches, at that time in Spain, we didn't have a micro view, collecting real insights from real startups. In particular, there was a very interesting phenomenon: many of the startups in the local ecosystem were founded by foreign entrepreneur.

Despite the slow growth, crisis and many other difficulties, entrepreneurs coming from everywhere were launching projects

in Spain. Not many, but a significant number. Therefore a natural question here was to identify the reason for this. And that was the origin of this report.

Tom, Sugata, Joaquin, Stuart and all contributing members of the team behind Startups Made in Spain, have sought to uncover methodology appropriate to case studies, survey design, the interview process, data analysis and reportage, and the outcome is now in your hands: tons of data, insights regarding the main actors of the Spanish ecosystem.

This is an ongoing project, but definitely this report will contribute to a better

understanding of the Spanish arena, helping to define strategies and programs, contributing positively to the improvement of our ecosystem.

I hope you enjoy it!

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Welcome:

Executive Summary:

This report was composed between May and July 2015 during which time Google opened a Campus in Madrid, an event that was attended by the King Of Spain and The US Ambassador as well as Eric

Schmidt, Google's chairman. At the opening party it was great to see so many of the faces we'd met during the course of our journey that lasted over a year. They comprised of a group of professionals, entrepreneurs and stakeholders in Spain's ecosystem who came together voluntarily to collaborate on this project.

We connected with most of the key stakeholders in the ecosystem who we found to be remarkably generous. We also uncovered a large volume of information and were fortunate to gain sufficient responses to our survey to create a scientifically valid study with relevant up to date

information about what it is like to found a start up in Spain.

The report contains a lot of relevant information, and while it would be impossible to gloss over what Spain still lacks in terms of infrastructure, access to funding and conducive regulations, we've highlighted the advantages of considering Spain as a startup destination. The greatest of these is no doubt the quality of life which can be enjoyed while exploring the access to talent and space to get a new initiative underway.

We've consistently found that the Spanish

entrepreneurs are open and friendly people, willing to welcome new-comers and share time, skills, knowledge and experience in the hope of making their country a better place to do business. A country where new jobs will be created as a result of increased economic and entrepreneurial activity. In Madrid one can sense an increased optimism that things are improving and there's hope that interesting things are going to happen here, as new companies are built and new products and services are brought into the world. We anticipate as this happens there'll be increased confidence, innovation and ambition.

In this booklet we have tried to summarise the key findings of our activities and the conclusions we have drawn. It is worth mentioning this information is certainly not comprehensively representative of all that exists with regards to Spanish start ups, but moreover, it's what we feel is most relevant. The ecosystem is malleable and ever-changing based on the needs of its community and for this reason it would be impossible for us to mention, highlight or make reference to everyone. We really have enjoyed navigating through the various parts of the Spanish ecosystem; from the

insightful interviews and conversations to visiting the various co-working spaces all over the country and attending and organising events. Spain is filled with opportunities for innovation and growth in an ecosystem that can only get better.

We hope that what we have uncovered is valuable to entrepreneurs currently here and to those who are looking at Spain as a potential home for their businesses.

**Tom Evans and
Stuart Minnaar, Madrid,
July 2015.**

Chapter One: Research findings

The information in the following pages represents the result of a survey that took place over the first 4 months of 2015.

We have collected and analysed the majority of information ourselves, but it should be noted that this is occasionally interjected with additional publicly available data, the sources of which we have referenced.



Introduction

I had the opportunity of co-founding Startups Made In Spain in 2014.

The biggest highlights for us, were Google's support and funding and the wonderfully open start up community helping and guiding us each step of the way.

One of our initial plans was to engage the local ecosystem players. The response we received was nothing short of wonderful, for which we are very grateful!

The idea of researching the Spanish start up ecosystem was inspiring, especially since I was in the process of setting up my own second venture.

I was curious about how this ecosystem was growing and developing, since in the last few years it has become a trend to launch a business here.

In this first part of Chapter One, we'll outline the scope of the research, and the content we developed. Each day was full of surprises, since we were getting valuable information that helped us reach our goal!

We'll highlight the key information, the surveys and interviews that we conducted and how we analysed the collected data.

I hope that our work and effort is useful for all readers.

Sugata Jain
Madrid, July 2015

Founder

In Spain failed founders are not particularly likely to attempt a second venture. Consequently around half of founders are inaugurating for the first time.

Who is the Entrepreneur?

They're typically aged from 20 to their early 40's. They're likely to have had a business education or to possess advanced IT Skills.

73% of founders are aged between **26-45**, while **50%** are below **35**. **53%** are first time entrepreneurs, **85%** have no creative education, and **30%** said they have no business school education.

60% of those surveyed claim to have advanced business skills. **70%** of respondents claim to have intermediate or advanced IT skills, whilst **76%** claim to be

fluent or advanced in English.

Among the international respondents, the most represented groups are from France, Germany, the UK, the USA and Venezuela; comprising **18%** of the total. Astonishingly only **0.8%** of these are motivated by innovation, and just **4.3%** are motivated to create jobs, in a country where youth unemployment stands at nearly **50%**. There were no female founders below the age of **25**.

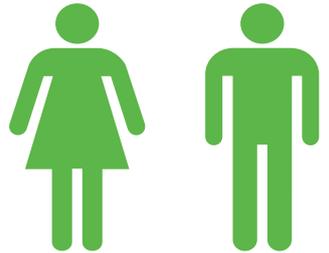
Conclusion: Spain has to encourage more young female founders, and should encourage people to try again after a failure.

Numbers

Female founded startups are **16%** more likely to succeed.

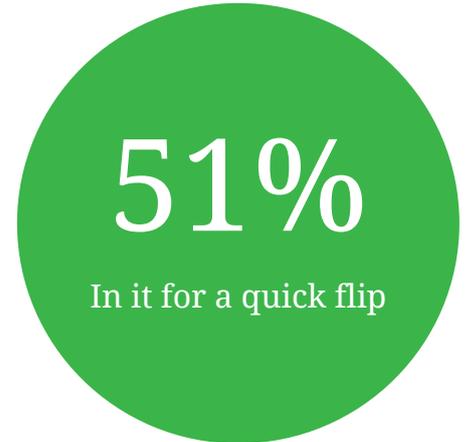


20% of respondents have had no tertiary education.



19% **81%**

Of entrepreneurs surveyed, **19%** are female and **81%** are male.



More than half those surveyed stated their primary goal was to build a company rapidly and sell it to a larger organisation.

Start up

61% have found product/market fit, meanwhile just 27% have reached scale, or are in the process of scaling their companies.

67% of start ups create software as a service.

The Typical Start up

Only **17%** of respondents' businesses focus exclusively on the Spanish market, whilst **37%** focus entirely on markets beyond Spain's borders. Within **10 months** **68%** launched and defined a sales channel, and **82%** found customer validation.

Start ups offering products outnumber those offering services:

29% of start ups are **B2C**.

42% of start ups are **B2B**.

The remaining straddle both categories.

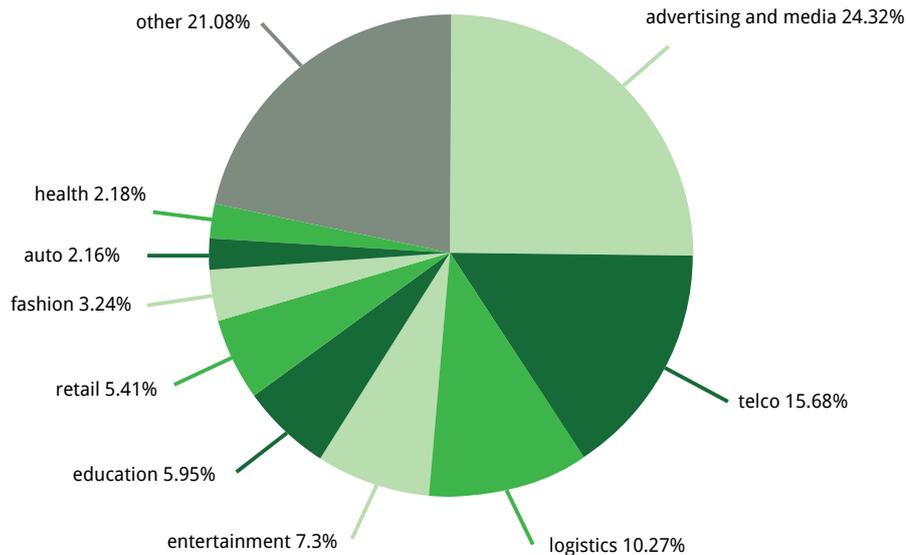
45% of Start ups create a new product and market (the product category and marketplace didn't exist before).

Start ups' ambition can be said to be modest in that **46%** say they're approaching a market that exceeds **100 million** in size, however **30%** state that they do not intend to capture more than **3 million euros** worth of whatever market they're launching in within the next three years.

Conclusion:

The limit on confidence in ambition to scale has no doubt been a consequence of the series A investment bottle neck.

Start ups by sector



Spain's 35th out of 148 in Global Competitiveness Index, (World Economic Forum).

Team

47% of start ups contain a tech expert, whilst 61% said they feel it is hard or very hard finding a technical co-founder.

58% of Start ups have no international founders whilst 28% have 1.

The Typical Founding Team

Co-founder conflict is a greater cause of start ups failing than bureaucracy issues. Founders must be registered as freelance, (entailing a flat rate of social security regardless of income) which is prohibitive to bootstrapping. Inaguration costs more money and time than it does elsewhere and entrepreneurs find the system inflexible.

52% stated they find it either hard or very hard to find co founders. **60%** said it is hard or very hard hiring skilled candidates, whilst **52%** said it is equally as difficult terminating or modifying contracts. Positively **52%** find the immigration system moderate, easy or very easy for founders, and/or employees.

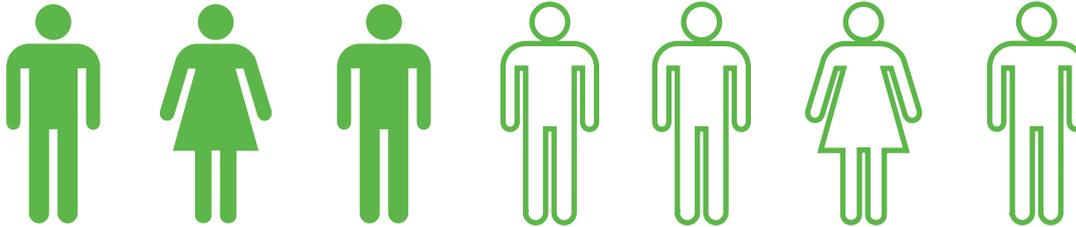
The average number of hires is **7.6**, whilst the number of greatest occurrence for hires is **3**; with **49** respondents having this many staff.

Only **2** of the startups we surveyed have over **100** staff. Spain is a famously slow bureaucracy, so it's positive to see that only **51%** said they find it hard or very hard to deal with.

Conclusion:

More could be done to attract international founders, and to help them integrate and join forces with Spanish talent.

Numbers



3 Co-founders, 1 Tech-founder, + Average team of 7, including early hires.

41% of start ups start with **2** founders. **65%** of respondents say their start ups have **2** or **3** co founders.

31% find the tax system difficult and **83%** find the admin hard.

Fact: Spaniards are 24% less likely to commit full time to a startup in its early stages than founders in Silicon Valley.

Culture

There are 50% less mentors per startup in Spain compared to Silicon Valley.

68% of respondents find the level of support Spain offers for bankruptcy unfavourable.

The Culture for Start Ups

Fear of failure, social perception towards entrepreneurs and their own impression of the encouragement they get from the community is neutral.

The business culture in Spain is notoriously risk averse, and that's reflected in the statistics which confirm that founders fear failure.

45% state that they regard Spain as a receptive place for new products or services, **53%** find easy access to the mentors they want, with the appropriate level of expertise to help them.

When it comes to trailing and testing new products (and services) and launching MVP's into the marketplace, **49%** of respondents have had an above average level of experience.

Fact: Spain ranks **44th** out of **189** in the Ease of Doing Business Index, according to The World Bank and **136th** in the Ease of Starting a Business Index.

Conclusion:
Despite evidence demonstrating that Spain is not the easiest place to start a business, the survey results show that it's not as bad as it is perceived to be.

Numbers

59%

Perceive barriers to entry

Madrid entrepreneurs work **6.25** hours on average per day. **59%** feel there are significant barriers to entry in getting a business off the ground.

64%

Feel it is hard to find capital

101 accelerators opened since **2005**, with **6.2** million invested.

42%

Admit fear of failing

1 in 3 Spanish startups fail in the **1st** year. **64%** encountered social non acceptance of failure.

Capital

The data over the past 3 years indicates an upwards trend. The increasing number of VC's and angel investors are directly proportionate to the number of successful deals and exits.

Capital for Start Ups

Only **18%** of those we surveyed had raised or were raising the money to scale, whilst **29%** are currently scaling.

This is a positive indication that some startups have been able to scale, without requiring a significant injection of capital to do so.

28%, said they had taken a round of finance to establish sales and positive cash flow.

42% raised initial money from an investor to go from concept, to a first iteration, whilst **15%** self financed their projects.

By deduction **43%** of entrepreneurs receive money from friends and family. Lack

of access to a friends, family and fools round is identifiably a significant barrier to entry.

Finally **9%** of investment came from public funds and only **5%** from banks. **61%** find access to public money moderate or hard whilst **65%** find access to private money hard or very hard.

Conclusion:
The problem of access to initial finance is improving but Spain could benefit from more international investment by the time companies now taking this money need to scale.

Numbers:

8%

Investment from
an international
source

Spain is ranked **9th** in countries which've attracted the largest amount of global investment.

53%

Investment from a
local source

58% feel the challenge of meeting a local investor is moderate to easy. Meanwhile meeting an international investor is seen as hard or very hard.

5%

Of start ups
financed by banks

During the first quarter of **2015** credit standards on loans to enterprises have improved in all large euro area countries, except for Spain according to the ECB.

The Spanish Ecosystem

General Employment

The unemployment in Spain is still desperate, particularly among the young. It increased to **23.78%** in the first quarter of 2015, reaching an all time high of **26.94%** in the first quarter of 2013.

Youth unemployment is **49.60%**, (April 2015), reaching an all time high of **55.80%** in July of 2013. Entrepreneurship is a viable vehicle of change, but not enough is done towards it.

The minimum monthly wage is **645.30€**, the average monthly wage: **1615€**, (16% less than the EU average). **60%** of the population earn around **1000€** per month. The median annual salary for workers is **1550€**.

Just **22%** of the population can speak English.

20% of business falls within the Black Economy due to highly regulated income tax.

Maximum size of permissible cash payments to freelancers is **2500** Euros.

49.6%

Youth Unemployment in Spain
April 2015

It's Starting to Expand

Still in its infancy as a start up destination it is now leap-frogging into being one of Europe's more attractive locations.

Some areas need some improve, but the general feeling about its progress is strongly positive.

101 accelerators since 2005, with **6.2** million invested.

From 2008 - 2010 there was a decrease in new business creation, mainly due to the financial crisis.

There was a **5%** increase in new business creation in 2011.

6% of working age founders started a business out of necessity.

It costs about **3000€** to register a business and takes about **1** month.

35th out of **148** in Global Competitiveness Index, World Economic Forum.

Patent costs are **18** times more expensive than the US and **60** times that of China.

The Spanish Ecosystem

Technology

Spain is ranked within the top 5 technologically advanced European countries, boasting one of the highest business and household broadband penetration statistics, the highest number of e-devices per household and **107%** mobile line connections based on population size.

50.2 million mobile lines, **35.1** million internet users. **98%** businesses connected to internet.

80% of household connected to internet. **25,000** ICT companies employ **400 000** people.

81 technoparks host **6200** companies.

4th highest ranking of broadband access for companies.

1,700,000
registered .es domains

Captial

Access and availability of funding is always contentious with regard to the ecosystem's growth. The data over the past years indicates a significant upwards trend. The increasing number of VC's and angel investors are directly proportional to the number of successful deals and exits. Spanish VC's invested about **12.7** billion in 2013 ranking Spain **9th** in countries which had attracted the largest amount of global investment (**41%** from Spain, **33%** from US, **10%** from Dubai and Germany).

There's been a **14.5%** increase the number of investment deals from 2013 to 2014, **138** to **158** respectively.

The average deal size is **2** million euros. Exits have increased from **2** to **9** to **21** from 2012, 2013 and 2014, respectively.

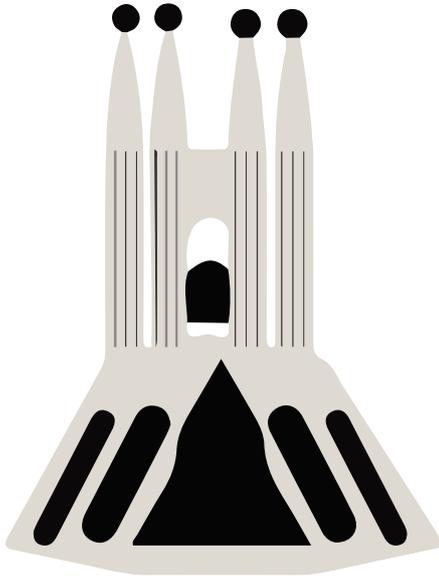
Investors (both VC and angels) have almost trebled from **210** to **604** from **2012** to **2014**. There's also been a recent change in the law to allow equity crowdfunding, a sector representing only **1.4%** of total investements in **2014** it now appears set to grow.



A Regional Breakdown of Spain's Startup clusters:

There is little doubt that Spain's main cities each have a distinctive mix of positive factors for start ups. Fragmentation is a problem however, because, unlike in some of Europe's more mature startup ecosystems, different kinds of stakeholders aren't communicating effectively and collaborating between these cities.

This has hindered Spain from fully flexing its entrepreneurial muscle.



BCN is known as Mobile World Capital holding MWC and 4YFN each January.

Until now Barcelona has been the most interesting destination to setup a new company.

Barcelona

This could be largely because of its closer proximity to the rest of Europe. Within Spain, new trends often catch on here first and the start up phenomena did just that, so it's more receptive.

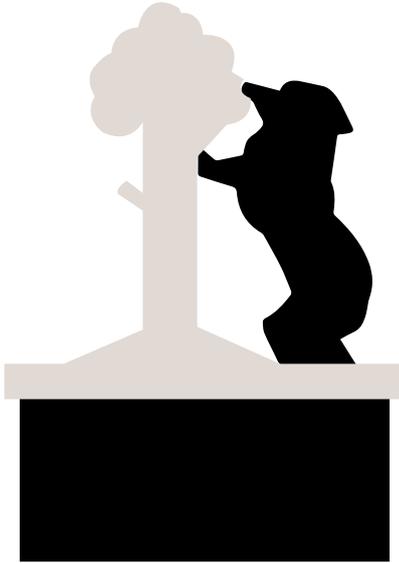
Barcelona is a globally recognised centre for design, and one of Europe's premier destinations for international trade fairs such as Mobile World Congress. It is the Spanish city with the most startups and most international founders. This is due to a combination of its progressiveness, and quality of life. Two top business

schools IESE and ECADE are Barcelona based, and there's an enviable range of accelerators enhancing a generally creative atmosphere. Barcelona has also rapidly become a European centre of mobile gaming and innovation.

Some key places:

Itnig, Connectr, Incubio, Makers of Barcelona, Startup Bootcamp, Game BCN Barcelona Activa offer encouragement and support to the flourishing ecosystem.

Barcinno is the best resource for foreign founders, sending out regular news updates.



Madrid is Spain's Capital and Europe's 4th largest financial centre.

As Spain's capital, Madrid represents the centre of commerce and business and it is consequently regarded

Madrid

as the best place to raise capital to finance a startup. Whilst more startups may have been founded in Barcelona, there's a greater probability of a startup getting the investment it requires to succeed in Madrid.

Madrid startups are more likely to be founded by business people with a background in the corporate sector than in Barcelona. On the whole, the startup scene can be more formal than elsewhere in Europe.

With the opening of Campus Madrid, hopefully there

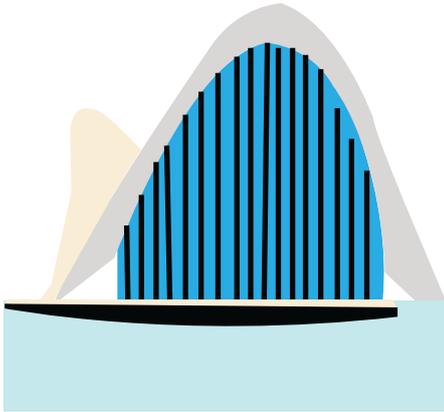
will be a greater cross-pollination between the various community factions, as it provides a place for different kinds of people to meet.

Some key places:

Area 31 is the business incubator of IE Business School and it's an influential pipeline for Madrid's international entrepreneurs.

Main incubators, co-working spaces and accelerators: Utopicus, Impact Hub, Madrid International Lab, Cink Emprende, Wayra and Tetuan Valley.

Valencia



Valencia is Spain's best kept startup secret, with lower costs of living and hot new talent pouring out of its Universities, resulting in some of Spain's best start up support bodies.

Valencia's advantage is that it offers the lowest cost of living amongst the three main cities, making it the destination of choice for bootstrapping entrepreneurs. It also has better business relations with Madrid and Barcelona than they do with one another, whilst offering an incredible quality of life.

Valencia boasts the largest international student exchange body in Europe and its universities train some exceptional tech talent whilst fostering entrepreneurship through various schemes. These reasons among others

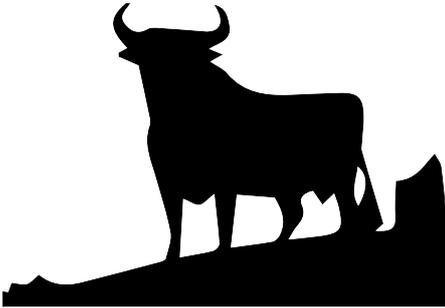
are perhaps why some of Spain's best incubators and accelerators are located in the city. Lanzadera, founded by Juan Roig Alfonso, CEO of Mercadona, is ranked 2nd best accelerator in Europe and has invested 4.2million euros in its startups.

Some key places:

The main accelerators and co-working spaces are: Plug n Play, Business Booster, Lanzadera, Wayco, Geekhubs, Las Naves. The Polytechnic University has abundant subsidised office space available to entrepreneurial alumni.

Andalucia

By Daniel Gonzalez Bootello



Hundreds of daily flights connect Málaga to most of Europe in less than 3 hours. This puts its luxurious weather and its enviable quality of life suddenly on the table for any European startup wanting to establish themselves here.

Some of the lowest costs of living in Spain can undoubtedly be found in the region, in addition for new companies, there's an abundant supply of talent, reluctant to move abroad, and therefore willing to stay for more than reasonable wages.

The financial crisis has also left great opportunities for available office space at very low prices in Andalucía's Science and Technology Parks, which complement the good Universities in each province. One very under tapped resource, but one with enormous potential is the presence of several foreign communities,

comprised of mostly Europeans who came first as tourists but decided to stay because they loved the land. These are frequently well-bound and quite active, providing a natural soft-landing opportunity for their fellow countryman.

Whereas its ecosystem is nowhere near that of the economic pillars of Madrid and Barcelona, a rapid development of the start up community is occurring, following the footsteps of heroic companies Virus Total, Freepik and Uptodown, followed closely by Resultadosdefutbol and Tiendanimal.

...Andalucía Continued

Significant support is also coming from larger entities, pioneering initiatives like Telefónica's Open Future or University of Málaga's Link by UMA, a brand-new connector space to help students who want to become entrepreneurs. The existing business community also offers full-blown support to new initiatives, as proven by the recently-incorporated Andalucía Smart City Cluster, created by businesses to generate new and bigger markets while addressing the newest societal challenges.

Bolt Accelerator and ProMalaga are both Malaga based accelerators.



Other Locations:

Spain consists of a federation of autonomous regions, regulated independently, each of which contains several medium sized cities, with enough economic activity to sustain some startups.

Other main hubs include Vigo, A Coruna, Bilbao, Zaragoza, Canarias and Balleares.

The University of Salamanca has some interesting EU funded startup initiatives.

Zaragoza is known to have some startup activity as is the industrial city Bilbao further to its north.

Meanwhile in Galicia, there are accelerators in A Coruña and Vigo, supported by an enthusiastic business community.

Noticably Spain's regional governments have identified the advantages in supporting the creation of new companies.

The Lazarus Initiative in Toledo Castella La Mancha is an example of such a regional initiative.



The End

Chapter Two: Five of five

“The maturing of several key industries like Fintech or Gaming and the arrival of a true international mentality are turning Spain into one of the most important startup ecosystems in Europe.”

Alex Barrera Tech.eu



Introduction

I'm an entrepreneur by blood type. At age 15, growing up in South Africa, I sold school shoes and fireworks to my friends at school. With the benefit of hindsight, I now understand that this was not the best combination of product lines, however, that experience as a nascent entrepreneur played a very important role in shaping me entrepreneurially.

Following graduation, when I finally decided to start my own company on a full time basis, I learned a vital lesson about the importance of support for entrepreneurs. And I learned the value of support in its absence.

Upon arriving in Madrid and exploring the Spanish ecosystem through the eyes of a South African tech entrepreneur, I was surprised by the plethora of support structures and access to opportunities that Spanish entrepreneurs have.

In the next chapter we explore some of Spain's best organisations actively supporting the startup culture by providing one or all of the three most vital lifelines for any startup; finance, office space and mentorship. During our navigation of the ecosystem, we came across so many amazing initiatives all of which are instrumental to the growth of the ecosystem.

Stuart Minnaar
Madrid, July 2015

“The investment ecosystem in Spain has evolved in the last year from a mostly venture capital dependant one, into a more angel-based scene, with increased capital available at the seed stage”.

Javier Megias Startupxplore

Discover the best co working spaces, accelerators and incubators, Venture Capital, Angels, and Government support initiatives:

When Cecilia Tham, opened Makers of Barcelona, or (MOB), about five years ago, she remembers that there was really nothing like it at the time.

MOB is a Co-working space that serves a specific community (creative people, many of whom are both international and entrepreneurs).

At that time the concept of a place where independent professionals can work alongside one another had become quite familiar in the U.S, but now, across Spain there are a plethora of such spaces to choose from.

Co-working provides an alternative to starting your project from home. In 2012 there were 146 Co working spaces, a figure that grew to 388 by 2014.

Meanwhile the research has found there's been recent corresponding growth in the number of accelerators supporting new projects.

According to Fundacity, Spain invests more per start up through its accelerators than anywhere else in Europe.

The knock on effect has been that investors have gained awareness of the opportunities presented by the tech start up scene, and more money has been available to speculate with during the recent recovery.

Likewise the government has introduced various schemes, to fuel fire to this proliferation. We've showcased some of the best resources for startups on the forthcoming pages in no particular order.

Venture Capital

The recent pattern showed a decline in investment of about a third between 2011 and 2013, following which there's been a rapid increase in money being invested through funds, (in 2015) as the economy has recovered into being one of the fastest growing in Europe this year.

1

Caixa Captial Risc is an institutional investor specializing in innovative early-stage companies. The company manages four investment funds: Caixa Capital Micro, Caixa Capital BioMed, Caixa Innvierte Industria, and Caixa Capital TIC, with a total capital commitment of 73€ million. CCR invested in more companies than any other fund in Spain in 2014 (20 in total).

2

Kibo Ventures based in Madrid (Spain) is a newly established VC Fund focused on early-stage investments in Internet and mobile-based companies. Kibo Ventures manages \$60 million (45€ million) from a mix of institutional and private investors. Kibo was the second most active fund in Spain in 2014, and among its successful investments are Redbooth, Carto Db and Peertransfer.

3

Cabiedes and Partners

which is also based in Madrid was founded by brothers Luis and Jose, in 2009 as a Spanish venture capital firm that provides seed funding and early-stage and later-stage investment services. Five years later in 2014 two of the firms companies; Trovit and Ducksboard were acquired while Blablacar, another raised 100 million making it a record year for the fund.

4

FIDES Capital,

SCR, SA is a Madrid, Spain-based private equity firm. Founded in 1999, FIDES Capital, SCR, SA considers seed investments as well as buyouts & acquisitions. It aims to support entrepreneurs by investing around 2€ million annually (between 50-350€ K per project) Euros in new high return projects over 3 to 5 years.

5

Sitka Capital

is a Barcelona based VC firm which invests in technology companies with high growth potential and innovative business models. It specializes in investments in projects under pre seed, regardless of their sector of activity that have an innovative, scalable, international business model and a product that can be rapidly developed.

Business Angels

According to Big Ban Angels of Valencia, the largest Angel fund in Spain, there is an increasing trend among investors to consider backing start ups in the early stages, as confidence begins to return, and other less risk orientated sectors have stagnated.

1

Martin Varsavsky is an Spanish/Argentine entrepreneur who's founded seven companies so far in his career. Martin started Jazztel Telecomunicaciones, Spain's second largest publicly traded telecom operator in 1998. He's made 11 investments in companies including Busuu, Pixowl and Mubi.

2

Carlos Blanco is one of the best known figures in the Spanish startup ecosystem. Having founded and exited from a gaming start up, Carlos became an Angel investor eventually instigating Barcelona-based accelerator Conector and he's also the CEO of Grupo ITnet. As an angel investor he's invested in companies such as Deporvillage, Kantox or Infantium.

3

François Derbaix

is a Belgian internet entrepreneur and investor living in Madrid, who's made 23 investments in 17 companies including Startupxplore, Kantox and Aplazame. He co founded Rentalia.com which sold to Idealista in 2012.

4

Marek Fodor

is an active business angel investor and mentor for technology start ups. He is specialised in marketing and growth strategy, is the Chairman of Kantox one of the five companies that has received one of the six investments he's made to date. Others include Peer Transfer and Masterbranch.

5

Jesús Monleón

is a serial entrepreneur who Co-founded eMagister.com, SeedRocket and Offerum, a daily offers collective buying company. Seedrocket will be the main acceleration partner of Campus Madrid. The internet enthusiast has so far made 4 investments in 4 companies including Ulabox and Masterbranch.

Accelerators

Since the launch of Y combinator in the States in 2005 accelerators, following the 'Lean Start up' approach, have made a significant contribution to creating new companies. In Spain the number of these grew from 98 to 414 between 2012 to 2014 when 6,216,000 million euros was invested in 101 start ups making Spain number 2 (by acceleration money invested) in the EU.

1

Wayra - (Telefonica) in Madrid and Barcelona, is a start-up accelerator started in Latin America and Spain in 2011 as an initiative of Telefónica's Chief Operating Officer in Europe, Jose Maria Alvarez Pallete Lopez, in order to help the best entrepreneurs build successful businesses. The Start ups receive funding (50K for 7-10%), office space and mentoring and culminate their acceleration with an investor pitch.

2

Lanzadera - Valencia is an accelerator created by the founder of Mercadona, supporting entrepreneurs to create successful businesses. It's the #1 accelerator in the Eu by investment, with over 4 million invested in 2014, (up to 200€ K per company). It supports each company with the resources and tailor made programme it needs, based on its experience in validating business models.

3

Plug 'n Play - Valencia; a business accelerator that specializes in growing tech startups, it has everything required by a start up to get organized, connect and grow. It positively impacts and accelerates the journey of Entrepreneurs, Venture Capitalists, Corporations, Universities and Governments. It invests 50€ K over 4 months and acts as a bridge to Silicon Valley.

4

Business Booster - Valencia manages Sinensis Seed Capital, the first accelerator venture fund for internet companies and mobile applications in Spain. Making follow on investments of up to 550€ k into companies in conjunction with other lead investors. They select talented teams, and pump facilities at them over 15 weeks, including assets, tools and all the support required to reach their goals.

5

Seed Rocket - Barcelona is a week-long programme of training, workshops, and 1-on-1 sessions etc. On the final day the projects will present to a room of private investors, and the SeedRocket team for a chance at 150€ k Euro seed investment. The winning startups then join the 3-month Accelerator programme. Seed Rocket has recently been named the accelerator partner of Campus Madrid.

Government initiatives

In collaboration with the private and academic institutions, the government's support initiatives have created a foundation for future growth. They're enabling the ease needed to stimulate the startup ecosystem. Streamlining the business admin red-tape, thus enabling more foreign capital investments under 2,5million euros.

1

FONDICO Co-Investment fund.

FOND-ICO GLOBAL has mobilised nearly 2€ billion for investment in Spain since its launch. It is a key driver of the private equity sector recovery in Spain. It is the first public-capital/private equity fund-of-funds, created in Spain in order to foster the creation of private equity funds that invest in Spanish companies at all stages of development.

2

ENISA State-backed Loans has been financing innovative projects, facilitating their creation, growth and consolidation in the market. Enisa provides direct participation loans with favourable interest rates, the entrepreneur having first 50% of the capital they're borrowing. Enisa provided finance worth 100€ million to 640 innovative enterprises in 2013 alone.

3

ICEX Invest in Spain

is a government agency that serves Spanish companies to promote their exports and facilitate their international expansion with its own financial, material and human resources. Its activities include promotion and investment programs in foreign markets, information regarding international markets and training in foreign trade skills.

4

EU Funding

Programmes. Startup Europe's aims to to celebrate new and innovative startups, help them to expand their business and give them access to funding under Horizon 2020. This is the biggest EU Research and Innovation programme ever with nearly 80 billion Euros of funding available over 7 years aiming to take great ideas from the lab to the market.

5

Spain Tech Centre, San Francisco,

is an initiative sponsored by Banco Santander, ICEX (a division of the Ministry of Economy and Competitiveness) and Red.es (a division of the Ministry of Industry, Energy and Tourism), to facilitate the landing and commercial implementation of Spanish technology companies in the North American market. They take an annual cohort to the USA.

Co Working Spaces

From 2012 to 2014 the number of co working spaces in Spain more than doubled from 146 to 338. This year saw the opening not only of Campus Madrid but Talent Garden, an Italian concept, in Barcelona as well. Madrid's main co working spaces of Utopicus and Impact Hub have (among others) grown out of the crisis.

1

Campus Madrid opened this June 2015 as the fourth of the Google sponsored international campuses. It will act as a community hub for aspiring entrepreneurs, comprising of a cafe where members of the public can meet and work for free, a co working space to be operated by Tech Hub and an accelerator which will be run by Seedrocket. Additionally there will be educational initiatives and an events programme.

2

Las Naves Valencia is a creative co working space supported by the Valencia City Council in a 5000 square meter former industrial building near the sea front. Las Naves has a focus on community and social entrepreneurship, whilst also holding regular events. The space has state of the art audio visual equipment for film, photography and music including recording studios.

3

Makers Of Barcelona is a creative community of makers based in the heart of Barcelona that includes Fabcafe. The Space has over 2000 members and is based on the concept of a gym where membership is flexible to suite user needs. Start ups, freelancers and educational courses are based here and members share skills and participate in regular talks and events.

4

Betahaus Barcelona is a coworking concept originally from Berlin, it has close links to the tech scenes at its five other locations. In Barcelona it's a community of 200 members each of whom has been selected through application. The space houses coworking, events and a workshop for makers. It is a family of startups and freelancers with an emphasis on creativity and potential.

5

Madrid International Lab housed in a former pharmaceutical building, the Lab is a space for international entrepreneurs or Spanish startups with an international focus. The lab provides free advice and members can work for free for between 6-9 months after applying. There is also an events space with regular talks, a meeting room and a soft landing area for new arrivals.

The End

Chapter Three: The Entrepreneurs Guide to Spain

“Spain has an amazing quality of life, but a smaller market and community than top entrepreneurship hubs. Spain is the place where entrepreneurs live and thrive.”
Pierre Auban Waters. Founder Guiripreneurs.

Introduction

In my profession as a lawyer and as the Director of the Madrid International LAB I have seen many startups born and watched as they've grown, and some inevitably as they've closed, but in all cases the same pattern repeats itself: the entrepreneur's illusion of riding atop a profitable business from a simple idea.

The path is not easy and probably additional support is required for these startups to grow and to develop as easily as in other

ecosystems. Aside from these difficulties I think that in Spain we can boast one of the best climates in the world for entrepreneurs. Not only in terms of the environment, but especially because of the number of well-qualified professionals, and institutions increasingly supporting new businesses, resulting in fewer bureaucratic obstacles for entrepreneurs.

We have much to improve, such as English language proficiency and the acceptance of failure as a learning experience, and not as a stigma, but I think we're on the right track to becoming one of the leading clusters for innovation and

creativity. My goal in getting involved in this project was two-fold. Firstly, to gain proximity to the main actors in the ecosystem and to see firsthand the great work they are doing every day. Furthermore, working with an international team sponsored by a brand as committed to entrepreneurs as Google. Both objectives have been more than met.

In the next chapter we set out the procedures that an entrepreneur has to overcome if he/she wants his/her project to evolve from a mere idea into a company.

Joaquín Muñoz Rodríguez
Madrid July 2015

Starting in Spain

This chapter explores the vital information needed to setup a business in Spain.

The Spanish bureaucracy has meant that its ranking for ease of starting a business (World Bank report) is at 136th out of 189, making it easier to start a business in Kazakhstan, Chile and Zambia than in Spain.

We've gathered the fundamental details you require to start your Spanish company.

How to Register a company:

Decide on which available method is best:

1. Freelance
2. Incorporation of a limited liability company.

Freelance or Autonomo allows the entrepreneur to start activity fast because there's only one step:

To become an Autonomo communicate the beginning of the activity with AEAT¹.

Liquidate the incorporation tax, called ITPAJD

This second step is more complex, but provides the advantage of limited liability.

Registering a business in Spain will take approximately 30 days and cost between 1000-3000 €.

6 Steps for setting up a Sociedad Limitada

Obtain a certificate from the central business registry demonstrating availability of company name.

Open a bank account deposit the minimum share capital (3000 euros approx) in it.

Constitute the company before a public notary, presenting certificate from point 1 + the bank receipt.

Apply for an NIF (Fiscal identity number).

Liquidate the incorporation tax, called ITPAJD.

Inscribe the company in the business registry.

Taxation

In 2013 Spain introduced an exit tax, making it very difficult for entrepreneurs who've been living and paying tax in Spain for ten of the past fifteen years to leave.

Also Article 95 taxes those who have a stake in a company of or exceeding 4 million, or own 25% or more of a start up valued at a million or more euros.

Tax Category

Employer paid - Social security contributions

Corporate income tax

Tax on interest

Value added tax (VAT)

Rate and Base

30.9% - gross salaries

30% - taxable profit

21% - interest income

21% - value added

Tax rates for companies is 28% and VAT (IVA) is 21%/10%/4% (depending on product or service).

Accounting and Legal, and Banking

Sabadell 10

The initiative **BStartup 10** aims at investing capital in **10** selected digital startups throughout Spain, supporting them in establishing and growing in the market by means of a high performance program.

The bank invests **100,000€** in each of **10** projects, in which BStartup take a holding of between **5%** and **15%** of the share capital.

Finding a Team

The following places and groups represent a good starting point

Campus Madrid, Madrid International Lab, Iron Hack, IE Business School (area 31) IESE, ESADE, ESCP Europe, Guiripreneurs, Start up Grind, Madrid and Barcelona chapters, Betabeers, House Of Genius, Google Developers groups (GDG's), Women in tech, Think Big and Talentum (Telefonica), InnDEA Valencia.

Meetup.com is a great source of different common interest gatherings for like-minded people.

Gestor Services

Spainwide Business Services

Based on Madrid's Gran Vía offers a bouquet of services to small-medium business's (PYMES) by assisting with ongoing tax, social security, Legal and accounting obligations. Tom Leacy, an Irishman, is a founder of Guiripreneurs, and is well versed in all aspects of Spain's burueacracy for entrepreneurs from abroad.

Calle Gran Vía, 57, 28013
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Business Culture

Arriving in Spain as a foreigner, it can be complicated to understand how the business culture works and how it differs from one's home country. It is easy to observe the life in the street and to run away with the idea that Spaniards are laid back, friendly and approachable. However, in a work context, business is administered in Spain in a traditional manner, and strict unspoken codes of practice are adhered to. It is worth bearing in mind also that Spain's corporate sector, its legal and its financial services sectors are

conservative, and it is better to arrive in a suit, especially if one is dealing with one's bank manager and wants to be taken seriously. Likewise when attending events, unless one is specifically aware that it will be a casual dress code, it is advisable to err on the side of caution with a jacket and trousers. The Spanish are polite and forgiving, yet it's better not to stick out like a sore thumb.

Continued...

Business Culture (Continued)

Also be prepared, when interacting with the bureaucracy, for any exchange to take considerably longer than it might elsewhere and to involve several rounds of paperwork. Basic Spanish is almost always a requirement (and if you do not have this it's advisable to deal with a gestor - an account come attorney - that does). Also the response to extenuating circumstances is likely to be inflexible.

Whilst in Spain it is not impolite to arrive slightly late to a meeting, it is frowned upon to get straight

down to business, as small talk is important, however generally it is also not advisable to be overfamiliar.

Consensus is important, and so things might be discussed in more detail before arriving at a decision than in Northern Europe. Having said that, it seems that in Spain for every cultural observation it's possible to make, there's inevitably a contradiction. A case in point is that experience is valued less than in the UK and USA, and if someone is determined to be ambitious they are given the leeway to try, despite having not done so previously. On the other hand, if they fail, there is a tendency not to try again.

Something that we consistently found is that building a network is fundamentally important, as more often than not, opportunities are found, not by qualifications or an impressive CV, but by whom a person knows. Very often this comes from a Spaniards family, but as a foreigner, for doors to be opened, it is just as important as anything else to get out there and meet people whilst building a profile in your field. The good news is that in such a small entrepreneurial ecosystem it is relatively easy to meet all the stakeholders in a short space of time.

General Spanish Culture

From research conducted by Geert Hofstede, out of **24** countries investigated, over several categories, Spain features as **#12** in terms of power distance, with a high power distance index. This index deals with attitudes to inequality and how much less powerful members of society will accept unequal power distribution. This data means that in Spain there is a tendency to appreciate order, value national pride, an expectancy to speak as one is spoken to, and not to be over familiar with those of superior rank.

Spain has a moderately individual vs collective ranking at **#13**. This index measures how citizens identify more with self image or deriving self image from being part of a group. The UK, USA, Germany and France are all highly individualist, while Israel sits next to Spain in this area.

Regarding gender, Spain is defined as a moderately feminine culture, sitting at **#19**, it therefore, according to this study, tends to have and a sense that everyone is 'in it together' rather

than competing against one another, whilst both the UK and US have highly masculine and competitive cultures as does Germany. Feminine cultures tend to prioritise quality of life, they are collaborative and sociable.

Spain has uncertainty avoidance at **#5** out of **24** meaning there is discomfort with ambiguity here, they are likely to value simplicity, clarity, forward planning, and facts and figures. The UK and the USA both have cultures that are comfortable with ambiguity.

Spain, like the UK, the USA, France and Germany, but more so, has a short rather than long term orientation, meaning there is a bias towards instant results and immediate gratification.

Also in terms of indulgence vs restraint, Spain sits #13 below the UK and US as being a society which prioritises indulgence: freedom of expression, optimism, light heartedness and an open minded attitude towards sexual norms.

In summary the main cultural areas where Spain differs from countries where there are tech hubs (UK, USA, Germany) is that there is a higher power distance, a

more feminine culture and less tolerance of uncertainty, which could lead to there being a risk averse culture where it is difficult for those starting out to get what they need from the authorities.

There is less individuation and determination to compete and win, which are all inherent to successful entrepreneurialism.

According to the research these are traits that have existed for thousands of years in their respective cultures and haven't been affected by recent trends in technology.

Key Events

There are an increasing amount of local, regional and national events around the area of Start ups and entrepreneurship, often subsidised with public money and/or by sponsors that have begun to make an impact in generating wider awareness of the potential opportunities that currently exist here.

Some events shown here are annual, while others were held recently, and are mentioned to give an overview.



X spain 2015 bringing together the most forward thinking innovators from the world's of technology, entrepreneurship, music and cinema.
www.xspain.es

Rondaforum
on education and entrepreneurship <http://www.rondaforum.com/>



The South Summit is an event that finds and showcases the 100 most disrupting Startups from any industry from The South of Europe, Mediterranean and Latin America, to prove to the world how bright the South is.

www.spain-startup.com/



IN3 was a unique entrepreneurship event hosted by the U.S. Embassy in Madrid, the Chamberi Valley Association, and Google for Entrepreneurs that sought to support Spain's growing innovation sector by promoting investment and strengthening the connections between the U.S. and Spanish ecosystems.

www.in3spain.com



Salon Mi Empresa

Is a forum to learn from the world's most forward-thinking investors and entrepreneurs. Meet trailblazers in corporate innovation and community development.

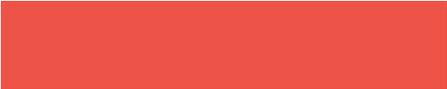
Here one can expect to explore new opportunities and partnerships whilst discovering Spain's dynamic startup scene in a conference set among the beauty and culture of Madrid each February.
www.salonmiempresa.com



Angel Summit EU

brought together 200 leaders from across the globe for a two day summit on the future of startup investing.
www.europe.angelsummit.io/

TEDxCibeles is a program of local events - Organized that bring people together to share a TED-like experience 4th July.
www.tedxcibeles.com



4 Years from Now

(4yfn) has already become an annual start up event and is part of the GSMA Mobile World Congress. It finds solutions to concerns on issues of implementation, financing, development and management etc. It is devoted to innovation in the mobile ecosystem. A business platform focused on building ideas and forging lasting relationships for international start ups, investors and corporations.
www.4yfn.com





Global Entrepreneurship Week Spain

Impact Hub Barcelona Startup Open, a featured event of Global Entrepreneurship Week, it is a global competition to identify and recognize start up companies founded since the previous event. It is open to any entrepreneurs who have just started, or are about to start, a new venture.

www.es.gew.co/



IE Venture Day

The IE Business School hosts a Venture Day which is a 1 day conference where some of the world's most influential early stage investors and entrepreneurs share their experiences. This event takes place in multiple cities across the world. To date there have been 7 IE Venture Days in 2015 and there are still 6 more to come. Don't miss IE Venture Day Madrid on **19 November 2015**
www.ie.edu/events/venture-days



Startup Europe Partnership (SEP)

a series of international events in different startup hubs across Europe. Selected start ups meet with corporations. It aims at offering a platform to help the best start ups emerge and scale-up by connecting them to large corporates. It aims to make things happen, whether that means procurement, strategic investments or eventually acquisition. www.startupeuropepartnership.eu



About the Team

Tom Evans

Former startup co-founder with extensive experience in marketing communications. From London. Tom is extremely interested in identifying how to help international entrepreneurs seeking to create new businesses in Spain overcome barriers, integrate effectively into the Spanish ecosystem and establish and develop business with minimum difficulties. He wants Startups Made in Spain to act as a catalyst for the community to forge new connections between clusters in Spain and abroad.

Sugata Jain

Sugata Jain is a passionate coach, consultant and entrepreneur working with multi-national professionals, organisations and startups. She has a strong business background both as a manager and as a business owner and she works with private and corporate clients in the areas of leadership training, business and individual coaching, strategy consulting and learning and development. Her consulting focus is on finding innovative solutions and creating market expansion strategies.



Joaquin Muñoz

As Managing Director of the International Lab, Joaquin is part of Madrid's entrepreneurship ecosystem, with an extensive network.

Joaquin is one of the most knowledgeable professionals in Madrid specifically with regard to the creation of startups here by those from abroad.



Stuart Minnaar

Stuart is a tech entrepreneur from South Africa. He is currently doing an MBA at IE Business School in Madrid. Stuart has completed the startup cycle, in 2012 he founded Yappo Mobile Payments - a mobile payments platform for South African students.

Since arriving in Madrid, Stuart has become interested in the Spanish startup ecosystem and its entrepreneurial mindset as a place a to explore the next startup.



We would also especially like to thank our interns: Megan Noth and Ramses Alonso, and our London representative Nicholas de Luis Merino



The End

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Closing Statement

Having returned to Spain to live in 2013 after some involvement in London's tech scene, it became obvious that the country, perhaps as a result of its crisis, presented an opportunity for the tech start up founder. Spain has all the conditions that make life easier for bootstrapping: lower wages and rental overheads, a lower cost of living, great talent and a better quality of life. This means that seed money should purchase a longer runway whilst simultaneously one should be happy. Not only that, but in the tourism sector it is possible to sell directly to an international market right here from Spain, whilst the Spaniards themselves are really enthusiastic tech consumers.

Far from being plain sailing, the initial friction in starting a company demonstrated there are clear barriers to entry, and cultural differences to overcome for the foreigner.

At a time when Spain needs jobs, it's surprising to see bureaucratic red tape getting between founders and the execution of their vision, that there are funding bottlenecks, and that Spaniards themselves are risk averse, and reluctant to fail. Also communication between talent from different disciplines could be improved upon. It was a great pleasure to be presented with the opportunity to carry out our investigation into the ecosystem. Our quest was to discover what's good and not good about coming to Spain from abroad to start a new

business. Indeed I hope that our book highlights the specific advantages this incredible country presents to new arrivals.

During the course of little over a year, our team met and spoke with significant stakeholders in this ecosystem, and from a variety of sectors. We also learnt that Spain's entrepreneurs could be more ambitious, could think more internationally and could aim to market globally from the outset. Now that the Campus has opened in Madrid, and put the city firmly on the start up map in Europe, we feel that more entrepreneurs will think about setting up shop in Spain.

Tom Evans- Madrid July 2015



The End