

Baden-Württemberg: A Unique Ecosystem With a Global Outlook

Where do you go if you want to make the most of the opportunities, which Industry 4.0 has to offer? For agile start-ups and SME's, a good answer could be Baden-Württemberg where B2B companies can join the digital transformation and benefit from an international innovation culture.

In Baden-Württemberg, innovation is nothing new. The *Bundesland* in the south-west corner of Germany has a long tradition when it comes to important inventions, beginning with Johannes Kepler's telescope in 1611, the mechanical calculator in 1623, and the first four-wheeled motor vehicle in 1886.

Today, the state is an Industry 4.0 powerhouse, a top location for R&D and home to global corporations and an exceptionally strong *Mittelstand*, including a high number of Hidden Champions –medium-sized companies who often operate on a global scale and are market leaders within their fields, but rarely generate a public buzz like Silicon Valley companies.

In recent years, the economic landscape has been further boosted by the fast growth of a start-up ecosystem with a particularly strong B2B focus. And the numbers do not lie: Around 70-80% of regional start-ups are aiming for the B2B market and the “German Start-Up Monitor 2016” has the axis around Stuttgart and Karlsruhe as the best place in Germany for start-ups with a B2B model.

Add to this a remarkable rise in local cluster and accelerator initiatives, which are supported by the state. To bring all relevant activities and subsidy options for local start-ups together under one tag, the state has even created the umbrella brand [Start-up BW](#). At the same time, competitions such as [Start-up BW Elevator Pitch](#) are bringing a cosmopolitan spirit to the home of Hidden Champions, which makes the region a very interesting destination for both German and international companies.

AI in Karlsruhe, green economy in Freiburg and biotech in Heidelberg

A unique feature about Baden-Württemberg is the fact that there is not one major hotspot where most start-up activities are gathered. This means that the region does not light up on a start-up heat map like London or Berlin. Rather, the start-up culture is blossoming in every corner of the *Bundesland*, Arndt Upfold from the Ministry of Economics, Labour and Housing in Baden-Württemberg explains:

“Naturally, a lot of the start-up activities in Baden-Württemberg are also located in big cities like Stuttgart, Karlsruhe, and Mannheim, but the innovation and start-up culture here is singular in the sense that activity is spread all over the region. For example, there are several venture capital funds near Heilbronn [with a population of 123.000, red]. In Freiburg, for instance, the green economy scene is growing fast,” he says and points to the federal state's official [Smart Green Accelerator](#), which is located in Freiburg, not far from the border to France.

“We see the spread of activity as a particular strength because it means that we have a multi-faceted, sustainable and a throughout the region evenly distributed start-up ecosystem with a large variety of scenes with different areas of expertise. Stuttgart, where to automobile was born, is a mobility hub and in Karlsruhe you find the CyberForum, which is Europe's largest high-tech business network,” he says.

Indeed, there are many places to choose from in Baden-Württemberg. Under the German Government's Digital Hub Initiative, Stuttgart is the hub for future technologies. Karlsruhe is the centre for artificial intelligence, while classic university cities like Tübingen and Heidelberg house a

lot of talent within biotech and the life sciences. Even The Financial Times has reported from “Cyber Valley”, the area around Tübingen and Stuttgart.

In Heilbronn, Ulm, East-Württemberg and around Bodensee, mechanical engineering, industry 4.0 and nanotechnologies are important focus areas – not to forget that there is an aerospace industry with 15.000 employees.

Where tradition and innovation go hand-in-hand

Large corporations, such as Bosch, Daimler AG, Porsche, and SAP and the *Mittelstand*, which includes many innovative family-owned businesses, form the traditional backbone of the economy in Baden-Württemberg. But in times of technological disruption, a lot of *Mittelstand* and large companies are seeing the benefits of turning to young start-ups for high-tech and digital solutions, Arndt Upfold explains:

“Digitalization affects almost all existing company structures, which are challenged by new technologies and new players on the markets. In the digital age, young and agile start-ups often have this disruptive environment as their starting point. This makes collaboration between start-ups and established companies very important,” he says.

The presence of global corporations, a strong, export-oriented *Mittelstand* and a number of blooming start-up scenes have contributed to a re-writing of the industrial landscape in Baden-Württemberg where start-ups are now an integral part of the dynamics of the growing economy (2.2% growth, 3.1% unemployment rate in 2016), Arndt Upfold explains:

“One of Baden-Württemberg’s strengths is a high economic performance capability. The economy is export-oriented and there are many investments in R&D and innovation, especially within mobility, machine and electro engineering. In this context, innovative business ideas with growth potential take the front stage. For the continued long-term growth of the economy, it is not the pure number of new companies that is important, but their stability and ability to deliver that is important,” he says.

A global outlook

The future is international in Baden-Württemberg and local actors initiate several projects yearly to foster international collaboration.

The local government has an entire department dedicated to international partnerships, while companies are also doing their part. A great example is the project [Startup Autobahn](#), which Daimler AG runs in collaboration with Plug and Play, where start-ups from all over the world can apply and get the chance to develop future tech solutions with Daimler’s subcontractors.

While cities all over the world are competing for the position as top tech hotspot, the start-up geography in Baden-Württemberg is a little different, but a very exciting one indeed, characterized by economic capability, international spirit, impressive research and industry infrastructure - and of course a golden league of Hidden Champions.