15
ORRICK LEGALNINJA SERIES

FOUNDER TEAMS IN GERMAN START-UPS

TEAM SIZE AND COMPOSITION / EQUITY SPLITS / EMPIRICAL DATA

INCLUDING
OLNS
FOUNDER EQUITY STUDY 2025
Analysis of
2,100+ German
Start-ups

orrick

VC & TECH BRIEFINGS GERMANY

Herausgeber:
Orrick, Herrington & Sutcliffe LLP,
Heinrich-Heine-Allee 12, 40213 Düsseldorf, Deutschland,
Tel.: +49 (0)211/367870, Internet: www.orrick.de

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Tel.: +49 (0)211/367870, E-Mail: duesseldorf@orrick.com

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Heinrich-Heine-Allee 12, 40213 Düsseldorf, Germany,
Tel.: +49 (0)211/367870, Internet: www.orrick.de

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Tel.: +49 (0)211/367870, E-Mail: duesseldorf@orrick.com

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About the Orrick Legal Ninja Series – OLNS

In substantially all of the major world markets, we have dedicated technology lawyers who support young German technology companies on their growth trajectory through all stages. As one of the top tech law firms in the world, we are particularly committed to bringing the American and German entrepreneurship ecosystems closer together.

For this purpose, we launched the Orrick Legal Ninja Series ("OLNS") back in 2019. With this series, we provide overviews on current legal trends and take deeper dives on certain legal topics particularly relevant for German start-ups and their investors.

OLNS editions are co-authored by a multidisciplinary team of lawyers from our national and international offices. It is our goal to tap into the rich reservoir of the venture capital, corporate venture capital and technology know-how of our international platform and make it available to the exciting German entrepreneurship and innovation scene.

Why "Ninja Series?" This title might simply reflect the fact that some of us watched a little too much TV in the 1990s. But, seriously, "Ninja" has come to signify "a person who excels in a particular skill or activity."

That's what the Orrick team strives for when it comes to providing tailored advice to growing tech companies and their investors. We hope that OLNS also empowers you to be a Ninja entrepreneur.

If you'd like to discuss this further, please contact us. We would love to learn about your experiences with the topics discussed in this publication, so please share them with us. We constantly strive to evolve and grow to best serve our clients.

We hope you enjoy this fifteenth edition of OLNS.

On behalf of the Orrick Team,

Sven Greulich
Orrick – Technology Companies Group Germany

A. Founder Teams and Equity Splits in German Start-ups

I. Preface and Overview

We know that it makes normal human beings nervous when lawyers speak about feelings. So, here we go: "Teamwork Makes the Dream Work." Well, does it? In this edition of the OLNS, we're tackling a topic that's as crucial as it is contentious: founder team composition and founder equity splits.

Picture this: you're at the helm of a promising new start-up, full of potential, and ready to make waves in the industry. But there's a critical decision to make: Are you going to do it alone, or do you have a team of co-founders by your side? And if you do have a team, how do you decide who gets what slice of the equity pie? These are some of the most important questions aspiring founders will ever face. The composition of a founder team and the way equity is split can have far-reaching implications for the success of a start-up. A well-balanced team can drive innovation, attract investors, and navigate the inevitable challenges that come with building a business. Conversely, an unbalanced team or a contentious equity split can lead to disputes, distractions, and even the downfall of a promising venture.

High-profile cases abound where issues in the initial team composition or equity splits led to future disputes. Most of us have seen "The Social Network" about the early days of *Facebook*. *Reggie Brown*, one of the original co-founders of *Snapchat*, found himself ousted and embroiled in a legal battle over his role and equity in the company. And then there's the company formerly known as *Twitter* with its tumultuous early days. It's likely a coincidence that these cases seem to cluster in the social media space (or maybe not…). But one doesn't have to look beyond the big pond to find inspirations for founder drama. *Rocket Internet* has seen its fair share of founder disputes over equity splits (just enjoy the OMR Rabbit Hole production on this topic—we certainly did).

While every team must find its own path, there are general goalposts that can help navigate these challenges. In this Guide, we will share some general considerations and what we would consider best practices on how to think about solo founders versus founding teams, team composition, and how to approach the difficult question of the "right" equity split.

We will also hear from experienced investors at venture capital powerhouses such as Atomico, Seedcamp, and tiny.vc, who will share their insights on what makes a strong founder team that has a shot at building a great company.

We're excited to augment the discussion about founder team composition and equity split with a unique empirical study of more than 2,100 German start-ups that were incorporated between 2019 and 2024 and have received some form of angel funding, corporate venture capital, or institutional venture capital. We have not only analyzed the size of the founding teams (including percentages of woman founders) and equity splits but also how they differ according to the sector of the start-up and how they developed over time to identify meaningful patterns and trends.

We will conclude this Guide with a brief comparison of our findings for the German ecosystem with the situation in the U.S. In the past, the U.S. market has often set global trends in entrepreneurship, and insights into founder team structures and equity allocations in U.S. start-ups can be informative for German founders as well. Ultimately, this comparative analysis not only enriches our understanding of start-up founder team composition and equity distribution but also serves as a strategic tool for stakeholders in both Germany and the U.S. By leveraging insights from both markets, founders and investors can make more informed decisions that enhance the prospects for innovation and growth in their respective start-up ecosystems.

> "Please don't do anything stupid or kill yourself, it would make us both quite unhappy. Consult a doctor, lawyer and common-sense specialist before doing anything in this book."
>
> *Tim Ferriss*, Tools of Titans

II. The Founding Team

1. INTRODUCTION

As we will see, studies conducted over the past years consistently indicate that in both the U.S. and Germany, the majority of start-ups are founded by teams, typically consisting of two or three members. While the data shows a rise of the number of solo founders (particularly in the U.S., but also to a lesser extent and with more annual fluctuations in Germany), investors still show a relatively strong and persistent preference for teams. If in doubt, for many venture capital ("**VC**") investors, a good team will also be more important than a good idea. A business idea always comes with risks. For (early-stage) investors, however, the greater risk lies in the founder team and its ability to work together efficiently and execute the—possibly second-rate—business idea. In VC parlour, this is sometimes referred to as "back the jockey, not the horse."

Assuming the decision has been made for a founder team, the question is how the team should be composed to maximize chances of future success. As we will later hear from *Andreas Helbig*, partner at Atomico, the selection of one or more co-founders is the single most important hiring decision that a founder CEO will ever have to make. In this respect, the selection of a founder team does often not seem to be intentional (enough) and founder teams frequently suffer from severe composition flaws.

Against this backdrop, in this Chapter we want to share some observations and lessons learned when it comes to questions around team size and team composition. Obviously, this is a complex, nuanced, and ever-evolving topic, and we by no means want to imply that we have all the answers.

2. TEAM SIZE

We will discuss the rising trend of solo founders (note, not of solo founders getting funded by VC investors) later in this Chapter but want to start with what is still the standard—a founder team. As *Reid Hoffmann* put it: "No matter how brilliant your mind or strategy, if you're playing a solo game, you'll always lose out to a team," and we might less eloquently add another thought: What could a player like *Zlatan Ibrahimovic* have achieved in another national team than Sweden (no offense meant to the *Blågult*...)?

2.1 General Considerations

According to our experience, about a quarter to a third of all German founder teams experience subsequent changes, *i.e.*, the departure of at least one founder during the first three to five years. While our figures may be somewhat skewed (because who calls the lawyer when the founder team is clicking?), these observations are broadly in line with data for the U.S. market where the service provider *Carta* found that two-founder teams saw one founder-departure during the first five years in about 23%–30% of all teams (depending on the company's year of incorporation) with that number steadily rising to about 38%–40% by the end of year eight after the company's incorporation. Interestingly, according to the U.S. Census Bureau, the highest divorce rates in the U.S. amongst all occupations in the U.S. are dancers and bartenders with 43% and 38.4%, respectively, and the median duration of first marriages in the U.S. that end in divorce are between 7.8 and 7.9 years, which would make "founders" the occupation with the second highest "divorce" rate—aren't statistics fun?

But seriously, founder departures might not necessarily be bad. Building and growing a start-up is a lot of stress, the roles and requirements are constantly evolving, and not all founders might scale along their company, or they might simply change personal priorities.

And yet, the question remains if there is something that founders can do to improve their chances. Below is a list of some general considerations when thinking about whether to fly solo or embark on the start-up journey as a team. We compiled this list based on our own observations and many conversations with founders and investors. However, we want to clarify that this is a subjective selection, and the following presentation does not claim to be complete, nor does it represent the results of a comprehensive socio-psychological study or similar.

2.1.1 Vision and Commitment

"Ah, the Vision Thing" [attributed to a certain former POTUS]: When you're a solo founder, aligning with the vision comes down to giving yourself a pep talk when looking in the mirror. With more than one founder, however, things can get a bit more complex. Imagine trying to decide on a restaurant with friends—now multiply that by a huge number (say, the planned CAGR you will show to your investors...), and you get the idea. Having multiple founders means you need to ensure everyone is on the same page regarding the start-up's goals and direction.

This can be a double-edged sword: while diverse perspectives can enrich the vision, they can also lead to disagreements and delays. The key is to establish a clear, shared vision from the start and make sure that if push comes to shove, there is a leader who calls the shots (we will come back to this aspect).

Long-term Commitment: You might have heard this before: "Starting a company is a marathon, not a sprint." We beg to differ. It is more like a constant cycle of sprints that hopefully will lead into the right direction sooner or later. In any case, it requires long-term commitment and perseverance. With multiple founders, you have a built-in support system to help each other stay motivated and committed to the start-up's success. It's like having a running buddy who won't let you quit at mile 20. Solo founders need to be self-driven and resilient, ready to face the ups and downs alone. If you're in it for the long haul, make sure your co-founders are too, or you might find yourself running solo halfway through the race.

2.1.2 Execution Muscle and Resources

There Are a Lot of Hats: One of the perks of having a team is the ability to distribute tasks and responsibilities.

In a start-up, this means that each founder can focus on their strengths, whether it's coding, marketing, or making sure the coffee machine is always stocked. However, with more heads, you also have more opinions, which can sometimes lead to a game of "who's on first?". It's crucial to have clear roles and responsibilities and rules of engagement how to respectfully discuss and disagree to avoid stepping on each other's toes while still moving the company into the right direction. Solo founders, on the other hand, get to wear all the hats, which can be both exhilarating and exhausting.

VC investors often seek "scrappiness" in founders because it reflects a resourceful and resilient approach to problem-solving. Scrappy founders are those who can achieve a lot with limited resources, demonstrating creativity and ingenuity in overcoming obstacles. A scrappy founder is not easily deterred by setbacks; instead, they find innovative ways to pivot and keep moving forward, which is crucial for the survival and growth of their newborn company.

Skill Set: Multiple founders can bring a wider range of skills and expertise, which is invaluable for tackling the myriad challenges a start-up faces. Plus, more founders often mean more networks and connections, which can open doors and create opportunities. However, if you're a solo founder with a superhero-like ability to learn and adapt, you might relish the challenge of acquiring new skills. Just remember, even superheroes need a sidekick or two sometimes to sustain and expand the franchise.

Some Need Peer Pressure: Accountability can be a powerful motivator. In a team, peer pressure can help keep everyone focused and gritty, ensuring that tasks are completed and goals are met. It's like having a personal trainer who won't let you skip leg day. Solo founders, on the other hand, need to be self-motivated and disciplined, as there's no one else to hold them accountable.

2.1.3 Decisions, Decisions...

Decision-making: Decision-making in a team will be slower than arguing with the various voices inside your head as a solo founder. It can also lead to better outcomes by incorporating different perspectives and ideas. Think of it as having your own personal think tank. The trick is to strike a balance between speed and quality, ensuring that everyone has a voice without getting stuck in analysis paralysis.

Conflict Resolution: Where there are people, there's bound to be conflict. In a team of founders, disagreements are inevitable, whether it's about the color of the logo or the direction of the company. The key is to have a plan for resolving conflicts constructively, turning potential roadblocks into stepping stones (wow, that was cheesy). Solo founders don't have to worry about internal conflicts, but they also miss out on the creative tension that can lead to innovation.

2.1.4 Financial Aspects

Maintaining Your Slice of the Pie: As a solo founder, you get the whole pie to yourself, but you also have to bake it from scratch. With co-founders, you'll have to share, which means slicing up that initial equity. This can be a tough pill to swallow, especially knowing that future financing rounds might dilute your share even further. However, having co-founders can also increase the pie's overall size, making your slice more valuable. It's a trade-off between control and collaboration to be carefully considered.

Funding and Investor Appeal: Investors often look at the founding team as a key factor in their decision-making process. A strong, diverse team can be more appealing, as it demonstrates a breadth of skills and a shared commitment to the start-up's success. It's like having a well-rounded cast in a blockbuster movie—everyone plays their part. However, solo founders can also attract investors with a clear vision and ideally a strong track record. The key is to present a compelling story, whether you're a lone hero or part of a dynamic duo (or trio, or quartet). But keep in mind that while for both the U.S. and Germany the last years showed a trend towards more companies getting started by solo entrepreneurs, investors haven't followed that trend yet (see below in Chapter A.IV.3.1.2).

2.1.5 Other Psychological Aspects

Mental Hygiene: Running a start-up is stress, a lot of stress. As a solo founder, you bear the full brunt of the stress and risk, which can be overwhelming. Having co-founders allows you to share the load, providing support and camaraderie in tough times. However, if you thrive under pressure and enjoy the solitude of working alone, going solo might suit you just fine. Just make sure to schedule regular breaks for some mental R&R.

2.2 A Team of One?

Recently, *Sam Altman*'s prediction that in the not-so-distant future, a single-person company will achieve unicorn status, got a lot of attention. While we don't want to pretend that we can predict or create the future like the masters of scale from Silicon Valley, as we will see, the data for the U.S. clearly shows a trend towards more and more solo founders. Our OLNS Founder Equity Study 2025 found similar patterns for German start-ups, though the rise of the solo founder is less pronounced in Germany and there is quite some fluctuation over the years and variation across individual sectors (see Chapter A.II.2.1.5).

While to the best of our knowledge, no comprehensive research on the reasons for the rise of the solo entrepreneur have been conducted yet, the following factors have likely contributed to this trend.

- **Advancements in Technology:** The proliferation of accessible and affordable technology has empowered individuals to start and run businesses on their own. With tools for every-thing from coding and design to marketing and sales readily available, a single founder can efficiently manage multiple aspects of a start-up without needing a co-founder to fill skill gaps or provide bandwidth.
- **Increased Access to Resources and Knowledge:** The internet and more recently the rapid developments in AI have democratized access to information and resources that were once exclusive to larger teams or those with extensive networks. Online courses, webinars, and communities provide solo founders with the knowledge and support they need to succeed, reducing the dependency on a co-founder for expertise.
- **Rise of Remote Work and Freelancing:** The increase in remote work and the gig economy has made it easier for solo founders to leverage freelancers and contractors to fill temporary gaps in expertise. This flexibility allows a single founder to scale operations without committing to a permanent team.
- **Shift in Entrepreneurial Culture:** There has likely also been a cultural shift towards valuing independence and self-reliance in entrepreneurship. Many individuals are drawn to the idea of having complete control over their vision and decision-making processes, which is more feasible as a solo founder.
- **Financial Considerations:** There are more funding opportunities available and for many start-ups, VC investors (with their preference for teams, as we will show next) are no longer the only viable option.

When interpreting the data that indicates a trend towards solo founders, it is important to note that they describe the very early stages of bootstrapped start-ups. When one looks only at start-ups that have received funding from institutional VC investors, a *Carta* survey of U.S. start-ups that span a period from 2016 to 2024 shows that only about 16%–19% VC-backed start-ups had a single founder and that number remained fairly consistent over the years despite the increase of solo founders during such period. In our OLNS Founder Equity Study 2025, we found similar patterns for Germany though there were more fluctuations over the years than in the U.S.

This preference is rooted in several key factors that influence the dynamics and potential success of a start-up. VC investors want to invest in start-ups that can achieve a lot in a very short period of time. VC-backed start-ups have little time to find product-market fit and then massively scale before they are ready for an exit. Having multiple founders allows for a division of labor, which can be crucial in managing the myriad tasks involved in building a company. As *Paula Wehmeyer*, investor formerly with La Famiglia and General Catalyst puts it: "In a team you have simply more highly-motivated people that are willing to work day and night." With their built-in support system, investors often also view teams as more stable and resilient, as the departure of a single founder in a team does not necessarily jeopardize the entire venture. In contrast, a solo founder's exit could mean the end of the start-up.

When looking ahead, it remains to be seen whether or not the rise of AI might influence venture capital sentiments towards solo founders. AI tools can significantly enhance the capabilities of a single individual, automating tasks that would traditionally require a team. For instance, AI can assist with data analysis, customer service, and even coding, potentially levelling the playing field for solo entrepreneurs. As AI continues to evolve, it could reduce the perceived disadvantages of being a solo founder, making it more feasible for individuals to manage and grow start-ups independently.

Here is just one story to illustrate this potentially seismic shift: With the release of new AI models that are better at coding, developers are increasingly using AI to generate code. A quarter of Y Combinator's W25 start-up batch have 95% of their codebases generated by AI, YC managing partner *Jared Friedman* shared in a conversation posted on YouTube in March 2025 (for completeness: Friedman said that this 95% figure didn't include things like code written to import libraries but took into consideration the code typed by humans as compared to AI).

As the start-up landscape evolves, it will be interesting to see how these dynamics play out and whether the balance between solo founders and teams will really shift in response to technological advancements. Most of the investors we interviewed for this Guide assume that AI will empower more solo founders to build tech start-ups but believe that in order to build a fast-scaling company that can appeal to VC investors, will still require a team of two to three founders. In their opinion, while AI can augment a solo founder's capabilities, it is unlikely to replace the benefits of a diverse team. Human creativity, emotional intelligence, and the ability to build relationships are aspects that AI cannot replicate. Therefore, while AI might make solo entrepreneurship more viable, the fundamental advantages of having a team—such as diverse perspectives and shared responsibilities—will likely continue to make teams the preferred choice for many VC investors. That being said, most of our interviewees expect an AI-induced change in team composition, *e.g.*, away from the coding-focused CTO towards strong CPOs.

SEEDCAMP

A conversation with **Tom Wilson**, **Seedcamp**

WHY FOUNDER-MARKET FIT IS (ALMOST) EVERYTHING

In a candid conversation with Tom Wilson, co-lead of Seedcamp's investment team, we discussed how his views around founder team size and composition have evolved and why the concept of "founder-market fit" is crucial in his evaluation of founder teams.

Sven: Tom, Seedcamp is known for being founder-first and investing very early. How early is too early?

Tom: [laughs] We're a seed-stage investor, and nothing is really too early for us. Well, you know what I mean... What's crucial for us is understanding what we call the "founder-market fit"....

Sven: Founder-market fit?

Tom: As I am speaking to a lawyer, I should be more precise and should perhaps better say "founding team-market fit." [laughs]

Sven: That doesn't roll off the tongue quite as easily... But let's double-click on this concept of founder-market fit.

Tom: It comes down to understanding three fundamental "Whys." Why does the world need this product? Why now? And, crucially, why you? In our investment stage, we can make hopefully educated guesses on a developing technology and a market opportunity. But where we really need to build conviction is that this specific team is the best fit to go after this market and has a fair chance of succeeding.

Sven: Could you give us an example of what strong founder-market fit looks like?

Tom: Think of it this way: The best founders we've backed have often lived the problem they're trying to solve. They bring a unique insight or advantage to the market they're targeting. This could be deep domain expertise, strong industry relationships, or sometimes just a fundamentally different perspective on how to solve a problem. But it's not just about having the right background – it's about having the right combination of skills and mindset to execute on that opportunity.

Sven: And how do you assess that combination?

Tom: We look for teams that can operate at an extremely high pace—what we call "clockspeed" in the start-up world. This means having the ability to make decisions quickly, launch new iterations of their product rapidly, and adapt to changing market conditions almost in real-time.

Founders need to be comfortable making decisions in very unstructured environments and always with incomplete information, learn from the results, and immediately apply those learnings to the next iteration. It's about maintaining this rapid cycle of decision-making, execution, learning, and adaptation.

Sven: How does this relate back to founder-market fit?

Tom: Different markets move at different speeds and require different approaches. A deep-tech start-up might need more time for product development, while a consumer app might need to iterate rapidly based on user feedback. The founding team needs to match the rhythm and requirements of their chosen market. This is why we spend so much time understanding not just the team's capabilities, but how those capabilities align with their specific market opportunity.

Sven: And what are signals that would make you pause and question if there is really founder-market fit? Maybe you can use deep-tech start-ups as an example.

Tom: Let me first answer your question for deep-tech, and I can then share some more general aspects....

Sven: Sure, that would be great. So deep-tech teams first....

Tom: [smiles] I think the industry has course-corrected over the last few years – well, at least outside the AI space it seems... As investors, we were often too impressed by great research resumes or experience at world-class research institutes. But we've learned that excellent researchers aren't necessarily the best start-up founders. Being a great researcher or an outstanding key executive at a global technology leader doesn't automatically translate into being a great builder.

Sven: And more broadly?

Tom: Generally, several things catch our attention. Teams with no relevant market knowledge can be one. Another is having too many founders without clearly delineated roles—for instance, when you have five founders all with C-level titles, there's potential for conflict. I don't have statistical data, but I believe the vast majority of such teams will see at least one founder depart early.

And, most importantly, cultural misfit among founders is a big concern—even small things like talking over each other or sensing that some founders don't click.

Sven: Before we move on. Any final thoughts on founder-market fit?

Tom: Yes, I think it's important to understand that founder-market fit isn't static. The best founders grow with their market opportunity. They might start with strong domain expertise, but they need to continuously evolve their skills and their team as the market and company grow. That's why we look for founders who not only have the right background but also demonstrate the ability to learn and adapt quickly, like really quick.

Sven: Thanks so much. Let me ask you another question: Is there an ideal team size?

Tom: While no answer fits all situations, I believe the sweet spot is two to three founders. Typically, you need someone with deep technical expertise, a commercially minded leader, and someone who ensures execution. Of course, sometimes one founder might fulfill multiple roles. My thinking has evolved regarding solo founders—while it's still easier for us to build conviction on a team, we're open to backing solo founders who have made a deliberate choice to go alone and demonstrate true outlier talent.

Sven: How do you view equity splits among founders?

Tom: At Seedcamp, we generally believe the right equity split is up to the founders to decide and stay out of that discussion.

Sven: Really, always?

Tom: While personally, I tend to favor an even split, what really matters is that founders find it fair and sustainable long-term. Okay, occasionally we get more involved, particularly when founders have been clearly diluted too much at the start and when a nonoperational individual holds a large stake. We then try to help the parties understand that having a smaller piece of something valuable is better than a larger chunk of something that's not going anywhere.

Sven: Tom, it has been a real pleasure. Thank you so much.

3. TEAM COMPOSITION

To hear it once more from the lawyers' favorite superhero, Captain Obvious: The composition of a founder team can significantly impact a company's trajectory, especially if the goal is to attract venture capital and pursue rapid growth.

Before we continue. Have you noticed that whenever we dive into discussions about team compositions in business, we can't help but reach for sports analogies (we did so four times in the first 10 pages of this Guide)? After all, what better way to illustrate teamwork than through the lens of competitive sports. Having already (over-) used football as our go-to reference in the preceding pages and earlier editions of OLNS, we thought it was time to give a nod to one of our American friends' favorite pastimes, basketball: While watching *Michael Jordan* seemingly defy gravity on the basketball court might make it look easy, it's important to remember that he was just one player. His incredible talent was a crucial component, but it took a well-composed team and the guidance of a once-in-a-lifetime coach, *Phil Jackson*, to lead the Chicago Bulls to two separate three-peats, winning three consecutive NBA championships from 1991 to 1993 and again from 1996 to 1998. As Jordan himself said, "Talent wins games, but teamwork and intelligence win championships."

The matter is way more complex than what we can discuss in a few paragraphs, so we will limit ourselves in the first part of this Chapter to some general considerations and what we often hear from investors when they are evaluating a team. We will then take a little deeper dive on two important roles or qualities that can significantly help every founder team—the storyteller and the execution driver. We close this Chapter with some additional remarks on IP-centric university spin-offs.

"Lists and stories are complementary. National myths legitimize the tax records, while the tax records help transform aspirational stories into concrete schools and hospitals. Something analogous happens in the field of finance. The dollar, the pound sterling and the bitcoin are all brought into being by persuading people to believe a story, and tales told by bankers, finance minister, and investment gurus raise or lower the value. When the chairperson of the Federal Reserve wants to curb inflation, when a finance minister wants to pass a new budget, and when a tech entrepreneur wants to draw investors, they all turn to storytelling. But to actually manage a bank, a budget or a start-up, lists are essential."

Yuval Noah Harari, Nexus – A Brief History of Information Networks from the Stone Age to AI

3.1 An Impossible Task

In our humble perspective, when writing the first cheques, most investors' decisions often reflect an initial assessment of the overall market opportunity of the start-up, but foremost a (hopefully) educated bet on the founders' execution muscles.

Pros and Cons of Homogeneity: Throughout this Guide, we will discuss some of the most important issues we see in our practice but let us begin with one of the most common ones: Many founder teams are (too) homogeneous. Here, homogeneity comes mainly in two forms.

- There is a technical dimension, *e.g.*, when the team consists exclusively of technical or business experts (think of it as more or less the same founder just from different parents). In complementary founding teams, on the other hand, turf wars can often be avoided from the outset. These teams tend to harmonize better, team members complement each other and can contribute different strengths. Of course, it would be too short-sighted to believe that simply bringing together different areas of expertise makes for a good team.
- And that brings us to the interpersonal dimension. When selecting team members, attention should be paid not only to technical/professional competencies but also to a balance of character traits and social skills. Good communication and conflict resolution skills are fundamental for a well-functioning team. Here, we sometimes encounter either too much homogeneity in character traits and social skills, which can not only amplify strengths but also weakness. Equally problematic are teams who seek to combine characters who simply can't work together. Later in this Guide, we will talk to *Philipp Moehring* from tiny.vc who points out to an important and often overlooked aspect. Not only the positive character traits and communication skills need to match but also what Philipp calls the "dark sides" of founder characters (see Chapter A.III.2.4).

"The most important thing is that you trust each other and can communicate well. If you can't do that, it doesn't matter how complementary your skills are."

Jessica Livingston, Co-founder of Y Combinator

An Arguably Better Composition: A well-rounded team with complementary skills and a shared vision is more likely to instill confidence in potential investors. Considerations may include the following:

- **Technical Expertise:** A founder with a strong technical background can drive product development and innovation, crucial for tech-driven start-ups.
- **Business Acumen:** A founder with business and strategic skills can navigate market dynamics, manage finances, and drive growth strategies. In this context, deep domain expertise is often preferred by investors. However, a team where all founders worked at the same company or industry may have blind spots and miss chances to tackle known problems in a better way.
- **Marketing and Sales Savvy:** A founder who excels in marketing and sales can effectively position the product and build customer relationships. These skills partly overlap with the superpower of the storyteller we will discuss below but the art of storytelling goes way beyond the marketing department. With regard to the importance of having at least one sales-driven founder on the team, please see our interview with *Andreas Helbig* from Atomico at the end of this Chapter.
- **Operational Efficiency:** A founder focused on operations ensures that the day-to-day functions run smoothly, supporting sustainable growth. This role is often undervalued. Having someone on the founder team with great organizational skills and a built-in desire to follow up and follow through keeps everyone on track and ensures that things actually get done. Especially once the trajectory is set and the execution and scaling phase begins, operational efficiency can have a massive impact on the start-up's continued success.

Such a diverse team can appeal to VC investors, as it demonstrates the ability to handle different aspects of the business, reducing reliance on external hires in the early stages.

But There Is a Need for (One) CEO: Let's be honest—start-ups aren't exactly a democracy in action. Think of them more like a speedboat that needs a clear captain rather than a cruise ship run by a committee. While a shared vision is the foundation (and nonnegotiable), the fast-paced, constantly shifting start-up environment demands quick, decisive action. That's where having one clear leader—let's call them the real CEO, not just the person who grabbed the title first—becomes crucial. This leadership role comes with both privileges and burdens. More equity? Maybe yes (we'll dive into that later). But it also means carrying the weight of tough decisions and ultimate responsibility on your shoulders. And here's the thing: When we talk about "dominant" leaders, we're not talking about workplace bullies or ego-driven commanders. We mean those rare individuals who can project confidence externally while building strong teams internally. They're the ones who can paint a compelling vision of the future, make tough calls when needed, and pivot fast when circumstances demand it. No wonder investors love them—these leaders are like skilled captains who can navigate through storms while keeping their crew motivated and their ship on course.

Let us repeat it one last time as we found it to be one of the top reasons for founder team problems. It's essential to delineate clear roles and responsibilities from the outset to avoid stepping on each other's toes. When multiple founders have similar expertise, decision-making can become contentious, slowing down progress and creating friction. There needs to be a clear leader.

SOME POTENTIAL RED FLAGS IN TEAM COMPOSITION

When composing this Guide, we spoke to a number of institutional investors and asked them for potential red, or at least orange, flags in founder teams. Here is a medley of the most-often cited warning signs:

- lack of shared vision;
- no cultural fit and incompatible dark sides (*e.g.*, approaches to conflict and addressing stressful situations);
- lack of mutual prior working relationship (Some studies show correlations of prior work experience with the ability to raise a subsequent Series A round after a start-up raised a seed financing. Interestingly, there are sector-specific differences and the effect seems to be strongest for scalable B2B SaaS start-ups while much weaker in long-gestation deep-tech companies.);
- no clear role distribution or overlapping roles;
- multiple founders with identical backgrounds and a lack of complementary skills;
- lack of co-founder with exceptional tech expertise in tech start-ups;
- missing business development expertise and no sense for the importance of sales;
- frequent founder team turnover and disputes with former co-founders;
- feeling that not all founders are fully committed and that the current equity split will not be representative for anticipated future contributions by the respective founder; and
- feeling that the founders are unable or unwilling to be mentored.

atomico

A conversation with **Andreas Helbig, Atomico**

PLEASE DON'T SAY "IT JUST HAPPENED"

In this engaging conversation with Andreas Helbig, partner at Atomico, we explore the importance of intentionality in building successful start-ups. Andreas emphasizes the need for a well-rounded founding team that balances personalities and skills, highlighting the often-overlooked significance of a sales-driven approach.

Sven: Andreas, thanks for joining us. Let's jump right in and start with an easy warm-up question. Solo founders versus founding teams—what's your take?

Andreas: Well, okay, that is the easy one?

Sven: Sure...

Andreas: Seriously, a start-up in the early days often mirrors the founder's personality. Solo founders can make it work, but most personalities aren't "well-rounded." You know, they have their quirks, and co-founders can help balance that out. Plus, business-focused solo founders sometimes overlook the product's value, which can bite them later.

Sven: So, you're saying co-founders can fill those gaps?

Andreas: Exactly. It's about amplifying strengths and mitigating weaknesses. But let's not forget, founder departures are normal. Not every founder stays for the whole journey.

Sven: Right, and in the early stages, you focus on the CEO, correct?

Andreas: Yes, absolutely. The CEO sets the tone. I'm wary of co-CEOs. Start-ups need a clear leader, but that doesn't mean the CEO is a lone wolf. Their ability to build and lead a team is crucial.

Sven: In other conversations, you often mention having a "Foreign Minister" and an "Interior Minister." Can you explain? And how does that tie in with what you said about the CEO?

Andreas: Sure! The CEO is the Foreign Minister—great at storytelling and vision, driving the start-up forward and claiming its space in the world. The Interior Minister keeps things on track, ensuring execution. Obviously, this duo only works if they share values and a vision. To bring this back to the solo vs. team question: Avoid having two of the same personality in a team.

Sven: Intentionality seems key here...

Andreas: Exactly. Founders must be intentional, not opportunistic. Deciding on your co-founder or co founders is hands down the single most important hiring decision you will ever make. Take family members, for example. It worked great for Stripe, but it should be a deliberate choice, not just because your sibling happened to be available.

Sven: Got it. Another topic that you get passionate about is "sales."

Andreas: Yes, huge issue, especially in Germany when I compare it with the U.S.

Sven: Please explain.

Andreas: Absolutely, Sven. Sales is mission critical, like really mission critical. Being "sales-driven" isn't just about customer obsession. It's about understanding ARR growth and aligning the company with go-to-market strategies. Sales should be at the core of every start-up and needs to be part of their DNA.

Sven: So, it's more than just having a good product?

Andreas: Exactly. It's about building a sales-driven organization. In Germany, we need to catch up with the U.S. in this regard. Sales is a core competence, and a data-driven, go-to-market approach is hard but that is exactly why it is also vital and gives you an edge if you can pull it off.

> “Founders must be intentional, not opportunistic. Deciding on your co-founder or co founders is hands down the single most important hiring decision you will ever make.”
>
> **Andreas Helbig**
> Atomico

Sven: Agree, let's take a turn. How about equity splits? What's your perspective?

Andreas: I know I sound like a broken record.

Sven: We are old, not sure if most of our readers will still get that phrase.

Andreas: [smiles] As the broken record says: The decision must be intentional. "It just happened" isn't good enough. A 50/50 split is fine if thought through. But if the CEO's role is more significant, they might deserve more. The CEO's role often remains crucial as the company grows, while the Interior Minister's role might become less important as leadership roles are filled with top talent. This can justify a larger equity chunk for the CEO. Adjustments can be made as roles evolve.

Sven: Finally, I can't let you go without asking you about AI's impact on founder teams—what do you foresee?

Andreas: We'll see more solo founders building technology companies that will become the next generation of German SMEs, but potentially big companies still need balanced personalities. When zooming in on the latter, you know, these are the VC cases we are looking for, I don't think that AI will have a huge impact on the number of founders but might alter team roles. Do you need a CTO, or is a CPO enough when the techies on your team love the CPO? AI enhances the feedback loop, boosting product managers.

Sven: Andreas, this has been enlightening. Thanks for sharing your insights.

Andreas: My pleasure, Sven. Always great to chat.

3.2 The Power of the Storyteller or Why Every Start-up Needs a "Rampensau"

To wrap up what we have discussed so far: The ideal founder team composition balances complementary skills with strong alignment on vision and values, based on character traits that can click. If looking at a team through a VC investor's eyes, an interesting team to back will often check most of the following boxes:

- 2-4 (better 3) founders with distinct, complementary skill sets;
- at least one (but better more) technical and one business-focused founder;
- a shared vision for growth and aligned values;
- ability to operate in both national and international contexts;
- a desire to learn rapidly and the willingness to be mentored; and
- good interpersonal relationships and team chemistry.

Remember, while there's no one-size-fits-all solution, understanding these patterns can help in assembling or optimizing a founding team. But wait, there is one more often undervalued but, in our mind, extremely important skill that at least one founding team member should be really good at and keep perfecting. We are talking about the art of storytelling and the "Rampensau Effect" (we cannot tell you how much we wanted to add to the literature on founder success by giving the world the term "Rampensau Effect").

Rampensau [noun]

Ram·pen·sau

ˈʁampn̩ˌzaʊ̯

A person who thrives in the spotlight and has a natural talent for captivating an audience (may they bring money or work for a meager salary) and whose showmanship usually substitutes for early-stage investors' due diligence.

In the start-up world, having a compelling storyteller in your founding team isn't just nice to have—it's often crucial for success. Here's why:

- **Team Building and Culture:** Internally, strong storytellers help build and maintain company culture. They can inspire potential employees to join the journey, keep the team motivated during tough times, translate the company's vision into a narrative that everyone can rally behind, and create a sense of purpose beyond just building a product.
- **Market Positioning:** Externally, storytelling capabilities are vital for building brand awareness (if we could only think about an example where a too-close association of a company's brand with the increasingly erratic behavior of its founder proved problematic…), attracting early adopters and customers, positioning the company in the media and creating buzz in the start-up ecosystem and crucially, bringing the best talents on board. For example, VC investor Episode 1 Ventures analysed tens of thousands European start-ups that had raised a seed financing since 2010. Using the ability to raise a subsequent Series A financing as an (admittedly sub-optimal) proxy for early-stage start-up success, they found that the ability to hire top talent (Episode 1 Ventures looked at the first three hires) after the series seed raise strongly correlated to future fundraising success.
- **Fundraising Success:** A great storyteller can transform complex technical solutions into compelling narratives that resonate with investors. They can articulate not just what the company does, but why it matters and how it will change the world. In an environment where any VC sees hundreds of pitches annually, the ability to craft and deliver a memorable story can be the difference between a term sheet and an email that creatively combines phrases like "too early," "need to see more traction," "not quite our sweet spot," and the classic, "you might be on to something, so let's stay in touch"—a.k.a. the VC's version of "it's not you, it's me."

- **Crisis Management:** When challenges arise (and they always do), a skilled storyteller can maintain stakeholder confidence, help put setbacks into the right frame, keep the team focused on the bigger picture and navigate through difficult conversations with investors

The German term "Rampensau" (literally "stage hog") perfectly captures what we're looking for: someone who can command attention, engage audiences, and deliver messages with authenticity and passion. This person doesn't just present information—they create emotional connections and inspire action. However, great start-up storytelling isn't just about charisma. The best storytellers in founding teams back narratives with data, adapt their story to different audiences, stay authentic while being persuasive, evolve the story as the company grows, and most of all, listen as much as they talk.

A Conversation with
Paula Wehmeyer, Investor
(Formerly with La Famiglia and General Catalyst)

WHY TOMORROW'S TECH FOUNDERS NEED TO MASTER STORYTELLING

Sven Greulich sat down with Paula Wehmeyer, an investor formerly with La Famiglia and General Catalyst, to discuss what makes founder teams successful and investable. Paula shares insights from her experience investing in both the German and U.S. start-up ecosystems.

Sven: Paula, thanks for taking the time. Let's start with a simple one: Backing solo founders or teams?

Paula: [laughs] Alright, if that is the simple one, this will be interesting. Seriously, while solo founders are crucial for developing bootstrapped SMEs and play a vital role in our economy, they present unique challenges for venture capital investors. With founding teams, you have multiple, fully committed people who hold significant equity stakes, motivating them to go the extra mile. This alignment of interests and combined capabilities is particularly important when building venture-scale companies.

Sven: Why is that?

Paula: We're looking for start-ups that can achieve extraordinary results in a very short time frame. While it's not impossible to find a person who's simultaneously a technical mastermind, great storyteller, and execution wizard, it is much more likely to find these qualities in a team of strong founders.

Sven: Interesting that you mention storytelling. You know that we have a mutual story here....

Paula: Really?

Sven: I remember moderating a panel with you at WHU's idealab! Conference. I guess it was in 2021, when people could finally meet again after Covid. When I asked the panel to share their top one or two tips for aspiring founders, you emphasized the importance of storytelling. Could you elaborate on that?

Paula: Absolutely! We're looking for founders who can paint a picture of a world that doesn't yet exist but should—or better yet, must—exist, and convincingly explain how they'll make it happen so that we want—now we must—be part of this journey.

Sven: Do you have an example?

Paula: I remember a conversation with Maxim Perumal, founder of Unison. He can make you see a future where virtual reality is indispensable, and he combines this vision with being an outlier talent.

You know, storytelling has two crucial components: First, showing various stakeholders—remember, this is not just about wooing investors, but also winning employees and customers—why your company must exist. Second, demonstrating that you are the exceptional talent who can turn this into reality and be capable of actually delivering on that vision.

Sven: Any other tips for great founder team composition?

Paula: Cultural alignment is absolutely key. In fact, founders should err on the side of too much homogeneity when it comes to fundamental questions: How do we approach work? Are we all comfortable working weekends? How do we handle conflicts and feedback? You know, if one team member is always on the offensive…

Sven: That is VC speech for being obnoxious?

Paula: Not really. Let me put it this way: if one founder has a very transactional communication style and is confrontational while the others are very soft-spoken and consensus-oriented, there might be potential for conflict.

Sven: How do you view equity splits among founders?

Paula: While equal splits can make sense in some cases, I believe it's often beneficial to give the CEO a slightly larger share….

Sven: That can be a tough conversation…

Paula: Oh yes, but it is important. An uneven split reflects that the founder team has established clear leadership and accountability—someone who can make final decisions but is also ultimately responsible if things don't work out. However, the north star should always be if the team finds the split fair and sustainable in the long haul.

Sven: Looking ahead, how do you think AI will impact ideal team compositions?

Paula: This is a fascinating question. AI could fundamentally change what we consider an "ideal" founding team. We might see smaller teams in fast growing scale-ups with leaders having fewer direct and indirect reports, which, in turn, might reduce the importance of traditional leadership skills. Founders may become leaders of AI rather than leaders of human teams. In the same vein, except for genuine deep-tech cases, there could also be less emphasis on technical expertise and more focus on what we in VC call "scrappiness"—or what I'd describe as the doubled importance of "high agency" and "high execution" capabilities. The ability to effectively leverage AI tools while maintaining strategic direction and execution excellence will likely become increasingly crucial.

Sven: Paula, thank you so much for sharing your insights.

> “We're looking for founders who can paint a picture of a world that doesn't yet exist but should—or better yet, must—exist, and convincingly explain how they'll make it happen…”

Paula Wehmeyer
Investor

But as good lawyers do, let us add a note of caution: While the art of storytelling plays a significant role, it should not be overused at the expense of clear and direct communication when discussing important terms and facts. Especially conscientiousness is a personality trait that significantly influences investors, as suggested by a study of the Columbia Business School.[1] Additionally, a skilled storyteller should avoid always stealing the spotlight and instead ensure not to overshadow the contributions and ideas of other co-founders.

3.3 The Execution Driver

Let's examine a second critical role in many successful founder teams, the "Execution Driver" or "Delivery Champion." In the dynamic world of start-ups, having a visionary storyteller is crucial for painting the big picture and inspiring stakeholders. However, equally important is the presence of an "Execution Driver"—a role that ensures the vision is translated into reality through effective execution. They hold team members accountable to timelines and deliverables, ensuring that the start-up progresses steadily. By focusing on getting things done, they help the team avoid the trap of endless perfectionism, moving projects forward when they are "good enough."

This Chapter will delve into why this role is indispensable, what it entails, and how to navigate potential challenges associated with it.

"Vision without execution is hallucination."

Thomas Edison, (note that some also attribute this quote to his biographer Walter Isaacson, we like it nevertheless)

The Importance of the Execution Driver in Start-up Success: In the start-up world, ideas are abundant, but execution determines success. The Execution Driver is the operational backbone of the start-up and is crucial because:

- most start-ups fail not due to bad ideas, but due to poor execution;
- time and resources are limited, requiring efficient allocation;
- early-stage companies need quick iterations and decisive action;
- investor confidence heavily relies on demonstrated execution capability; and
- team momentum and morale depend on visible progress.

The Execution Driver's Job Description – the TACT Framework: Against this background, the Execution Driver's role encompasses a few key tasks that we have sought to organize in what we call the "TACT Framework." TACT includes

- **T**imeline Management
- **A**llocating Resources
- **C**atalysing Decisions
- **T**eam Accountability

Wow, assembling a bunch of buzzwords in the order of a supposedly smart acronym. We almost feel like real consultants... Seriously, there is no magic here, all we want to do with TACT is to help you remember the key responsibilities of a good Execution Driver:

First, **Timeline Management** is a critical aspect of the Execution Driver's duties. This involves overseeing project timelines and setting realistic deadlines that align with the project's scope and goals. The Execution Driver must track progress meticulously, ensuring that milestones are met and the team stays on course. Additionally, they are responsible for identifying any bottlenecks that may arise and taking proactive steps to remove them, thereby keeping the project moving smoothly.

Second, the Execution Driver is tasked with **Allocating Resources** efficiently. This means prioritizing tasks in a way that aligns with the project's objectives and ensures that resources are distributed to maximize productivity. By maintaining a focus on critical paths, the Execution Driver ensures that the team concentrates on the most impactful tasks, optimizing the use of time and materials.

Third, **Catalysing Decisions** is an essential function of the Execution Driver. They must ensure that projects move forward when they are "good enough," striking a balance between the pursuit of perfection and the need for progress. This involves making informed decisions that propel the project forward, even in the face of uncertainty. Additionally, the Execution Driver engages in process optimization, continuously improving workflows to enhance efficiency.

Finally, the Execution Driver is responsible for **Team Accountability**. This includes ensuring that deliverables are clearly defined and communicated to all team members. The Execution Driver must also follow up on commitments, holding team members accountable for their contributions. By maintaining a high execution rhythm and reiteration cycle, the Execution Driver fosters a culture of continuous improvement and sustained momentum. Furthermore, they are adept at problem-solving, quickly addressing and resolving operational challenges to keep the team on track.

1. See "Start-up Success: How Founder Personalities Shape Venture Outcomes," available at https://business.columbia.edu/research-brief/research-brief/startups-founder-personalities-vc.

"The difference between a great idea and a successful business is execution."

Marc Benioff, founder of Salesforce

The Essential Traits and Skills of an Execution Driver: An effective Execution Driver should possess a combination of the following traits and skills:

- **Character Traits:** An Execution Driver must be decisive and action-oriented, capable of making quick, informed decisions to keep projects on track. They should be a pragmatic problem-solver, able to address challenges efficiently while maintaining focus on the project's goals. A results-focused mindset is crucial, ensuring that efforts are directed towards achieving tangible outcomes. High emotional intelligence allows the Execution Driver to navigate interpersonal dynamics effectively, fostering a collaborative team environment. Additionally, a natural sense of urgency drives them to push projects forward, balancing speed with quality.
- **Technical/Organizational Skills:** On the skills side, the Execution Driver should have strong project management expertise, enabling them to oversee timelines and ensure milestones are met. They must possess strong analytical capabilities to assess situations and make data-driven decisions. Process optimization experience is essential for continuously improving workflows and enhancing efficiency. The ability to assess and deal with risks ensures that potential issues are identified and mitigated before they become significant problems. Lastly, performance tracking proficiency allows the Execution Driver to monitor progress and adjust strategies as needed to achieve desired results.

Are there Potential Problems? While the Execution Driver is vital, their role can occasionally present challenges that need to be addressed:

- **Risk of Micromanagement:** Some Execution Drivers might become overly controlling, stifling creativity. To counter this risk, the team needs to support a culture of trust and autonomy, allowing team members to take ownership of their tasks.
- **Burnout:** The constant pressure to deliver can lead to fatigue and ultimately burnout. Distributing the workload and a supporting environment can help mitigating these risks.
- **The Start-up Strikes Back:** Additionally, the Execution Driver may face resistance to change, particularly when implementing new processes or strategies. Encouraging a mindset of continuous improvement and adaptability can help overcome this resistance, ensuring that the team remains open to new ideas and approaches.

3.4 A Few More Thoughts on IP-Centric University Spin-offs

We want to share a few additional thoughts on a group of start-ups that is very close to our hearts, *i.e.*, IP-centric university spin-offs.[2]

Obviously, having top-notch researchers in the founders' team is important. Many spin-offs from technical universities embark on a deep-tech strategy and these start-ups differ from those that fall more in the camps of a network, scaling or "product first" strategy. A 2021 analysis of 1,000 successful European start-ups and scale-ups by McKinsey[3] showed that for companies that pursue a deep-tech play, attracting the best research and development talent is amongst their most relevant success factors. Interestingly, McKinsey also found a significant positive correlation between a higher share of top-tier researchers and the valuation of their respective start-ups.

Recent studies at the Technical University of Munich suggest that many scientists find it difficult to cope with their new role as founders, primarily because this requires a move away from "scientific perfectionism" and towards "entrepreneurial pragmatism," where even suboptimal solutions often have to suffice. This is where interdisciplinary teams can help. If interdisciplinary teams succeed in developing a common team identity, effectively organizing the exchange of information amongst team members, and developing a common vision and strategy of their start-up project, the spin-off has a better chance of not only achieving scientific/technical goals, but also get the business side of the house in order. Recognizing and addressing team psychology problems requires appropriately experienced and trained coaches at the universities' entrepreneurship centers. Our experience suggests that effective team coaching from universities, starting early in the idea generation phase, can add considerable value here.

2. We dedicated an entire edition of our OLNS to this very important topic, see OLNS#10 – University Entrepreneurship and Spin-offs in Germany. The Guide can be downloaded here: https://www.orrick.com/en/Insights/2022/11/Orrick-Legal-Ninja-Series-OLNS-10-University-Entrepreneurship-and-Spin-Offs-Germany.
3. See "Winning formula: How Europe's Top Tech Start-ups get it right," available at https://www.mckinsey.com/industries/technology-media-andtelecommunications/our-insights/winning-formula-how-europes-top-tech-start-ups-get-it-right.

A few years ago, when discussing success factors for deep-tech start-ups, *Julia Sunderland* from Biomatics Capital Partners rightly observed: "I think it has to be a mix. It's hard to just pull some science out and package a management team around it. You need a passionate core founding scientist that really cares deeply about the science and pushes it hard. You can do it without that but having that makes it so much easier. [...] Finding a core scientist that cares deeply and is able to be mentored by really great people, then wrapping really great people around him or her, is the path to success when you've got some great science and want to build a company around it."

And what about the (business-focused) CEO? Should one of the scientific founders assume that role or is it better to get an outsider added to the founder team? Let's hear it one more time from Julia who had this to share: "When you've got these really dynamic young scientific founders, many haven't gone through the experience of forming a company. They think they need to be deep experts, and they're sort of defensive about what they don't know. Helping them understand that they don't always have to be the CEO and that there are people out there in the world with deep expertise to help them in areas that may not be their strengths is vital. Being comfortable with what you don't know is a key personality aspect that is often in conflict with some of the scientific mindset." While we generally agree with Julia's observation, we also think that it is a misconception when scientific founders believe that right from the start, they need to find a CEO to run their company. For one, it's hard to find a great CEO to run an idea-stage start-up with no meaningful funding and a mediocre outside CEO in the early phases can be worse than a passionate scientific founder who seeks great mentors to grow into this role (or starts with some online tutorials...).

"But even if you could draft any person in the world to run your company, it still probably wouldn't be a good idea. The best CEO for this stage is one of the people who did the original research. The people who did the original research will be far more invested in the success of the venture than any outsider. They are also far more qualified to build a company around it because their domain knowledge of the field is much more valuable than whatever general business skills an outside CEO would bring. [...] People who work in business like to make it sound hard, as if business were like quantum physics, a field that needed to be studied for years to master. The fact is, it's not even close."

Jared Friedman, Y-Combinator

III. Approaching the Equity Split

Great, so you have a founder team with complementary skill sets and it is (hopefully) emotionally stable for the rollercoaster ride ahead. But how to split equity amongst the founders?

Founder Equity Split [noun]

Fou·nder E·qui·ty Split
faʊndər - ɛkwɪti - splɪt

The initial distribution of the equity in a start-up amongst the founding team members that ideally adds up to 100% and is usually not thought through carefully enough.

1. EVEN OR UNEVEN?

Predominantly, you must decide whether an equal split suits your company and your corporate culture, or whether you would prefer an unequal but weighted allocation.

There is a substantial group of investors and start-up colleagues that argue that an equal split will create a stronger sense of community among co-founders and thus maximize the motivational effect. Company shares are finite, and a reasonable, fair and—we will come back to that—sustainable distribution must be found. Especially young, inexperienced founders tend to avoid conflicts at this point and agree on an equal distribution (deploying all our spreadsheet skills, that leaves a four-founders team with four more or less happy 25%-shareholders).

To be clear: We are NOT saying that this might not be an equitable distribution. There are good arguments for this position. What we advise is that whatever the split is, it needs to be intentional and future-focused.

If it is not an intentional decision, an even split can be perceived by investors as immature, unreflective, and thus short-sighted. "A quick, even split suggests that the founders don't have the business maturity to have a tough dialogue," says *Noam Wasserman* who did a fair amount of research on founders' equity split decisions. Business-mature founders who would really face the split question and have had an open-ended exchange about this would come to an uneven split in many cases, he argues. In such cases, automatically resorting to an equal distribution can just delay an inevitable conflict amongst founders. An ill-considered equal distribution can cause negative associations with potential investors.That being said, there is a difference between an uneven and an imbalanced split. Distributing shares unevenly can go too far, seed conflicts in the future, and might lead a potential investor to falsely believe that there are certain less-valuable founders on board. *Michael Seibel* from the storied Silicon Valley accelerator Y-Combinator puts it this way: "Investors look at founder equity split as a cue on how the CEO values his/her co-founders. If you only give a co-founder 10% or 1%, others will either think they aren't very good or aren't going to be very impactful in your business. The quality of the team is often one of the top reasons why an investor will or won't invest. Why communicate to investors that you have a team that you don't highly value?"

> "If one founder is taking on more risk or contributing significantly more, it might make sense to adjust the equity split accordingly."
>
> *Fred Wilson*, Union Square Ventures

Be it an even or uneven equity split, if the split has not been thought through carefully, this can be an indication of trouble ahead. Potential investors will anticipate future financing rounds and read further dilution of the founders' stakes. Investors will ask themselves if the founders continue to be happy with the equity split when the memory of the exciting initial phases fades while the hardships of the daily life of an entrepreneur weigh heavily down on them and their stakes get more and more diluted.

We then sometimes see attempts to fix what was an inequitable split of the equity of the company from the start by giving certain founders allocations under an equity-based or virtual program (equity-based incentives for example can come in the form of so-called growth or hurdle shares or instruments issued under the recently enacted sec. 19a of the German Income Tax Act).[4]

4. For a deep dive on growth shares and some empirical findings on how they are used to rebalance the founder equity split and compensate for too much founder dilution, please see our Guide OLNS#14 – Growth and Hurdle Shares in German Start-ups; the Guide can be downloaded here: https://www.orrick.com/en/insights/2025/03/orrick-legal-ninja-series-olns-14-growth-and-hurdle-shares-in-german-start-ups.

These are second-best solutions to a problem that with some foresight could have been avoided.

"Equity should reflect the contributions and risks taken by each founder. Sometimes, that means an unequal split."

Mark Suster, Upfront Ventures

In the remainder of this Chapter, we present a few goalposts that we find useful to facilitate and guide the discussions.

2. A FEW GOALPOSTS

There is no universal formula to determine the right split. We know that there are software solutions out there that claim otherwise, but we are old-fashioned and believe in the merits of a good civic discourse. That is the lawyers' Latin for: "talk it through and if needed have that heated debate now." Please, there is no right split, just something that is appropriate for a specific start-up and that hopefully provides long-term stability. However, we think that there are some general principles that can help guide the founders.

2.1 Don't Look in the Rear-view Mirror

Become aware of the consequences of choosing your split. The distribution of shares is likely the wrong moment to primarily reward past efforts. In the grinding reality of start-up life (we realize that we really sound like old folks now, but anyway...), prior success will soon fade into the background. Rather, we think that the share split should be predominantly a future-oriented allocation that motivates future key contributors and incentivizes continued loyal service delivery.

Giving equity to co-founders is not only a matter of remuneration, but foremost a matter of future motivation and appreciation. So, while discussing the equity split with your co-founders, remember *Michael Seibel*'s advice: "These are the people you are going to war with. You will spend more time with them than with most family members. They will help you decide the most important questions in your company. Finally, these are the people you will celebrate with when you succeed. [...] So really what you have to for as a CEO is: I don't want to create a situation where I motivate my co-founders every day I want their equity stake in the company to be the thing that gets them to wake up in the middle of the night, that gets them to work on the weekend, that gets them to work late, that gets them to recruit their friends, that gets them to feel like their truly owners of the company and not just employees. I think that I don't want to describe exactly that equity splits create that phenomenon but if you hit it, it's far more valuable."

Here is a little thought experiment that we find helpful when it comes to assessing the potential future implications of an uneven equity split that is based not predominantly on future performance but on some past circumstances. Let us assume that one founder receives 10% more of the start-up today. For simplicity, we leave out dilution from investors and employee stock option programs. If the start-up is sold for EUR 100 million, is what that founder has contributed so far or what sets them apart from the other founders after the initial equity split worth EUR 10 million difference in economic outcome in the future? If the answer is not clear, it could lead to tensions in the future.

2.2 The Idea Myth and the Flawed "N-Times" Argument

When a newborn start-up's value is all in the future, having had an idea *per se* is not a valid argument to claim the lion's share of the equity. The "idea generators" of a start-up especially have to take a deep breath and recognize that an idea in itself does not make a start-up and that investors will evaluate the team's execution power.

Neither is the "N times more" argument particularly convincing, *e.g.*, more contacts, more papers published, more months already spent on the project, more money already raised....

Keep in mind that according to studies done by KfW Research and the German Start-up Association, building a successful company and exiting it often takes 7 to 10 years. If there are small variations in early contributions, they will not justify significantly different equity splits in the long term.

To that extent, agreements on equity splits between co-founders should always be reviewed regarding their long-term effects on contribution and motivation. And even if you're unsure whether your co-founders will stay with you in the long run, it might be advisable to start with the assumption of a positive outcome (remember, moving shares around after the company has been set up might require more structuring and will often only make the lawyers, tax advisors, and notaries happy) but build in safety mechanisms like time-based or performance-based vesting schemes with corresponding call-options.

2.3 Maximize the Chances of Future Success

We don't know which side on the even vs. uneven split is ultimately right but if you allow us a lame sport analogy: In football (and yes, we are talking about the real football and one shouldn't call it soccer, but that is a different story), in order to win, it requires a team of highly motivated and skilled individuals who work seamlessly together in the pursuit of a great vision (score at least once more than the other team, see football isn't that complex after all), and yet, successful center forwards earn more than defenders.

What makes this discussion difficult is that it is the hard-to-quantify factors that determine a founder's potential future contribution to the start-up's success.

But which values are particularly important for the future of your company, even indispensable? Especially for founders with different backgrounds, this question will often reveal different perspectives, as *Lara Hodgson* (co-founder of Nourish and NOW Corporation) knows: In particular, people from professional environments, consultants, lawyers, *etc.*, would often stress the time/commitment factor as a primary measure of value.

(Keep in mind that most lawyers and consultants charge by the hour or per consultant day, *i.e.*, based on input factors, not outcomes. We bet, you now nod your head and think about your last legal invoice. See, how lawyer-bashing can unite people? You are welcome.) However, hours worked alone will not lead a start-up to success, or as Lara puts it: "As someone that comes from an entrepreneurial background, a unit of time is not worth a dollar to me, if there is no result. I'm always looking at what result—what asset—has been created from which I can derive future dollars."

Here, one can often make an argument for a somewhat (maybe around 10%) higher stake for outlier founders with strong CEO qualities. But be that as it may, you will need to find your own answer. At the risk of oversimplifying matters a bit: When you have found the right split, all team members will know. If the split isn't yet right, the team will still wonder.

2.4 A Few More Thoughts on IP-Centric University Spin-offs

The fact that the equity split should focus on anticipated future contributions has a couple of consequences for the cap table composition, in particular for IP-based university spin-offs:

- Founders who will be working on the company full-time should usually get a significantly higher percentage than what the group of what is sometimes euphemistically referred to as "academic co-founders," *i.e.*, folks who stay behind in academia and only spend a certain portion of their professional time supporting the start-up. We agree with many VC investors that—unless they provide hands-on support going forward and add value for a significant period of time—the group of academic co-founders should usually not receive more than 5%–10% (and that is already quite a lot).
- The equity split will not necessarily have any relation to the seniority within the original academic team. It's often the case that the people leaving are more junior, while the senior people / faculty remain. In that case, the founders who leave should end up with much more equity than their former boss.

VC investors may also hesitate to back a team composed solely of researchers in IP-centric start-ups, as they might question whether the team possesses sufficient "high agency" and "high execution" capabilities.

In these contexts, "high agency" involves more than just taking initiative; it requires the ability to navigate the commercial landscape and create opportunities that align with market demands. Researchers, while excellent at developing innovative technologies, may lack the proactive business acumen needed to drive the start-up's vision forward. This is where having someone with for example B2B sales experience or relevant domain expertise becomes invaluable. Such individuals can actively seek out partnerships, identify market needs, and create pathways for the technology to reach its full commercial potential. "High execution" in IP-centric start-ups goes beyond implementing technical ideas; it involves translating complex research into market-ready products or services. This requires not only technical prowess but also strategic planning and operational efficiency. A founder with industry-specific experience can bridge the gap between research and market application, ensuring that the start-up's innovations are effectively positioned to meet industry standards and customer expectations. This capability is crucial for scaling the business and delivering tangible value to both customers and investors.

Given these dynamics, it makes sense for someone with B2B sales experience or domain expertise to receive a significant stake in the company. Their role can be pivotal in transforming research-driven innovations into viable business ventures. By contributing essential skills that complement the technical team's strengths, they enhance the start-up's overall potential for success, making them deserving of a meaningful equity share.

A Conversation
with **Philipp Moehring,**
tiny.vc

WHEN DARK SIDES COLLIDE: WHY COMPATIBILITY MEANS MORE THAN MATCHING SKILLS

We sat down with Philipp Moehring, founding partner at tiny.vc, an early-stage venture capital firm focused on technical founders, to discuss what makes founding teams work – or fail. Drawing from his extensive experience investing in early-stage start-ups in many countries, Philipp shares surprising insights about team dynamics and why compatible "dark sides" might be just as important as complementary skills.

Sven: Philipp, thanks for making time. Let's start with the basics: What's your take on ideal founding team size?

Philipp: [smiles] You know, we used to have this neat framework about needing three roles—the hacker, the painter, and the hustler.

Sven: A bit abstract...

Philipp: Essentially, someone to build, someone to design, and someone to sell. But reality is messier. Most of our portfolio companies actually have two founders who manage to wear these different hats between them.

Sven: Interesting. How about team composition?

Philipp: We focus heavily on technical teams in the very, very early stages. Often two guys or gals with a laptop. What I found over the years is that one of the most critical aspects is deciding who should be the CEO, and I am not talking about the title.

This is where it gets really interesting, especially with German founding teams. They often shy away from having crucial conversations about leadership. Everyone wants to be CEO early on, but the real question should be: Who's the natural leader? And sometimes, it's not the "businessperson"—it might be the technical co-founder who has the clearest vision and strongest execution capability.

Sven: Against this recommendation for having clear leadership, how do you approach equity splits among founders?

Philipp: As said, I prefer teams with a clear leader. This often aligns with a somewhat larger equity share for that person. However, I am not dogmatic on this. In the early stages, we would never push for a significant imbalance. On the other hand: What I avoid are teams where the so-called "Business CEO" plans to bring in one or two "Techies" with smaller stakes.

Sven: Understood, so unclear leadership roles are one of the main reasons for founder break-ups....

Philipp: Yes, arguably the most important one, but there's another critical factor that often gets overlooked—when founders have dark sides that simply don't work together...

Sven: The dark side strikes back? Sounds like a Star Wars sequel [laughs]. Not sure if my IP folks will let me get away with this.

Philipp: [laughs] That might be true, and it might also sound a bit too sinister... Look, in VC, we spend so much time talking about skill compatibility—can you code, can you sell, can you design. But we often ignore how people's rough edges, their difficult sides, interact. Some founders are brilliant but impatient, others are visionary but terrible communicators. These traits need to be as compatible as their skills. It's crucial to understand how the dark sides can work together or at least be managed without affecting decision quality and execution speed.

For example, when you have a team where one founder is incredibly detail-oriented—some might say obsessive—while the other was more of a quick-decision maker. They might have skills that work beautifully together, but these personality traits can, over time, create constant friction in decision-making. The team needs to find ways to make these different approaches work together rather than against each other.

Sven: Great insight. Let's move on to another topic: What is your take on remote founding teams?

Philipp: I'm skeptical about fully remote founding teams. While remote work is common now, building a company remotely from day one is a completely different challenge. Working remotely as a founding team is a challenging and very, very rare skill. In any case, it requires intentional decisions and stable, long-term answers to questions like how to synchronize in real-time and organize daily stand-ups and progress reports. Not to mention how to build trust and fully engaged teams.

Sven: Lastly, do you think AI will change any of these dynamics?

Philipp: Not really. AI might enable smaller teams to do more, but those teams will need to be even more exceptional. While everyone's talking about AI helping smaller firms scale, I don't buy into the idea of a solo founder building a billion-dollar company with no employees. Sustainable success still requires strong teams with complementary capabilities—and compatible dark sides [smiles].

Sven: Philipp, thank you for sharing your insights. It's been a pleasure.

> “Some founders are brilliant but impatient, others are visionary but terrible communicators. These traits need to be as compatible as their skills.”

Philipp Moehring
tiny.vc

IV. Empirical Data – The OLNS Founder Equity Study 2025

To complement our discussion on team size and equity splits within German start-ups, we conducted a comprehensive empirical analysis of start-ups incorporated between 2019 and 2024. We dubbed this analysis the "OLNS Founder Equity Study 2025."

1. STUDY CONCEPT AND DATA SET

In this Chapter, we will first outline the study's concept, data set, sector distributions, and the assumptions and limitations inherent in our analysis and then present the first findings of our analyses so far.

Our analysis began with data from *PitchBook*, focusing on German companies incorporated between 2019 and 2024 that were classified as "pre-seed" or "seed stage" during this period. Recognizing *PitchBook*'s focus on VC-backed companies, we supplemented this data with information from various sources to create a more representative sample:

We supplemented our data with information from the Federal Association of German Start-ups (*Bundesverband Deutsche Startups e.V.*) and databases such as EU-Start-ups, Start-ups.NRW, Start-up-map.Berlin, Handelsblatt's Start-up-Check, and Deutsche-Start-ups' #Brandneu. Additionally, we obtained data from the entrepreneurship centers at RWTH Aachen and WHU Otto Beisheim School of Management regarding their students' founding activities in 2023 and 2024. This supplementation was particularly important for 2023 and 2024, where *PitchBook* data showed lower numbers due to reporting delays and the natural lag in funding events.

We focused exclusively on companies organized as a German GmbH or UG (haftungsbeschränkt) and eliminated other legal forms (in particular AGs) and non-German legal forms (notably the U.S. Inc. or U.K. Ltd.). The reason is that we wanted to only analyze companies for which data on the founder team size and founder equity split can be obtained from publicly available information provided by governmental authorities. We do not consider these eliminations to be overly restrictive or having a material impact on the findings presented herein. German founders use the GmbH and UG (haftungsbeschränkt) in the absolute predominant number of cases.

Our final data set comprises 2,179 start-ups, distributed across the years as follows: (for explanation why the numbers for 2023 and 2024 are lower, please see further below):

Year of Incorporation	Number of Start-ups in the Data Set
2024	132
2023	298
2022	379
2021	519
2020	474
2019	377
Total	**2,179**

We obtained shareholders' lists and incorporation deeds from the electronic commercial register at www.handelsregister.de. Notably, many founders who are tax residents in Germany hold shares through founder holding entities, often in the form of a UG (haftungsbeschränkt). Therefore, we extended our analysis to include shareholders' lists for these holding entities. Finally, to account for situations where additional team members join shortly after incorporation, we included shareholders' lists filed within two months post-incorporation.

To provide a nuanced analysis, we categorized start-ups by their main sector, primarily using *PitchBook*'s classifications. It's important to note that *PitchBook*'s categorization may occasionally misrepresent a start-up's focus, especially if the business evolves over time. We limited ourselves to the sectors for which our data set contained a meaningful number of companies (we usually applied a threshold of at least 50 companies). This left the following sectors:

Sector	Number of Start-ups in the Sector
Computer Software[5]	996
Commercial Products and Services (B2B)[6]	442
Healthcare[7]	275
Consumer Products and Services (B2C)[8]	214
Information Technology Services, Media, Communication and Networking[9]	126
Energy (Equipment and Services)[10]	51
Materials and Resources (incl. Metals, Minerals, Mining)[11]	48

5. This sector includes companies designing, manufacturing, or distributing computer hard-and software, providing information technology services for both businesses and consumers and manufacture or design semiconductors and circuits (per *PitchBook* categorization).
6. This sector includes companies that manufacture or sell products and services for other businesses across various industries. This covers Industrial products and equipment (*e.g.*, aerospace, machinery, electrical equipment), distributors and wholesalers, professional and support services (*e.g.*, consulting, legal, HR, logistics, education, security) as well as non-manufacturing B2B services not classified elsewhere (per *PitchBook* categorization).
7. This sector includes companies manufacturing healthcare devices and supplies (B2B and B2C), providing healthcare services to consumers and other healthcare organizations, or technology products/services to healthcare organizations or are engaged in drug discovery and delivery of pharmaceuticals or biotechnology (per *PitchBook* categorization).
8. This sector includes companies engaged in the sale of clothing, accessories and related appeal products directly to consumers, manufacturing and wholesaling textiles, sales of multiuse, long-lasting consumer facing products or goods purchased frequently due to being single or limited use, offering consumer media services via Restaurants, Hotels, and Leisure Facilities, work in the area of consumer retail, both via digital and brick and mortar locations, providing consumer facing non-financial services or/and customer facing transportation services and products (per *PitchBook* categorization).
9. This sector includes companies manufacturing and distributing communication equipment or providing communication, information technology services and media-based products and services (Broadcasting, Radio, Social Content, Television) including both business-facing companies and/or consumer-facing companies (per *PitchBook* categorization).
10. This sector includes companies providing energy related products to both consumers and businesses, providing energy related products, engaging in exploration, production, the refining of both alternative and conventional sources, or providing energy related services to businesses. Also in this category are organizations that maintain the infrastructure for public services (Utilities) (per *PitchBook* categorization).
11. This sector includes companies engaged in the production, development, discovery and wholesale of raw materials, the manufacturing and wholesaling of chemicals and gases, providing non-wood materials for construction, manufacturing or providing containers and packages, developing and harvesting or creating materials and products of and from forests, mining, producing, or selling metals and minerals (per *PitchBook* categorization).

2. FURTHER ASSUMPTIONS AND LIMITATIONS

For our analysis, we made a couple of assumptions:

- Holders of common shares are categorized as founders unless the shareholder's name clearly indicates otherwise (*e.g.*, accelerator, incubator, or venture studio).
- In cases where shares are assigned to an employee participation program holding entity (ManCo) initially controlled by the founding team, we allocated these shares to the founders for survey purposes.
- Where the founders' shareholdings deviated by less than 0.1%, we qualified the shareholder split as even. These situations occurred most often when three founders incorporated a GmbH and opted for the minimum capital of EUR 25,000 divided into 25,000 shares with a nominal value of EUR 1.00 and where two founders subscribed for 8,333 shares while one founder subscribed for EUR 8,334.

In addition, when interpreting our findings, one has to be aware of certain limitations of our data set and study concept, in particular:

- Our data set has a bias toward funded start-ups due to *PitchBook*'s focus. *PitchBook*'s database primarily targets VC-financed start-ups, although it attempts to include bootstrapped ventures and those with alternative financing as well. That being said, its coverage is certainly more comprehensive for companies with institutional VC funding, as these transactions are more readily tracked and reported.
- Given the limited size of the data set, we decided to aggregate certain sub-sectors which bears the risk of ignoring meaningful differences. There is also a risk of potential misclassification of sectors, particularly for evolving business models.
- There is limited coverage of start-ups incorporated in the years 2023 and 2024. As *PitchBook* and our other sources are focused on "funded" start-ups, the numbers for 2023 and 2024 are lower as these companies didn't have as much time as the earlier cohorts to obtain some form of funding during the six-year period examined in our study.

3. FINDINGS

So, what did our analysis of over 2,100 German start-ups reveal? As it turned out, quite a lot. There are some interesting patterns about how founders come together (or don't) to build their companies. In what follows, we'll dive into the data to separate myth from reality when it comes to founding teams and equity splits in the German start-up ecosystem.

First, we'll look at team sizes across different sectors and years, discovering why two might indeed be the magic number - though perhaps not for the reasons you'd expect. We'll then tackle the elephant in the room: gender distribution in founding teams. Spoiler alert: the numbers might not surprise you, but some sector-specific patterns might.

Moving on to everyone's favorite topic at founder dinner parties (right after complaining about German bureaucracy, notaries, lawyers, and VCs), we'll examine how teams split their equity. It turns out that "equal" doesn't always mean "fair," and "fair" doesn't always mean "equal." We'll look at who gets what slice of the pie and how these decisions vary across different team configurations and industries.

Finally, we'll compare our findings with data from the U.S. start-up ecosystem. Because sometimes, it's enlightening to peek over the big pond and see how our American friends handle these matters and what can be learned from their experiences.

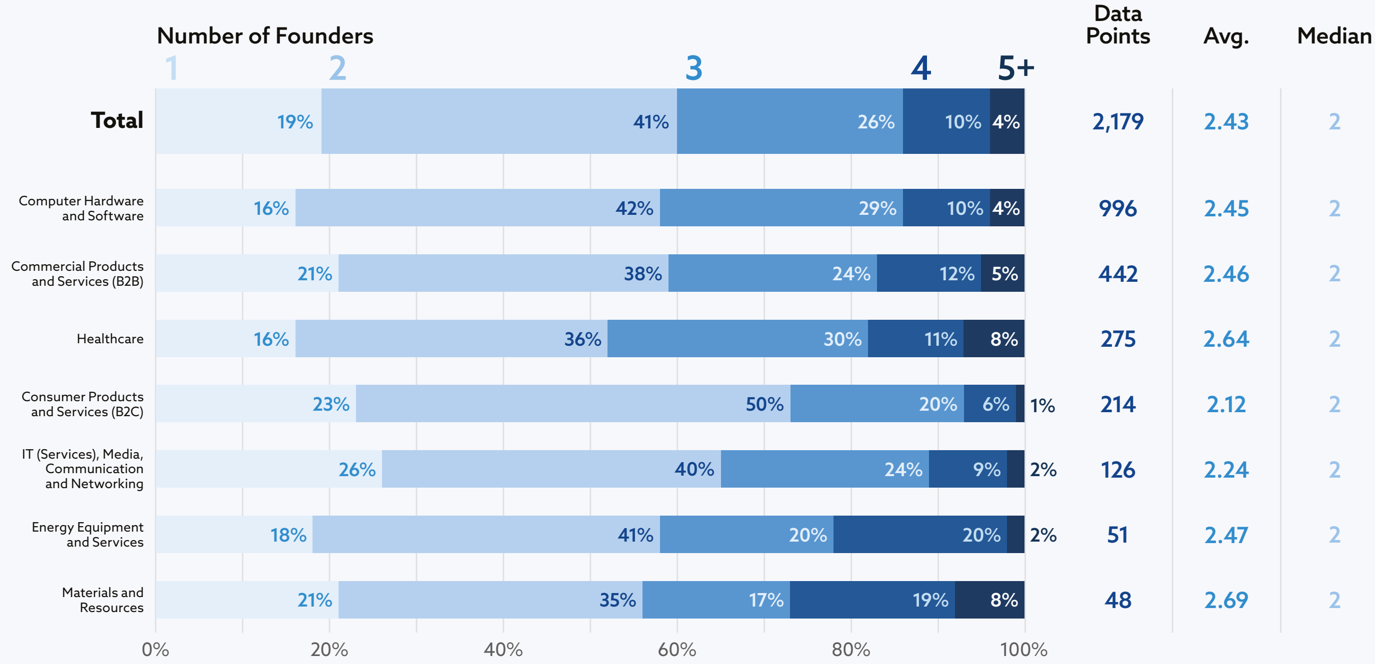
3.1 Number of Founders

Let us first look at the distribution of team sizes across the entire data set and certain sectors and how they developed over the years.

3.1.1 Total and Sector Numbers

Our analysis reveals distinct patterns in founder team compositions across different sectors. While the overall data set shows that two-founder teams dominate (41%), followed by three-founder teams (26%) and solo founders (19%), several sectors display notable deviations from these aggregate patterns.

TOTAL TEAM SIZES – ENTIRE DATA SET AND SECTORS



Healthcare stands out with larger founding teams on average. With a mean of 2.64 founders and 8% of teams having five or more founders (double the overall average of 4%), healthcare start-ups tend to require more diverse skill sets, likely reflecting the complexity of the sector and its regulatory requirements.

At the other end of the spectrum, Consumer Products and Services (B2C) shows a strong preference for smaller teams. Half of all B2C start-ups are founded by two-person teams (50% versus the overall average of 41%), and they have the lowest average team size at 2.12 founders. This sector also shows the lowest percentage of larger teams, with only 1% having five or more founders.

The Information Technology Services sector shows the highest proportion of solo founders (26% versus the overall average of 19%), suggesting that individual entrepreneurs might find it easier to launch ventures in this space, possibly due to lower initial infrastructure requirements and the ability to leverage existing technology platforms.

Traditional industrial sectors—Energy (Equipment and Services) and Materials and Resources—show interesting similarities in their tendency toward larger teams. Both sectors have notably higher percentages of four-founder teams (20% and 19% respectively, compared to the overall average of 10%), possibly reflecting the capital-intensive nature and technical complexity of these ventures.

Computer Hardware and Software, representing our largest sample with nearly 1,000 start-ups, closely mirrors the overall averages but shows a slightly higher preference for three-founder teams (29% versus 26% overall). This might indicate an optimal balance between technical, product, and business expertise in software ventures.

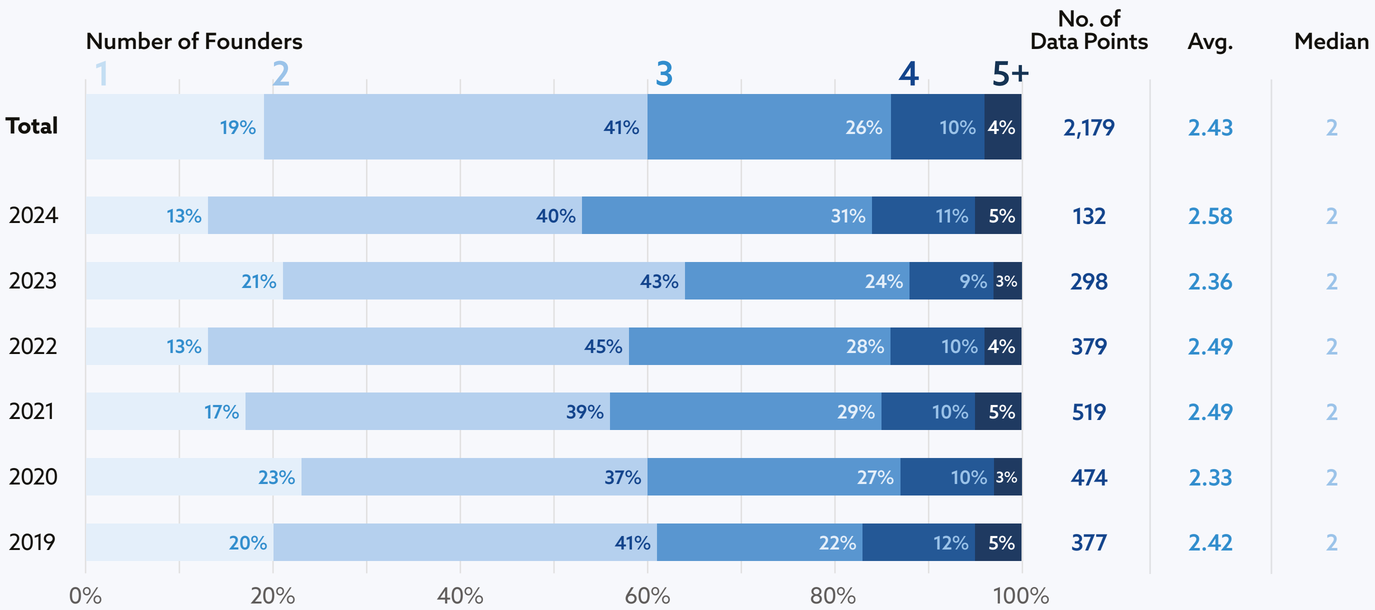
Despite these sector-specific variations, it's noteworthy that the median team size remains consistently at two founders across all sectors, suggesting that this might represent a sweet spot in balancing diverse capabilities with efficient decision-making processes.

3.1.2 Annual Developments

Let us now look at the developments of founder team sizes over time, *i.e.*, the annual cohorts for 2019 to 2024. Again, we will first look at aggregated numbers for the entire data set and then at the specific sectors. However, it needs to be noted that the number start-ups for certain annual cohorts in some sectors is too small to be considered statistically meaningful.

Entire Data Set: The aggregate data shows remarkable stability in team composition over the six-year period. The average team size has remained consistently between 2.33 and 2.58 founders, with two-founder teams maintaining their dominant position (ranging from 38% to 45% of all start-ups) throughout the period.

TEAM SIZE: TOTAL DISTRIBUTION AND ANNUAL DEVELOPMENT FOR PERIOD 2019-2024

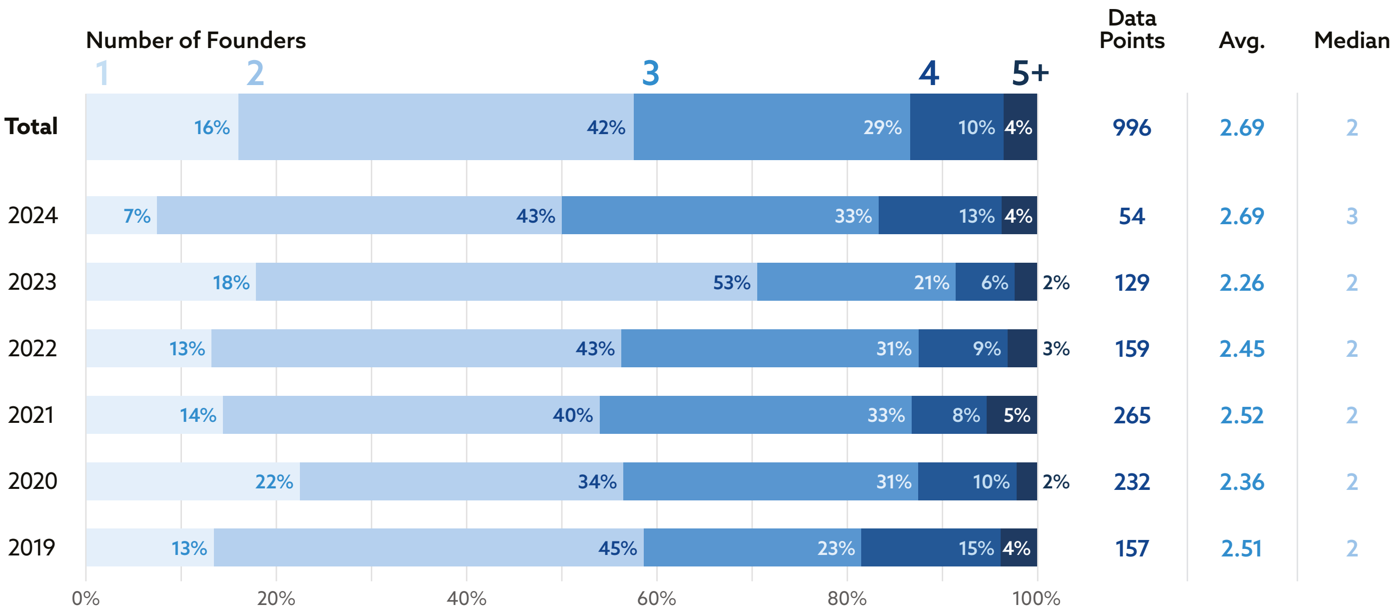


However, some notable variations emerge:

- Solo founders showed significant fluctuation, ranging from a low of 13% (2022, 2024) to a peak of 23% (2020). One could speculate that the higher number of solo founders in 2020 and 2021 are driven to a large extent by the COVID-19 pandemic rather than an overall trend to more solo founders receiving funding.
- The proportion of three-founder teams has shown slight growth in recent years, particularly in 2024 (31% compared to 22% in 2019).

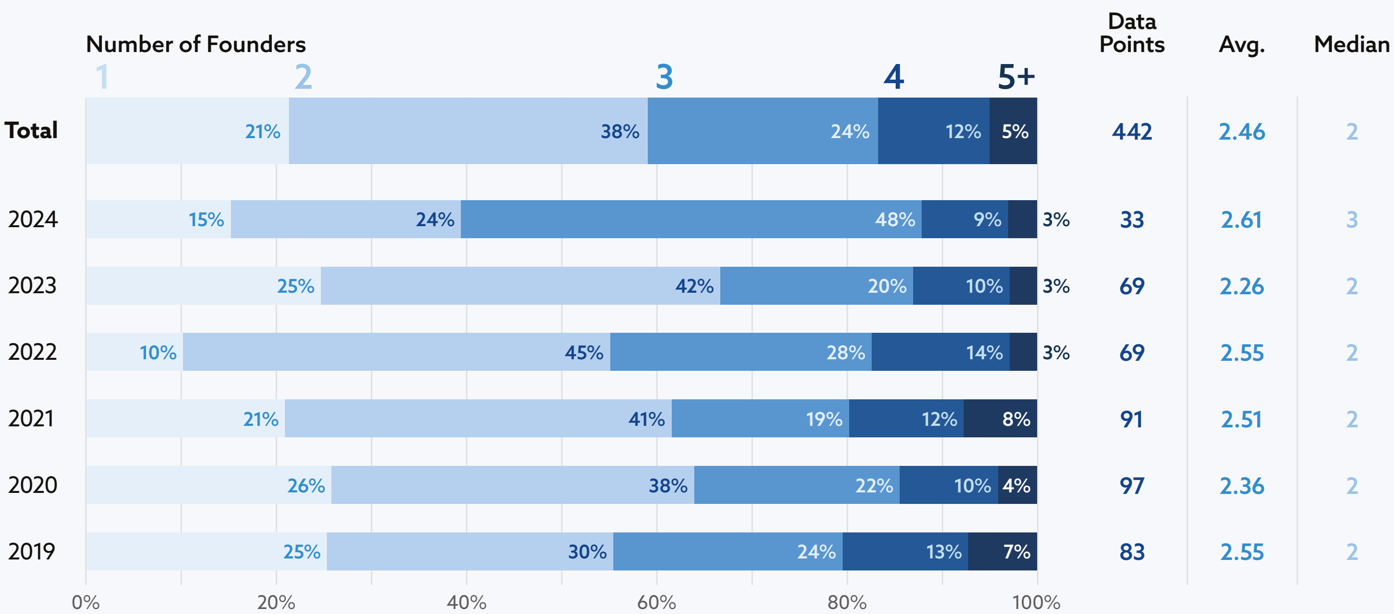
COMPUTER SOFTWARE

The Computer Software sector demonstrates the most stable patterns across the analyzed period (possibly due to the size of the sample group). Two-founder teams consistently dominated, representing between 34% and 53% of all software start-ups. A notable trend emerges in recent years with an increase in three-founder teams, rising from 23% in 2019 to 33% in 2024. This might reflect the growing complexity of software products and the need for diverse technical expertise combined with business acumen.



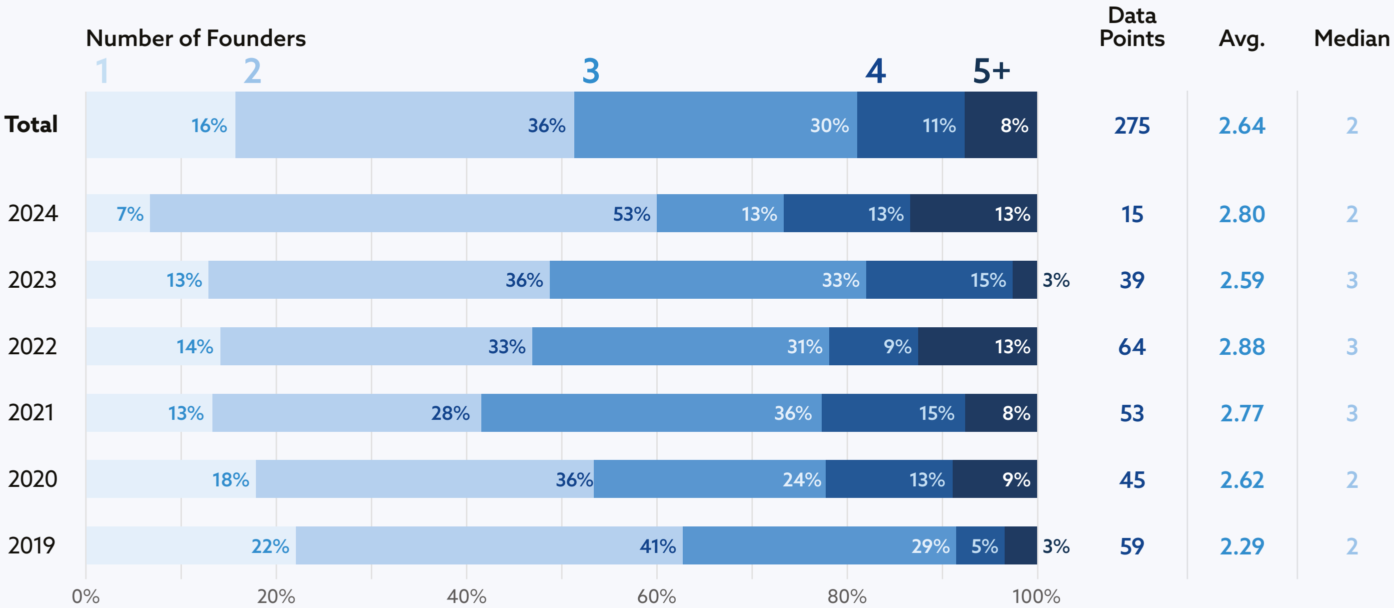
COMMERCIAL PRODUCTS AND SERVICES (B2B)

In the Commercial Products and Services (B2B) sector, we observe more volatility in team compositions compared to the overall market average. While two founder teams remain prevalent, there is a marked increase in three-founder teams, particularly in recent years. The data for 2024 shows a significant spike in three-founder teams to 48%, although this finding should be interpreted cautiously due to the smaller sample size of only 33 companies in this most recent year.



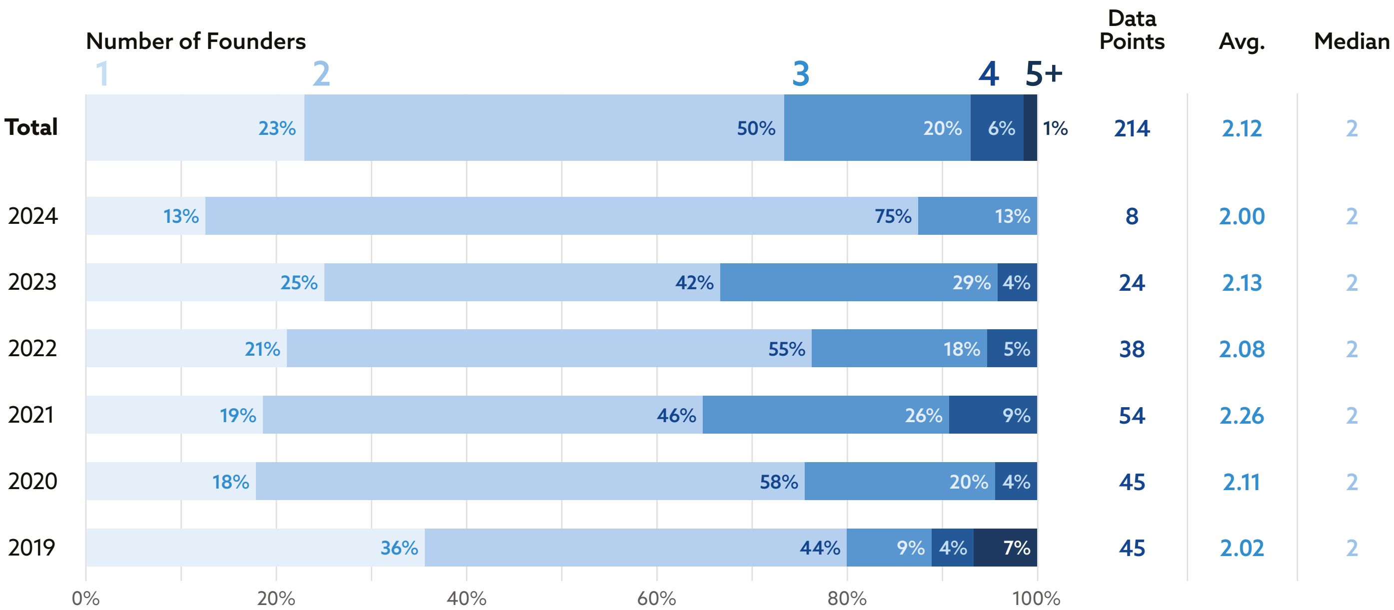
HEALTHCARE

The Healthcare sector consistently demonstrates larger average team sizes compared to other sectors, reflecting the complexity and diverse expertise required in healthcare ventures. There is a noticeable trend toward more complex team structures over time, with a higher proportion of teams having five or more founders (reaching 13% in 2022 and 2024) and a constant decrease of solo founders with exception to a marginal increase from 2021 to 2022 (22% in 2019 and 7% in 2024). However, we must note that recent years (particularly 2024 with only 15 companies) have limited sample sizes that affect the statistical significance of these findings.



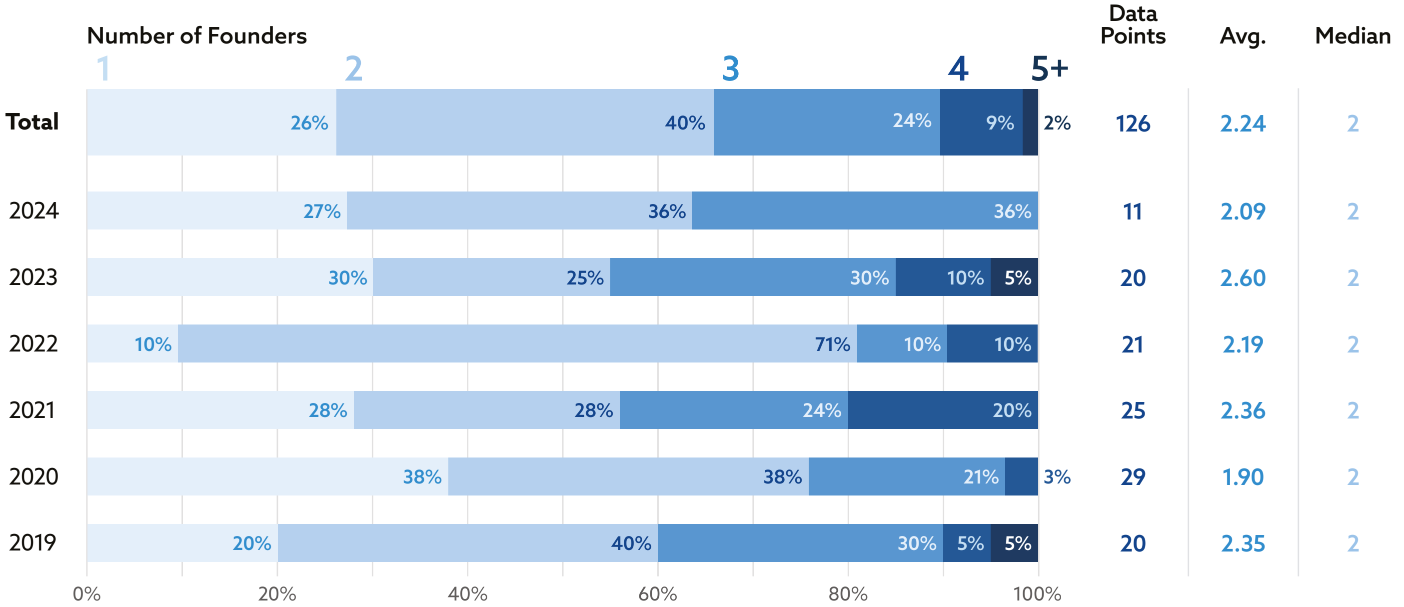
CONSUMER PRODUCTS AND SERVICES (B2C)

Consumer Products and Services (B2C) shows a distinctive and consistent preference for smaller teams throughout the analyzed period. Two-founder teams are particularly dominant in this sector, with proportions consistently higher than the market average. The sector stands out for having very few instances of larger teams across all years, as there are less four-founder teams compared to the average and—other than in 2019—no teams with five or more founders at all. This pattern might reflect the relatively straightforward operational requirements and decision-making structures in B2C businesses.



INFORMATION TECHNOLOGY SERVICES, MEDIA, COMMUNICATION AND NETWORKING

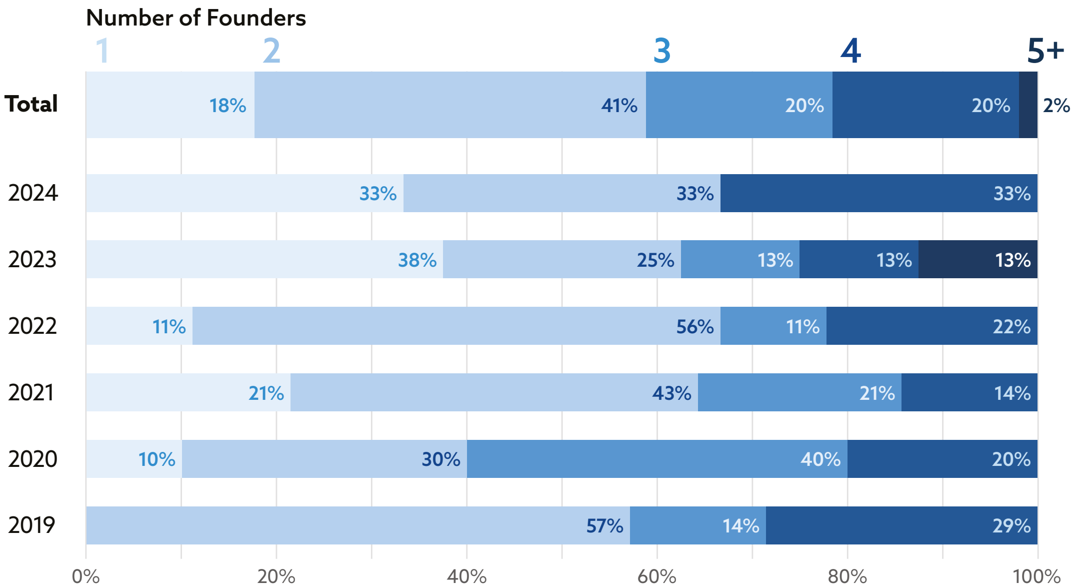
The Information Technology Services, Media, Communication and Networking sector exhibits high variability in team composition patterns. A notable characteristic is the higher proportion of solo founders compared to other sectors. However, the interpretation of trends in this sector requires caution, particularly for 2024, where the sample size drops to 11 companies.



ENERGY (EQUIPMENT AND SERVICES) AND MATERIALS AND RESOURCES

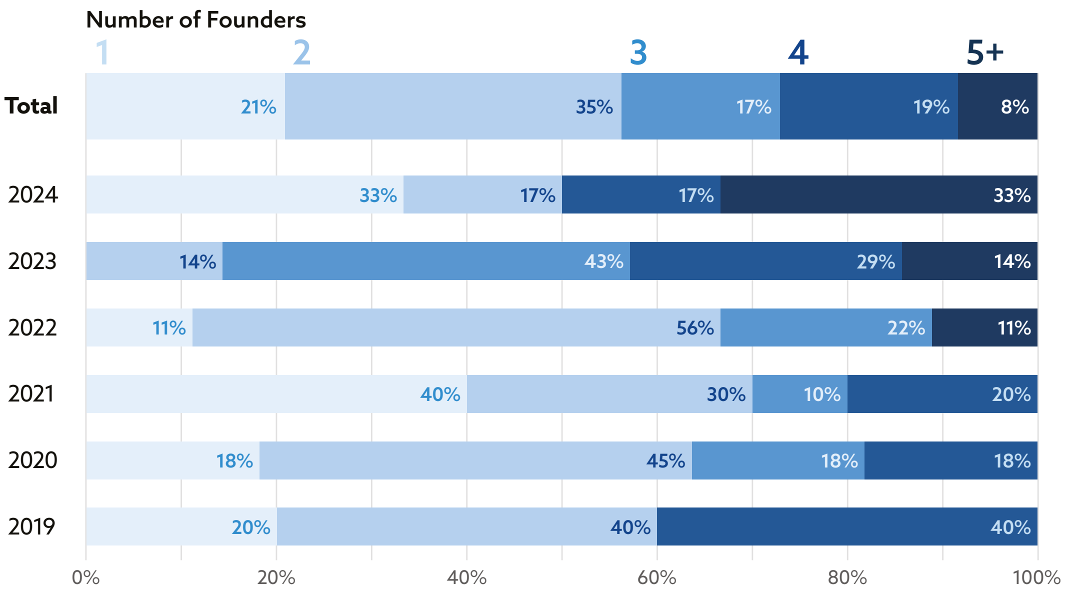
The Energy (Equipment and Services) sector and the Materials and Resources (incl. Metals, Minerals, Mining) sector both show interesting characteristics articularly in terms of larger average team sizes. However, with very small sample sizes of fewer than 10 companies per year in all years except 2021 for Energy (Equipment and Services), it would be inappropriate to draw definitive conclusions about trends over time in these sectors. The larger team sizes observed might reflect the capital-intensive nature and technical complexity of these industries, but this observation should be considered indicative rather than conclusive.

Energy (Equipment and Services)



	Data Points	Avg.	Median
Total	51	2.47	2
2024	3	2.33	2
2023	8	2.38	2
2022	9	2.44	2
2021	14	2.29	2
2020	10	2.70	3
2019	7	2.71	2

Materials and Resources



	Data Points	Avg.	Median
Total	48	2.69	2
2024	6	3.00	3
2023	7	4.14	3
2022	9	2.44	2
2021	10	2.10	2
2020	11	2.36	2
2019	5	2.60	2

3.1.3 Explanations and Conclusions

Before analyzing potential reasons for sector-specific variations in founder team sizes, it's important to note that our data set has limitations. For some sectors, particularly Energy and Materials, as well as more recent years across all sectors, the sample sizes are relatively small, making it difficult to draw definitive conclusions. The patterns we observe might also be influenced by our data set's bias toward VC-backed companies. With these caveats in mind, we can explore possible explanations for the observed patterns:

- In technically complex sectors like **Computer Software**, where our data set provides the most robust sample size, we observe a tendency toward larger teams, particularly three-founder constellations. This might be connected to the need to combine different technical specializations with business expertise. While we cannot make definitive statements about typical team configurations, these companies often include founders with complementary technical and business backgrounds. The observed increase in three-founder teams in recent years could potentially be related to the increasing complexity of software products, including areas such as artificial intelligence and data analytics, though other factors might also explain this trend.
- The **Healthcare** sector shows a higher proportion of larger founding teams in our sample. This pattern could potentially be explained by the multiple challenges specific to healthcare ventures, including the need for clinical expertise, regulatory knowledge, technical capabilities (particularly in digital health), and business acumen. The regulated nature of healthcare might necessitate broader expertise from the outset, though smaller teams might compensate through strategic hiring or external advisors.
- In **Consumer Products and Services (B2C)**, our data suggests a preference for smaller teams. This might be related to industry-specific factors such as clearer decision-making structures and time-to-market requirements, though other explanations are possible. The predominance of two-founder teams could indicate that many B2C ventures find this structure effective for balancing product/operations and marketing/sales responsibilities, but individual company circumstances likely play a significant role.
- The **Information Technology Services** sector shows a higher proportion of solo founders in our sample. While this might be related to the availability of standardized tools and platforms that enable individual entrepreneurs to launch viable businesses, our limited sample size for this sector suggests caution in drawing broad conclusions.
- For the sectors **Energy (Equipment and Services)** as well as **Materials and Resources**, our data suggests an inclination toward larger teams. However, given the very limited sample size, these observations should be considered merely indicative. While the complex technical and regulatory nature of these industries might suggest benefits from larger founding teams, more data would be needed to substantiate this hypothesis.

Across all sectors, we observe a consistent pattern of two-founder teams being most common. This might suggest that this structure often provides a workable balance between diverse capabilities and organizational efficiency. However, it's important to note that successful companies exist with various team sizes in all sectors, and individual circumstances, including the specific business model, market opportunity, and founders' backgrounds, should ultimately guide team composition decisions.

These observations should be considered alongside other factors not captured in our data, such as founders' previous experience, market conditions, and specific business model characteristics. Additionally, the patterns we observe might be influenced by investor preferences or other external factors not reflected in our analysis.

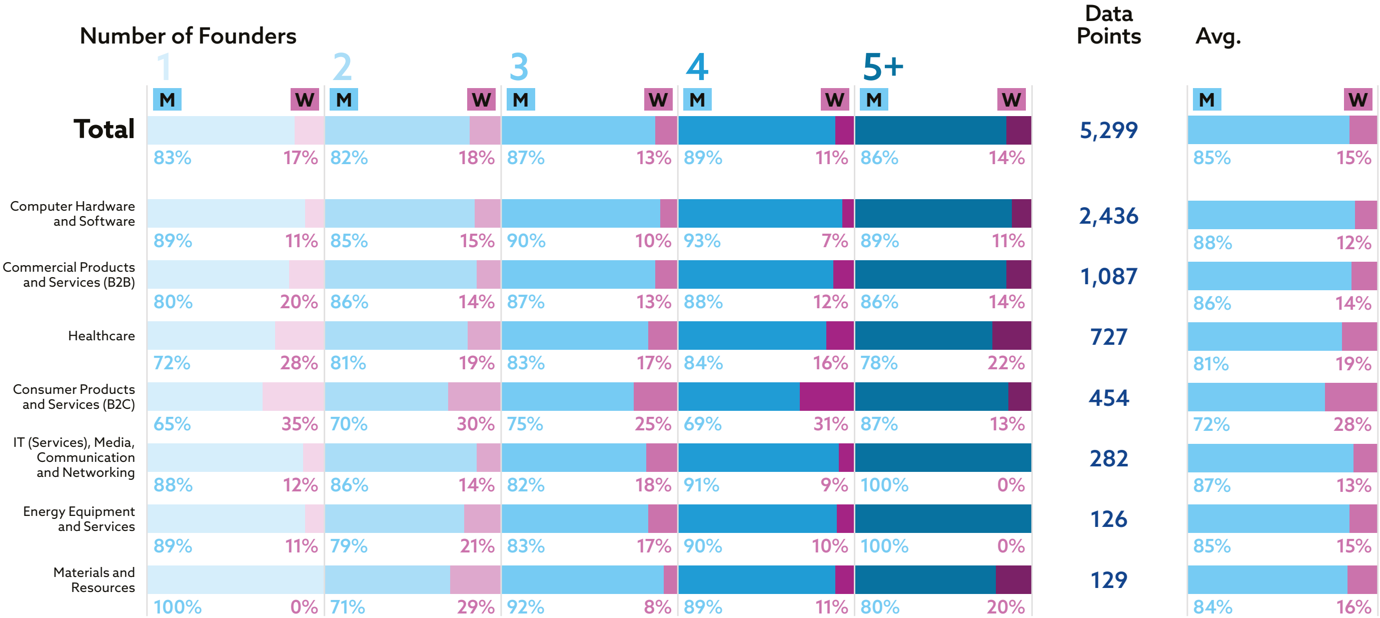
3.2 Gender Representation Among Founders

We also analyzed the total gender distribution as well as the temporal distribution patterns from 2019–2024, looking at both the overall data set and sector-specific trends. Again, a statistical note is in order: The analysis of recent years (2023–2024) and certain sectors should be interpreted with caution due to smaller sample sizes. Additionally, our data set's focus on VC-backed companies might not fully represent the broader start-up ecosystem's gender dynamics.

3.2.1 Total and Sector Numbers

Our analysis of 5,299 founders in German start-ups confirms and quantifies the significant underrepresentation of women in the start-up ecosystem. The data reveals a pronounced gender gap across all sectors, with an overall representation of women founders at only 15%. This disparity not only persists but often widens with increasing team sizes. These findings highlight the persistent challenge of gender diversity in the German start-up ecosystem, particularly in technology-focused sectors. While some sectors show more promising numbers, the overall picture suggests that substantial work remains to achieve better gender balance across all sectors and team sizes. However, as we will see in the analysis of the annual developments there are a few encouraging signs.

TOTAL GENDER DISTRIBUTION – ENTIRE DATA SET AND SECTORS



Sectors with Higher Representation of Women: The Consumer Products and Services (B2C) sector shows the highest representation of women, with 28% woman founders overall. This sector is particularly notable for its high proportion of solo women founders (35%). The Healthcare sector follows with 19% woman founders overall and 28% solo woman founders. However, these sectors show different patterns as teams grow larger: while Healthcare maintains a relatively high representation of women even in larger teams (22% in teams of five or more founders), the B2C sector shows a marked decline to 13% in larger teams. This latter observation should be interpreted cautiously, however, as our data set includes only a limited number of B2C companies with five or more founders.

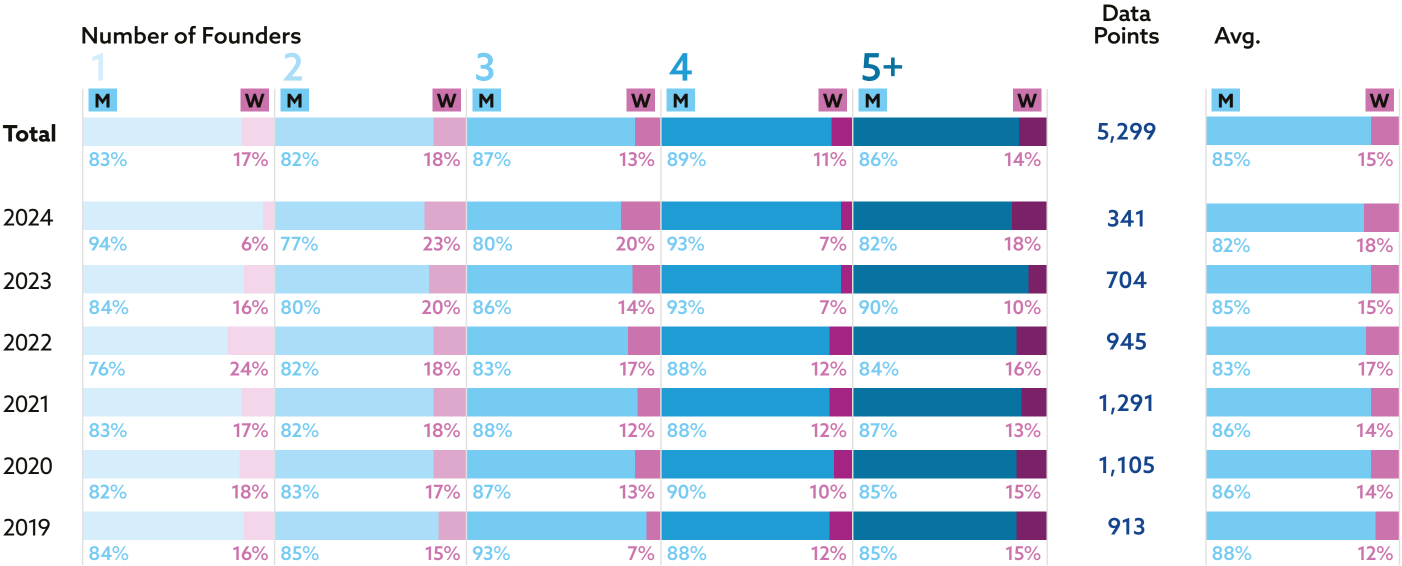
Sectors with Lower Representation of Women: Technology-focused sectors show particularly low representation of women.

The Computer Hardware and Software sector, which represents the largest segment in our data set with 2,436 founders, shows only 12% woman founders. Similarly, Information Technology Services shows 13% woman representation. These numbers suggest that despite various initiatives to increase women's participation in technology, significant barriers remain.

Team Size Dynamics: While the general trend shows declining representation of women in larger teams, some sectors deviate from this pattern. Most notably, the Materials and Resources sector shows an increasing proportion of woman founders as team size grows, from no woman solo founders to 20% representation of women in teams of five or more founders. However, with only 129 founders total in this sector, these percentages should be interpreted with caution.

3.2.2 Annual Developments

Overall Trends for the Entire Data Set: Our data shows a gradual, though modest, improvement in representation of women over the analyzed period. While men founders remained dominant throughout, the proportion of women founders increased from 12% in 2019 to 18% in 2024 across all team sizes. Looking at the overall annual averages (across all team sizes):



While this suggests an overall positive trend, the nonlinear development indicates that increasing representation of women in start-up founding teams remains a complex challenge influenced by multiple factors.

Overall Trends for Various Team Sizes: While there is a general trend toward increased representation of women, the development varies significantly across different team configurations and years.

- Solo founders show significant fluctuation in representation of women, ranging from 16% (2019) to 24% (2022).
- The proportion of women founders in two-founder teams, the most common configuration, improved from 15% in 2019 to 23% in 2024. This steady increase might suggest that two-founder teams offer particularly favorable conditions for mixed-gender founding constellations but this will certainly require further research.
- The gender distribution in three-founder teams shows a less clear pattern. While there is an overall improvement from 2019 to 2024, the year-to-year fluctuations suggest that other factors might influence gender composition in these larger teams.
- Larger teams (4+ founders) consistently show lower representation of women throughout the period. The persistent gender gap in larger teams might reflect additional barriers for participation by women in more complex founding constellations, though our data cannot establish the specific causes for this pattern.

COMPUTER HARDWARE AND SOFTWARE

With 2,436 founders, this sector provides our most robust data sample. The overall trend shows modest improvement in representation of women from 10% in 2019 to 18% in 2024. Breaking this down by team size reveals interesting patterns:

- solo founders: representation of women fluctuated between 0% and 19%;
- two-founder teams: improvement from 15% to 20%;
- three-founder teams: significant improvement, ranging from 5% to 24%; and
- larger teams (4+ founders): consistently low representation of women.

The persistent gender gap in this sector might reflect multiple factors beyond just STEM education patterns. A brief review of the current literature states as potential reasons, amongst others, the following: including pipeline challenges in technical education and early career development, potential barriers in access to technical networks and venture capital, cultural factors within the technology start-up ecosystem as well as lack of visible woman role models in technical leadership positions. However, we are not in a position to make any meaningful assessment based on the information we collected.

Number of Founders

	1 M	1 W	2 M	2 W	3 M	3 W	4 M	4 W	5+ M	5+ W	Data Points	Avg. M	Avg. W
Total	89%	11%	85%	15%	90%	10%	93%	7%	89%	11%	2,436	88%	12%
2024	100%	0%	80%	20%	76%	24%	89%	11%	92%	8%	145	82%	18%
2023	96%	4%	84%	16%	93%	7%	97%	3%	85%	15%	292	89%	11%
2022	81%	19%	88%	12%	89%	11%	92%	8%	95%	5%	390	89%	11%
2021	89%	11%	80%	20%	89%	11%	92%	8%	85%	15%	668	86%	14%
2020	87%	13%	90%	10%	90%	10%	95%	5%	96%	4%	547	90%	10%
2019	95%	5%	85%	15%	95%	5%	93%	7%	90%	10%	394	90%	10%

COMMERCIAL PRODUCTS AND SERVICES (B2B)

This sector (1,087 founders) shows steady but modest improvement in gender diversity:

- overall increase from 14% (2019) to 17% (2024);
- two-founder teams: most consistent improvement, reaching up to 25% in recent years;
- three-founder teams: more volatile, but generally improving trend; and
- larger teams: limited progress, typically under 15% representation of women.

The more balanced improvement across team sizes might be influenced by factors such as: lower technical barriers to entry, more diverse business model types, and a broader range of professional backgrounds represented.

Number of Founders

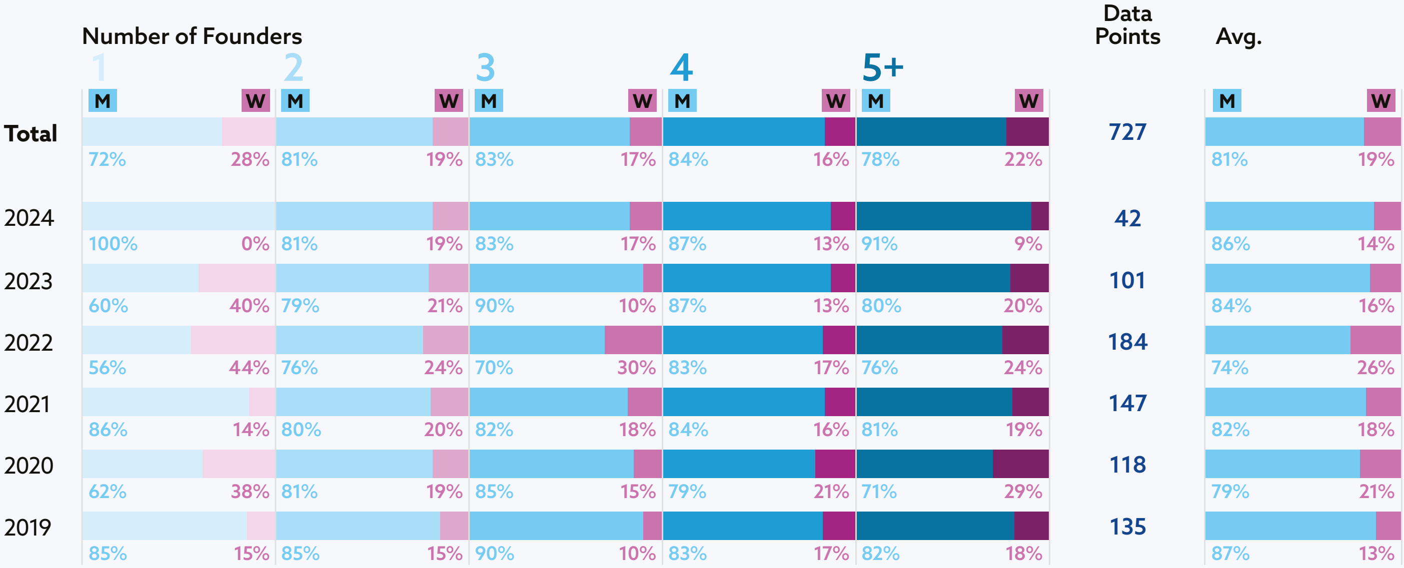
	1 M	1 W	2 M	2 W	3 M	3 W	4 M	4 W	5+ M	5+ W	Data Points	Avg. M	Avg. W
Total	80%	20%	86%	14%	87%	13%	88%	12%	86%	14%	1,087	86%	14%
2024	80%	20%	75%	25%	83%	17%	100%	0%	60%	40%	86	83%	17%
2023	82%	18%	78%	22%	86%	14%	93%	7%	100%	0%	156	85%	15%
2022	86%	14%	85%	15%	81%	19%	85%	15%	90%	10%	176	84%	16%
2021	84%	16%	91%	9%	92%	8%	93%	7%	92%	8%	228	91%	9%
2020	72%	28%	89%	11%	86%	14%	83%	17%	85%	15%	229	85%	15%
2019	81%	19%	86%	14%	92%	8%	86%	14%	78%	22%	212	86%	14%

HEALTHCARE

The Healthcare sector (727 founders) shows distinctive characteristics:

- consistently higher representation of women (13%–26% on average);
- more balanced gender distribution in larger teams; and
- particularly strong representation of women in solo ventures (up to 44%).

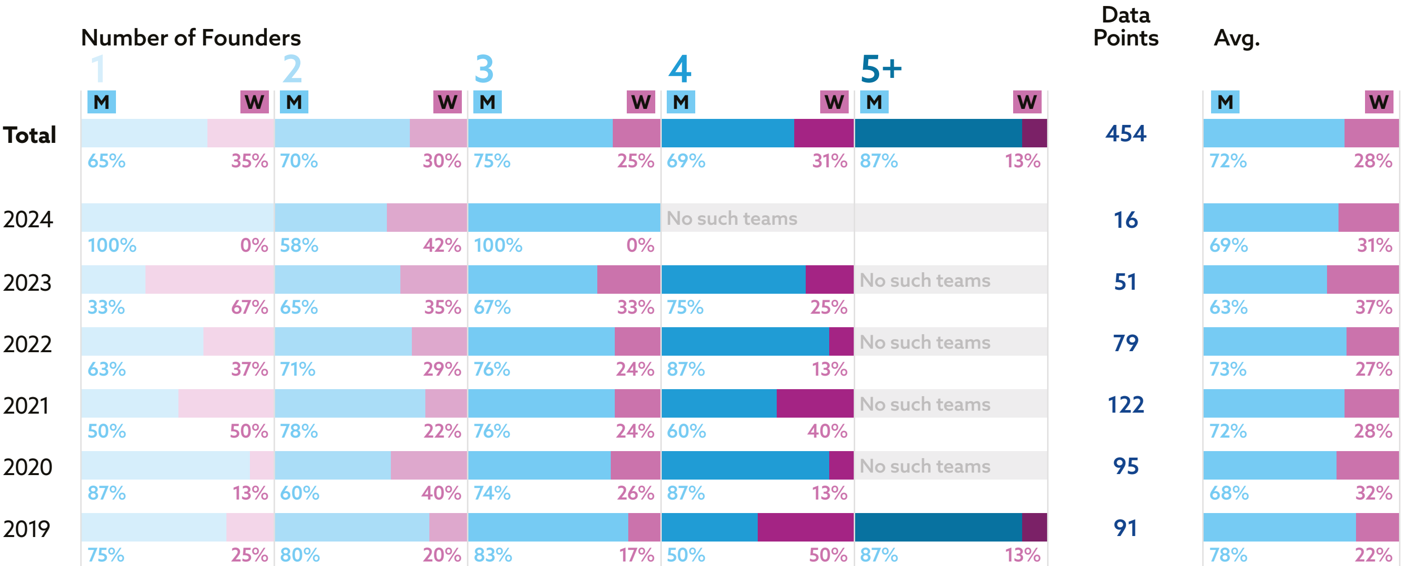
These patterns might reflect factors such as a generally higher representation of women in healthcare professions, established networks of women healthcare professionals as well as specific market knowledge requirements that align with existing gender distribution in the healthcare industry.



CONSUMER PRODUCTS AND SERVICES (B2C)

This sector (454 founders) shows the most dramatic improvement in gender diversity:

- overall increase from 22% (2019) to 31% (2024);
- two-founder teams: remarkable increase from 20% to 42%;
- smaller teams: consistently higher representation of women; and
- solo founders: reaching up to 67% representation of women.



INFORMATION TECHNOLOGY SERVICES, MEDIA, COMMUNICATION AND NETWORKING

While our sample size is smaller (282 founders total), some patterns emerge:

- generally higher representation of women in smaller teams;
- significant year-to-year volatility; and
- virtual absence of woman founders in larger teams. However, with fewer than 15 companies per year in recent cohorts, these observations should be considered indicative rather than definitive.

Number of Founders

	1 M	1 W	2 M	2 W	3 M	3 W	4 M	4 W	5+ M	5+ W	Data Points	Avg. M	Avg. W
Total	88%	12%	86%	14%	82%	18%	91%	9%	100%	0%	282	87%	13%
2024	100%	0%	75%	25%	75%	25%	No such teams				23	78%	22%
2023	100%	0%	80%	20%	72%	28%	100%	0%	100%	0%	52	87%	13%
2022	100%	0%	83%	17%	50%	50%	87%	13%	No such teams		46	80%	20%
2021	86%	14%	93%	7%	94%	6%	90%	10%	No such teams		59	92%	8%
2020	82%	18%	86%	14%	78%	22%	100%	0%	No such teams		55	84%	16%
2019	75%	25%	94%	6%	100%	0%	75%	25%	100%	0%	47	94%	6%

ENERGY (EQUIPMENT AND SERVICES) AND MATERIALS AND RESOURCES

These sectors (126 founders combined) show:

- persistently low representation of women;
- high volatility in gender distribution; and
- almost no representation of women in certain team configurations.

However, the small sample sizes (often fewer than five companies per year) make it inappropriate to draw broader conclusions about gender dynamics in these industries.

Energy (Equipment and Services)

Number of Founders	1 M	1 W	2 M	2 W	3 M	3 W	4 M	4 W	5+ M	5+ W	Data Points	Avg. M	Avg. W
Total	89%	11%	79%	21%	83%	17%	90%	10%	100%	0%	126	85%	15%
2024	100%	0%	100%	0%	No such teams		100%	0%	No such teams		7	100%	0%
2023	100%	0%	75%	25%	33%	67%	100%	0%	100%	0%	19	84%	16%
2022	100%	0%	70%	30%	100%	0%	75%	25%	No such teams		22	77%	23%
2021	67%	33%	83%	17%	100%	0%	87%	13%	No such teams		32	87%	13%
2020	100%	0%	67%	33%	75%	25%	100%	0%	No such teams		27	81%	19%
2019	No such teams		87%	13%	100%	0%	87%	13%	No such teams		19	89%	11%

Materials and Resources

Number of Founders	1 M	1 W	2 M	2 W	3 M	3 W	4 M	4 W	5+ M	5+ W	Data Points	Avg. M	Avg. W
Total	100%	0%	81%	29%	92%	8%	89%	11%	80%	20%	129	84%	16%
2024	100%	0%	100%	0%	No such teams		100%	0%	70%	30%	18	83%	17%
2023	No such teams		100%	0%	89%	11%	87%	13%	80%	20%	29	86%	14%
2022	100%	0%	70%	30%	83%	17%	No such teams		100%	0%	22	82%	18%
2021	100%	0%	50%	50%	100%	0%	87%	13%	No such teams		21	81%	19%
2020	100%	0%	70%	30%	100%	0%	87%	13%	No such teams		26	85%	15%
2019	100%	0%	75%	25%	No such teams		87%	13%	No such teams		13	85%	15%

3.3 Founder Equity Split

The distribution of equity among co-founders represents one of the most crucial and potentially contentious decisions in a start-up's early life. This decision not only reflects the perceived value of each founder's contribution but can also significantly impact team dynamics, motivation, and long-term company success. Our analysis provides empirical insights into how German founders approach this critical decision.

In this Chapter, we examine equity split patterns across different team configurations, sectors, and founding years. We analyze both the prevalence of even versus uneven splits and the specific distribution patterns in cases of uneven splits. Additionally, we explore how factors such as team size, industry sector, and founder gender influence these decisions.

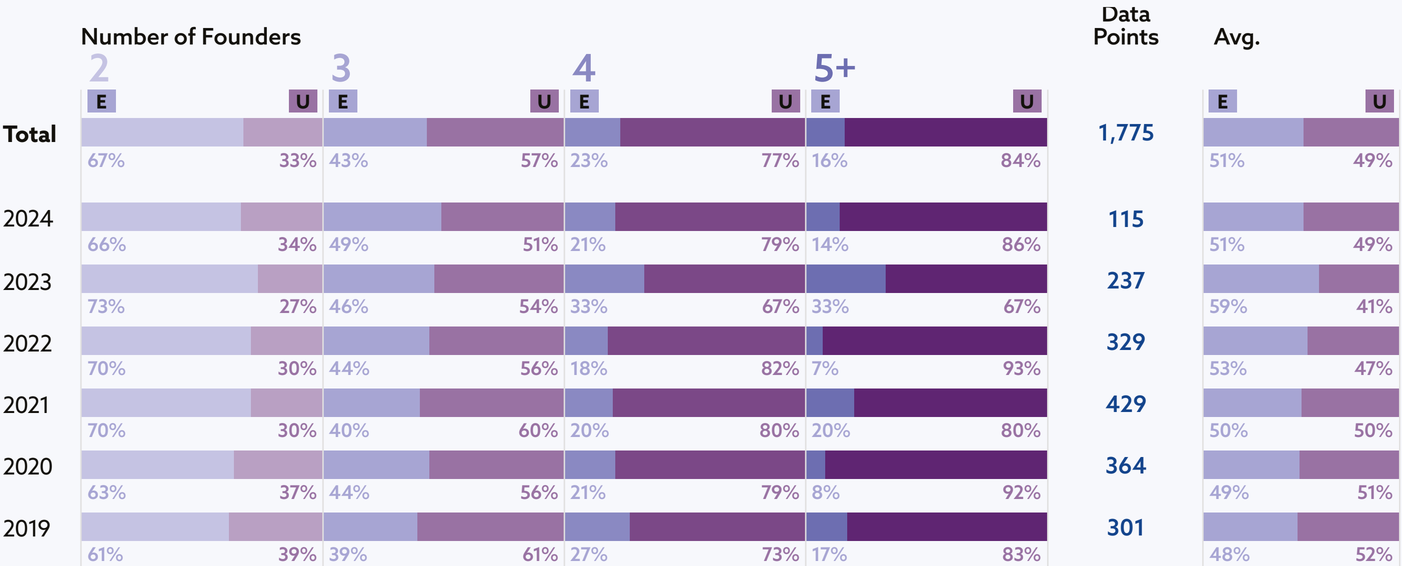
Our analysis reveals several interesting patterns: While even splits are generally preferred in two-founder teams, the likelihood of uneven splits increases significantly with team size. Moreover, we observe distinct sector-specific approaches to equity distribution and notable correlations between gender composition and equity split decisions. These patterns offer valuable insights for entrepreneurs considering their own equity split arrangements.

Before diving into the specific findings, it's important to note that our data represents initial equity splits at or shortly after incorporation. While these initial distributions often prove durable, they may be adjusted over time through subsequent agreements or vesting provisions. Additionally, as mentioned before, our focus on VC-backed companies might not fully represent the broader spectrum of German start-ups.

3.3.1 Uneven and Even Equity Splits – Total Data Set and Temporal Development

Our analysis of equity splits among German start-ups reveals clear patterns that vary significantly with team size. The data shows a strong inverse correlation between team size and the likelihood of even splits: the larger the founding team, the more likely they are to choose an uneven distribution of equity.

EVEN AND UNEVEN EQUITY SPLIT – OVERALL DATA SET AND TEMPORAL DEVELOPMENTS



Team Size as a Key Determinant: Two-founder teams demonstrate the strongest preference for equal distribution, with 67% opting for even splits. This preference appears deeply rooted and has actually strengthened over time, increasing from 61% in 2019 to 66% in 2024. The consistency of this pattern across years and sectors suggests that many two-founder teams view equal partnership as the most straightforward and fair arrangement, potentially reducing future conflicts and simplifying decision-making processes.

As team size increases, the complexity of equity distribution grows correspondingly. In three-founder teams, we observe a shift toward uneven splits, which predominate at 57% of cases. However, these teams show interesting temporal dynamics, with the proportion of even splits varying significantly year over year, ranging from 39% to 49%. Notably, recent years show a trend toward more even splits, with 49% of three-founder teams in 2024 choosing equal distribution compared to 39% in 2019.

The preference for uneven splits becomes more pronounced in four-founder teams, where 77% opt for differentiated equity distribution. This strong tendency might reflect the increasing challenge of evaluating and balancing diverse contributions as team size grows. The data shows considerable fluctuation over time, with even splits ranging from 18% to 33%, though no clear temporal trend emerges.

Teams with five or more founders show the strongest preference for uneven splits, with 84% choosing differentiated equity distribution. This pattern appears logical given the complexity of evaluating contributions across larger teams and the increased likelihood of varying levels of involvement or experience among founders. However, the percentages in this category show high volatility, ranging from 7% even splits in 2022 to 33% in 2023, partly due to smaller sample sizes in this category.

Temporal Development: The analysis of equity splits from 2019 to 2024 reveals several distinct temporal patterns, both in the aggregate data and across different team configurations.

Looking at the overall development, we observe a gradual shift toward even splits across the analyzed period, with the proportion increasing from 48% in 2019 to 51% in 2024. However, this aggregate trend masks significant variations across different team sizes and years.

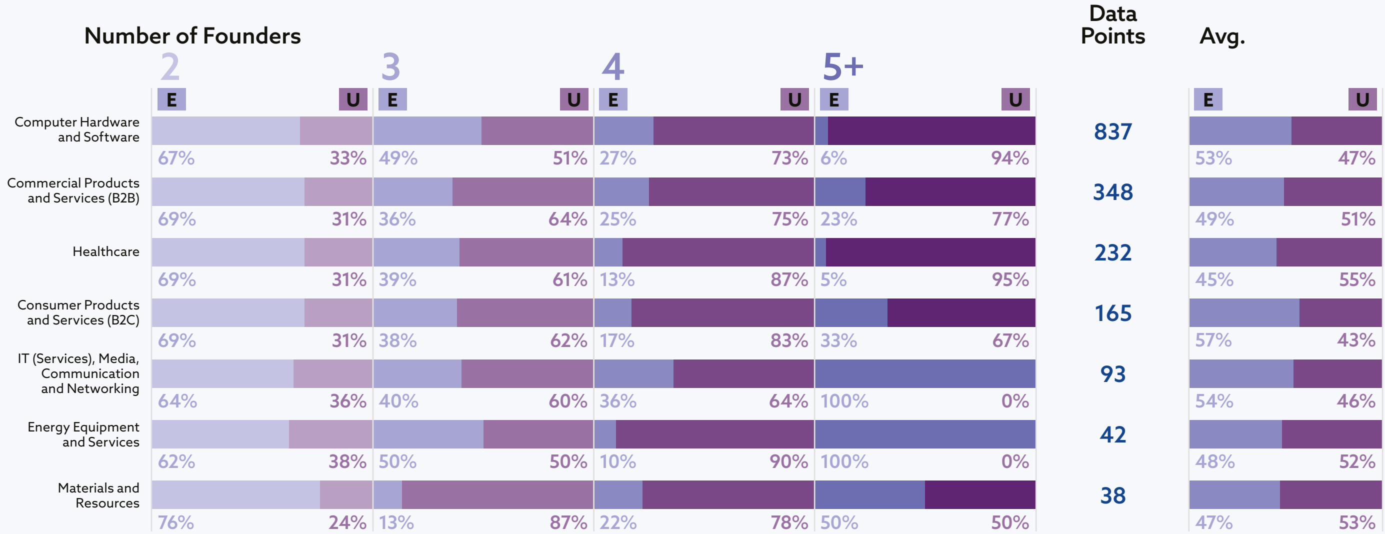
- Two-founder teams show the most pronounced shift toward even splits over time. The proportion of even splits in two-founder teams increased steadily from 61% in 2019 to 66% in 2024, with particularly strong numbers in 2023 (73%). This trend suggests an evolving preference for equal partnership structures in two-founder constellations, though the underlying reasons for this shift cannot be definitively determined from our data.
- Three-founder teams show more complex patterns. While uneven splits predominate throughout the period, the proportion of even splits has fluctuated significantly: starting at 39% in 2019, reaching 44% in 2020 and 2022, and increasing to 49% in 2024. This volatility might reflect the inherent complexity of balancing contributions and responsibilities in three-person teams, where factors such as different roles, experience levels, and commitment may influence equity distribution decisions.
- In four-founder teams, we observe substantial year-to-year variations in equity split patterns. The proportion of even splits ranges from a low of 18% in 2022 to a high of 33% in 2023, with no clear directional trend over the analyzed period. This volatility might reflect the increased complexity of equity distribution decisions in larger teams, where multiple factors must be balanced in determining appropriate equity allocations.
- Teams with five or more founders show the most volatile patterns, with the proportion of even splits ranging from 7% in 2022 to 33% in 2023. However, these significant swings should be interpreted cautiously due to the smaller sample sizes in this category, particularly in more recent years. Throughout the period, these larger teams maintain a strong tendency toward uneven splits, suggesting that equal distribution becomes increasingly complex and potentially less practical as team size grows.

For the most recent years (2023–2024), we observe increased volatility across all team sizes. While this might indicate evolving attitudes toward equity distribution, it could also reflect the smaller sample sizes in these years, as our data set primarily captures VC-backed companies and there is naturally less data available for recently founded start-ups. These temporal patterns suggest that while preferences for equity distribution have shifted somewhat over time, the fundamental relationship between team size and split patterns remains relatively stable: smaller teams tend toward even splits, while larger teams predominantly opt for differentiated equity distribution. The year-to-year variations we observe might reflect changing market conditions, evolving founder preferences, or other external factors not captured in our data set.

3.3.2 Uneven and Even Equity Splits – Sector Breakdown

Our analysis of equity splits across different sectors reveals distinct patterns that might reflect sector-specific characteristics and requirements. While our previous analysis examined temporal developments in the overall data set, this sector-specific analysis focuses on aggregate data across the entire period from 2019 to 2024, as breaking down individual sectors by year would result in sample sizes too small for meaningful analysis.

EVEN AND UNEVEN EQUITY SPLIT – SECTORS



Computer Hardware and Software: This sector shows interesting deviations from overall patterns. While two-founder teams align with the general preference for even splits (67%), three-founder teams show an unusually high proportion of even splits (49%). However, this sector shows the lowest proportion of even splits in larger teams, with only 6% of teams with five or more founders opting for equal distribution.

Commercial Products and Services (B2B): This sector closely mirrors the overall market averages, with 69% even splits in two-founder teams declining to 23% in larger teams. Notably, this sector maintains relatively consistent patterns across team sizes, showing less-extreme drops in even splits as team size increases compared to other sectors.

Healthcare: This sector presents a distinctive pattern, with a strong preference for even splits in two-founder teams (69%) but sharply declining proportions in larger teams. Only 13% of four-founder teams and 5% of larger teams opt for even splits, suggesting that larger healthcare ventures might require more nuanced recognition of varying contributions or expertise levels.

As mentioned above, there is a higher rate of woman founders in this sector and as we will see below, having more women founders on a founder team correlates with higher likelihoods of even equity splits.

Consumer Products and Services (B2C): This sector shows the highest overall proportion of even splits (57%). This sector follows the general pattern of decreasing even splits with larger team sizes but maintains relatively high proportions of even splits across all configurations: 69% in two-founder teams, 38% in three-founder teams, and notably, 33% even splits in teams of five or more founders—significantly higher than most other sectors for larger teams.

Information Technology Services: This sector shows more balanced distributions, with relatively high proportions of even splits across most team sizes (64% for two founders, 40% for three founders, and 36% for four founders). However, the small sample size for larger teams makes it difficult to draw meaningful conclusions about teams of five or more founders.

Energy Equipment and Services: This sector presents unique patterns, with 62% even splits in two-founder teams and an exact 50-50 split between even and uneven distributions in three-founder teams. However, the small sample size in this sector, particularly for larger teams, suggests these patterns should be interpreted cautiously.

Materials and Resources: Finally, this sector shows the highest proportion of even splits in two-founder teams (76%) but the lowest in three-founder teams (13%). However, given the limited sample size in this sector, these extreme variations might not be representative of broader industry patterns.

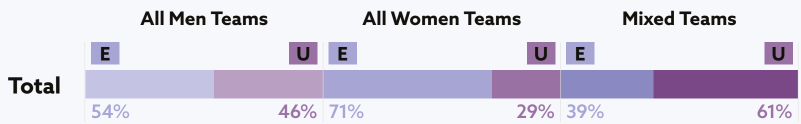
Several notable patterns emerge from this sector-specific analysis:

- The preference for even splits in two-founder teams remains strong across all sectors (ranging from 62% to 76%), suggesting this might be a fundamental pattern independent of industry characteristics.
- Sectors show significant variation in how they handle equity distribution in larger teams, possibly reflecting different approaches to valuing diverse expertise and contributions.
- Consumer-focused sectors (B2C) show a higher overall tendency toward even splits, while technology and healthcare sectors show stronger preferences for uneven splits in larger teams.
- The sharp decline in even splits as team size increases appears to be a universal pattern across sectors, though the rate of decline varies significantly.

3.3.3 Equity Split and Gender

Our analysis reveals remarkable correlations between team gender composition and equity distribution choices. This adds another important dimension to our understanding of how founding teams approach equity splits, complementing our earlier findings about team size and sector-specific patterns.

EQUITY SPLIT AND GENDER



Overall Patterns: The data shows significant variations in the likelihood of even splits depending on team gender composition. These differences are particularly noteworthy given our earlier findings about the general prevalence of even splits (51% across all teams):

- Teams composed of all women demonstrate the strongest tendency toward equal distribution, with 71% choosing even splits (55 out of 77 teams). This marked preference for even splits is particularly interesting given that it significantly exceeds the overall market average. However, it's important to note that our data set contains a relatively small sample of women-led teams, reflecting the broader gender imbalance in the German start-up ecosystem that we observed earlier.
- Teams composed of all men, representing the largest sample in our data set (1,236 teams), show a more balanced distribution between even and uneven splits (54% even, 46% uneven). This pattern largely aligns with the overall market average, which is not surprising given that all-men teams constitute the majority of our data set.
- Mixed-gender teams present a striking contrast, with only 39% opting for even splits (182 out of 462 teams). This strong preference for uneven splits (61%) represents the lowest proportion of even splits among all gender configurations and deviates significantly from the overall market average.

Statistical Considerations: These patterns suggest that gender composition might be an important factor in how teams approach equity distribution decisions. However, the underlying causes for these differences cannot be definitively determined from our data alone and might involve complex interactions between various social, economic, and structural factors in the start-up ecosystem. It is important to not forget the limitations of our data set and the analysis performed by us so far when interpreting the above. In particular, our findings might be influenced by variation in sample sizes (we have a relatively small sample of women-led teams with just 77 teams compared to 1,236 teams that were composed of all men and 462 mixed-gender teams).

3.3.4 Deep Dive on Founder Teams with an Uneven Split

Having established when teams opt for uneven splits, we now turn to examining how founding teams actually distribute equity in these cases. This analysis provides insights into typical shareholding patterns and the relative differences in equity allocation among co-founders.

Our analysis focuses on the average shareholdings of each founder in teams that chose uneven splits, ranked from highest to lowest shareholding. We examine these patterns across different team sizes and sectors, revealing both common approaches and sector-specific variations. Additionally, we explore whether and how gender composition influences the specific distribution of equity in uneven splits, adding another dimension to our understanding of equity allocation practices.

Our findings reveal distinct patterns in how founders distribute equity in uneven splits, suggesting certain "standard" approaches that vary by team size and sector. These patterns range from modest divergences from equal splits to more pronounced differences in equity allocation, particularly in larger teams.

Please note that the numbers in the tables below might not add up to 100% for a variety of reasons, *e.g.*, the calculation of averages and rounding of numbers and non-founders on the initial cap table (*e.g.*, business angels, incubators, or corporations in case of corporate spin-offs).

Aggregate Data Set and Temporal Development:
Our analysis of how founding teams distribute equity in cases of uneven splits reveals clear patterns across different team configurations. The data shows consistent hierarchical structures in equity distribution, with the disparity between the highest and lowest shareholdings typically increasing with team size.

EQUITY DISTRIBUTION IN TEAMS WITH UNEVEN SPLIT – ENTIRE DATA SET AND TEMPORAL DEVELOPMENT

Overall, we identified the following notable trends:

- Two-founder teams show the most stable patterns across all years.
- Larger teams demonstrate increasing volatility in more recent years.
- The basic hierarchical structure remains consistent throughout the period.

These patterns suggest that while founding teams have developed certain "standard" approaches to uneven equity splits, the specific distribution often depends on team size and potentially other factors we will explore in subsequent analyses. The relative stability of these patterns over time, particularly in two-founder teams, might indicate established best practices in the German start-up ecosystem.

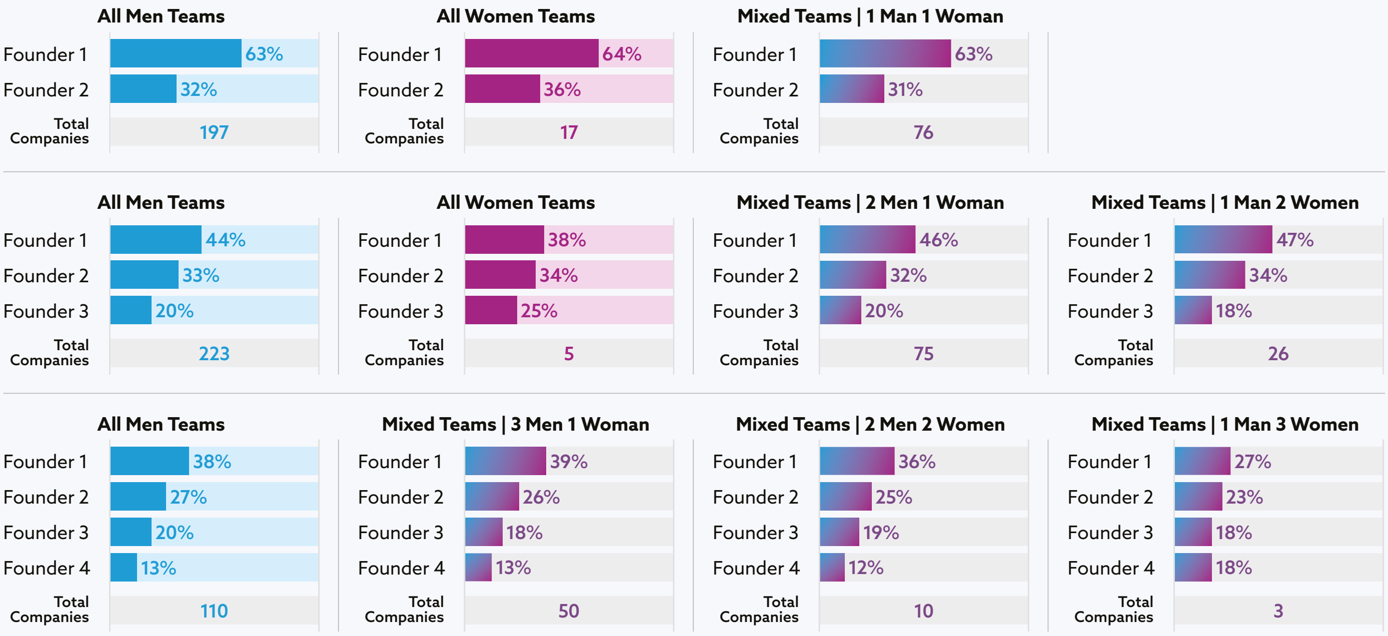
Sector Analysis: For the specific sectors, this Chapter presents aggregate data across our entire data set from 2019 to 2024, rather than temporal developments, to ensure statistically meaningful sample sizes. While this approach doesn't capture potential changes over time, it provides robust insights into general distribution patterns. We maintain our focus on initial equity splits at or shortly after incorporation, as documented in the commercial register.

Our analysis reveals that while certain basic patterns in equity distribution remain consistent across sectors, there are notable sector-specific variations in how founding teams structure uneven splits.

EQUITY DISTRIBUTION IN TEAMS WITH UNEVEN SPLIT – SECTORS

Gender Composition and Distribution Patterns in Uneven Splits: When examined through the lens of gender composition, interesting patters emerge.

GENDER COMPOSITION AND DISTRIBUTION PATTERNS IN UNEVEN SPLIT



The data shows distinct variations in how equity is allocated depending on whether teams are are all-men, all-women, or mixed-gender, though sample sizes vary significantly across these categories.

- **Two-Founder Teams:** In two-founder teams with uneven splits, we observe notable differences across gender compositions:
  - Teams composed of all men (197 teams) show a typical distribution of 63% for the majority shareholder and 32% for the minority position, creating a differential of 31 percentage points. This pattern closely mirrors the overall market average, which is not surprising given that teams composed of all men constitute the largest sample.
  - Teams composed of all women (17 teams), while representing a smaller sample, show a more moderate differential: 64% for the majority shareholder and 36% for the minority position. This 28-percentage point gap is slightly smaller than in all-men teams, suggesting a potential preference for more balanced distributions even in uneven splits.
  - Mixed-gender teams with one man and one woman (76 teams) show the most striking pattern: 63% for the majority shareholder and 31% for the minority position.
- **Three-Founder Teams:** The patterns in three-founder teams reveal additional complexity:
  - Teams composed of all men (223 teams) show a distribution of 44% (lead), 33% (second), and 20% (third), creating relatively even steps between positions.
  - Teams composed of all women (5 teams) demonstrate a more balanced distribution: 38% (lead), 34% (second), and 25% (third). While the sample size is small, the pattern suggests a preference for more moderate differentials.
  - Mixed-gender teams show varying patterns depending on their composition:
    - Teams with two men and one woman (75 teams): 46% (lead), 32% (second), 20% (third).
    - Teams with one man and two women (26 teams): 47% (lead), 34% (second), 18% (third).

- **Four-Founder Teams:** In four-founder configurations, the patterns become more complex, though sample sizes decrease:
  - Teams composed of all men (110 teams) show a distribution of 38% (lead), 27% (second), 20% (third), and 13% (fourth).
  - Mixed-gender teams show varying patterns based on gender composition:
    - Three men, one woman (50 teams): 39% (lead), 26% (second), 18% (third), 13% (fourth).
    - Two men, two women (10 teams): 36% (lead), 25% (second), 19% (third), 12% (fourth).
    - One man, three women (3 teams): Sample size is too small for meaningful analysis.

Several notable patterns emerge from this analysis:

- Gender composition appears to influence the degree of differentiation in equity splits, with teams composed of all women generally showing more moderate differentials than teams composed of all men. This aligns with the above finding, that women tend to split equity evenly more often than men do.
- Mixed-gender teams often show distribution patterns similar to teams composed of all men, particularly in cases where men founders constitute the majority.
- The hierarchical structure of equity distribution (declining percentages from lead to junior positions) remains consistent across gender compositions, though the steepness of the decline varies.

These findings suggest that while gender composition might influence how teams approach equity distribution in uneven splits, the basic patterns of hierarchical distribution remain relatively consistent. The more moderate differentials observed in teams composed of all women, while based on limited data, might indicate different approaches to valuing contributions or structuring partnerships.

As mentioned above, teams composed of all men provide the largest and most statistically robust sample. Teams composed of all women, particularly in larger configurations, have very small sample sizes. Mixed-gender team samples vary considerably based on specific gender compositions.

3.4 Comparison with the Situation in the United States

In the dynamic landscape of start-ups, understanding the composition of founder teams and their equity distribution is crucial for both founders and investors. This final Chapter aims to provide a comparative analysis of these elements between German start-ups and their counterparts in the United States.

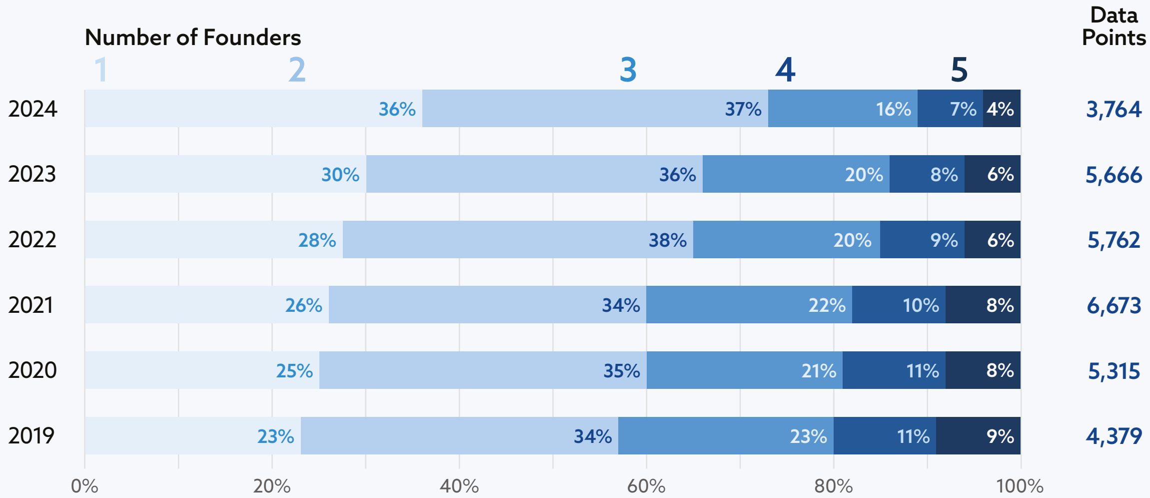
The U.S. start-up scene, characterized by its innovation-driven culture and significant venture capital activity, offers a wealth of data that can illuminate trends and best practices in founder team composition and equity distribution. For our comparison, we rely on several studies published by the service provider *Carta* for start-ups founded between 2019 and 2023 and 2019 and 2024, respectively. Although the data is aggregated across various sectors, it still offers a meaningful snapshot of the prevailing patterns in one of the world's most competitive start-up environments. By comparing these findings with the empirical data from our study for Germany, we can identify similarities and differences that may influence strategic decisions in both markets.

The U.S. market often sets global trends in entrepreneurship, and insights into its founder team structures and equity allocations can inform German founders about potential strategies to optimize their own team dynamics and ownership structures. Ultimately, this comparative analysis not only enriches our understanding of start-up founder team composition and equity distribution but also serves as a strategic tool for stakeholders in both Germany and the U.S. By leveraging insights from both markets, founders and investors can make more informed decisions that enhance the prospects for innovation and growth in their respective start-up ecosystems.

3.4.1 Number of Founders

In one *Carta* study published in 2025, *Carta* looked at 45,616 U.S. start-ups founded between 2015 and 2024. An excerpt of the findings for the years 2019 to 2024 is shown in the table below. *Carta*'s analysis showed a rise of the solo founder over the last years, while the percentage of founding teams with two founders remained largely unchained, the numbers for teams with ≥ 3 founders steadily declined.

FOUNDING TEAM SIZE AND YEAR OF INCORPORATION – USA – ALL SECTORS



Source: Data Public by *Carta*. ©2024 eShares Inc., d/b/a *Carta* Inc. ("*Carta*"). All rights reserved.

So, how do these numbers compare to the data for Germany that we found in our study?

A comparison of founder team sizes between U.S. and German start-ups reveals interesting differences in both absolute numbers and temporal developments. While both ecosystems show some similar trends, there are notable divergences in team composition preferences.

Solo Founders: The most striking difference appears in the prevalence of solo founders:

U.S. start-ups show:

- a strong and steady increase in solo founders from 23% (2019) to 36% (2024);
- overall higher proportions of solo founders throughout the period.

German start-ups show:

- more moderate levels of solo founders (ranging from 13% to 23%);
- no clear upward trend;
- significant fluctuation between years.

Two-Founder Teams: Two-founder teams show different patterns in each ecosystem:

U.S. start-ups show:

- relatively stable proportion (34-38%);
- slight increase from 34% (2019) to 37% (2024).

German start-ups show:

- consistently higher proportion (38-45%);
- more stable pattern with less fluctuation.

Three-Founder Teams: Three-founder teams show some similarities:

U.S. start-ups show:

- gradual decline from 23% (2019) to 16% (2024); and
- consistent downward trend.

German start-ups show:

- more stable proportion (22-31%);
- higher overall percentage;
- no clear downward trend.

Larger Teams (4+ Founders): Both ecosystems show declining proportions of larger teams:

U.S. start-ups show:

- four founders: decline from 11% to 7%; and
- five+ founders: decline from 9% to 4%; as well as
- total larger teams: decline from 20% to 11%.

German start-ups show:

- four founders: relatively stable around 10%; and
- five founders: relatively stable around 4%; as well as
- total larger teams: more stable around 14%.

Key Observations:

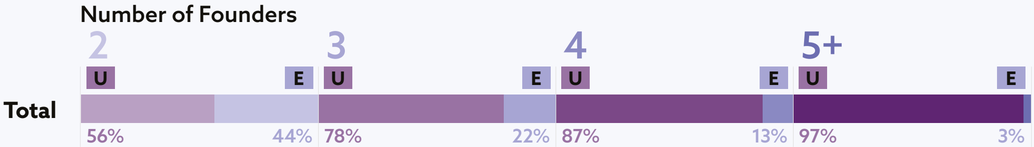
- While the U.S. shows a clear trend toward solo entrepreneurship, German start-ups maintain a stronger preference for team-based founding, particularly two-founder configurations.
- The German ecosystem shows more stability in team size distributions over time, while the U.S. ecosystem demonstrates more pronounced shifts, particularly toward solo founders.
- German start-ups consistently show a stronger preference for multi-founder teams, especially two and three-founder configurations, compared to their U.S. counterparts.

These patterns suggest that while both ecosystems face similar pressures and developments, they maintain distinct characteristics in how founding teams are structured. The German ecosystem's stronger preference for team-based founding might reflect different cultural approaches to entrepreneurship, varying market conditions, or distinct institutional frameworks supporting start-up formation.

3.4.2 Distribution of Uneven and Even Equity Splits

Even means fair, right? If you think that this might be a trick question from your friendly lawyer, trust your instincts. U.S. founders will beg to differ. Per another *Carta* analysis for a cohort of more than 7,000 U.S. start-ups founded between 2019 and 2023, more than half (to be precise, 56%) of the two-founder teams split the equity unequally. And that number rises the larger the team. In a three-founder team, 78% split unequally. When looking at the four-founder teams, already 87% of these teams opted for an uneven split. For teams with five or more founders, *de facto* all teams split unequally (97%).

EVEN AND UNEVEN EQUITY SPLIT – U.S. TEAMS

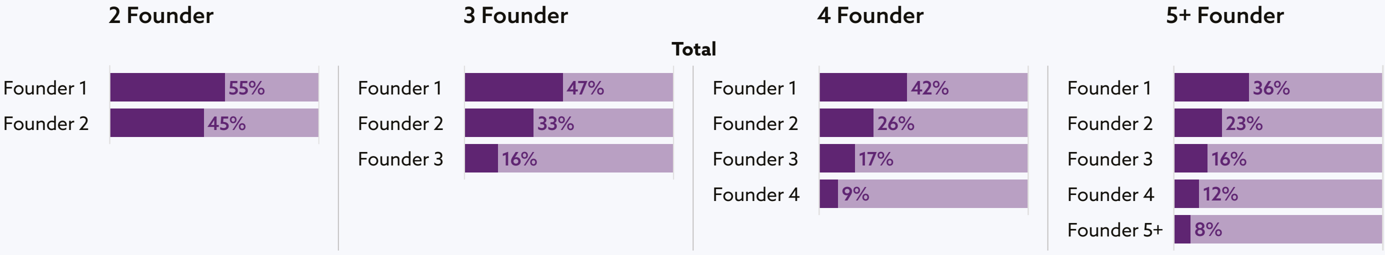


Interestingly, while most founding teams in the U.S. choose to divide equity among themselves on an unequal basis, a growing number of co-founders are opting for an even split. For example, according to *Carta*, back in 2015, the number of two-person founder teams that divided up their equity equally stood at 31.5%, and that number has gone up over recent years.

3.4.3 Breakdown of Founder Teams with an Uneven Split

Zooming in on the founder teams with an unequal split, *Carta* found that in larger founding teams, there tends to be a "lead" founder.

EQUITY DISTRIBUTION IN TEAMS WITH UNEVEN SPLIT – U.S. TEAMS



How do these patterns compare to what we have seen for Germany?

Before examining the specific differences, it's important to note that the data sets are not directly comparable. While our German analysis focuses primarily on VC-backed start-ups incorporated between 2019 and 2024, the *Carta* data set includes a broader spectrum of U.S. start-ups, both funded and unfunded. Additionally, the time periods don't perfectly align. Therefore, while the comparison provides valuable insights, the differences should be interpreted as directional rather than absolute.

Two-Founder Teams: In two-founder teams, we observe notable differences in how equity is distributed. While 33% of German two-founder teams opt for uneven splits, the proportion in U.S. teams is significantly higher at 56%. When examining the specific distribution patterns in teams with uneven splits:

	U.S. Pattern	German Pattern
Founder 1	65%	63%
Founder 2	35%	32%

The relatively similar distribution patterns suggest that while German teams are less likely to choose uneven splits, when they do, they follow similar principles to their U.S. counterparts.

Three-Founder Teams: The most striking difference appears in the prevalence of uneven splits. In U.S. three-founder teams, 78% opt for uneven splits, compared to 57% in German teams. This suggests that German founding teams might have a stronger cultural preference for equal partnership structures. When examining the specific distribution patterns in teams with uneven splits, we observe interesting similarities and differences:

	U.S. Pattern	German Pattern
Founder 1	47%	45%
Founder 2	33%	33%
Founder 3	13%	20%

Both ecosystems show similar basic patterns in their hierarchical structure, suggesting some universal principles in how founding teams approach equity distribution when choosing uneven splits. While the allocation for the second founder is identical (33%), German teams tend to distribute equity more evenly between the highest and lowest positions. The seven percentage point difference in equity allocation to the third founder (20% vs. 13%) suggests that German teams might place greater emphasis on maintaining relatively balanced ownership structures even in uneven splits.

Four-Founder Teams: In four-founder teams, the pattern of German teams favoring more balanced distributions continues:

	U.S. Pattern	German Pattern
Founder 1	45%	38%
Founder 2	25%	26%
Founder 3	18%	19%
Founder 4	12%	13%

The more moderate differential between the highest and lowest positions in German teams reinforces the observation that German founders tend toward more balanced equity distributions even in uneven splits.

Five-Founder Teams: For larger teams, while the sample sizes become smaller, the pattern remains consistent:

	U.S. Pattern	German Pattern
Founder 1	42%	33%
Founder 2	23%	23%
Founder 3	15%	16%
Founder 4	12%	12%
Founder 5	8%	8%

These patterns across different team sizes consistently show that while both ecosystems follow similar hierarchical structures in uneven splits, German teams tend to opt for more moderate differentials between the highest and lowest equity positions. This might reflect different cultural approaches to hierarchy and equality, variations in start-up ecosystem maturity, distinct legal and regulatory environments, or different investor expectations and market practices.

B. Our International Platform for Technology Companies

Chambers AND PARTNERS

The leading international law firm directory ranks Orrick in **Tier 1 for Venture Capital Germany** and lists our partner Sven Greulich as one of the Top 3 VC lawyers in Germany (2025)

JUVE

The leading German law firm directory JUVE ranks Orrick in **Tier 1 for Venture Capital in Germany** and lists our partner Sven Greulich as one of the top VC lawyers in Germany (2024/2025)

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www.orrick.com/en/News/2024/09/Orricks-Tech-Deal-Flow-Dashboard-Recognized-at-2024-Financial-Times-Innovative-Lawyers-Europe

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Orrick counsels more than 4,000 venture-backed companies and 100+ unicorns as well as the most active funds, corporate venture investors and public tech companies worldwide. Our focus is on helping disruptive companies tap into innovative legal solutions. We are ranked Top 10 for European buyouts by deal count (*MergerMarket*, H1 2024) and the #1 most active law firm in European venture capital (*PitchBook*).

The 2024 State of European Tech Report prepared by *Atomico* in partnership with Orrick, HSBC Innovation Banking, AWS Amazon Web Services and Slush, is the deepest, data-led investigation into the European tech ecosystem and empowers us all to make data-driven decisions in the year to come.

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Coatue
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GIC
in its investment in Sunfire's €215 million Series E

TDK Ventures
in its investment in Ineratec's €118 million Series B

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in its €130 million Series A

Haniel
as co-lead investor in 1Komma5°'s €215 million Series B

Taktile
in its $54 million Series B

110+ Flip Transactions
advised more than 80 German start-ups on getting into a U.S./German holding structure and subsequent financings

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Complete the Startup Health Check to receive a detailed report highlighting areas you may want to focus on and get connected with members of Orrick's Technology Companies Group who can help guide you through your company's next phase of development.

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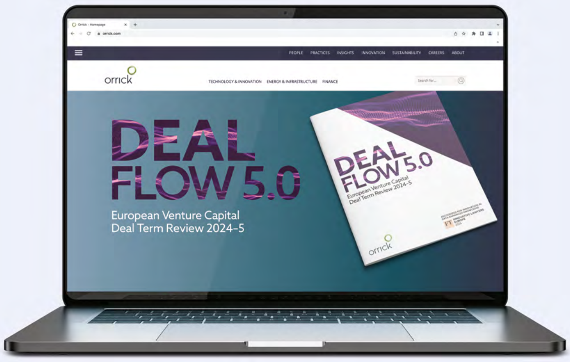

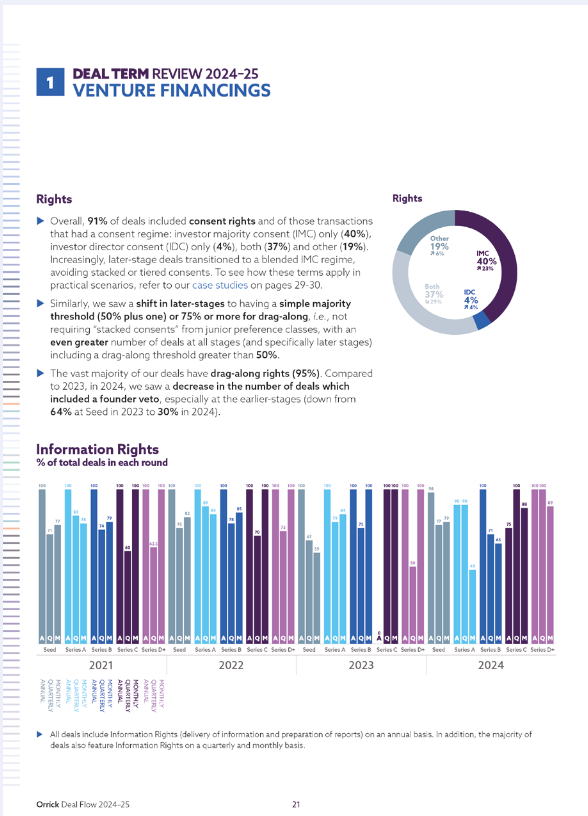

1 DEAL TERM REVIEW 2024–25
VENTURE FINANCINGS

Rights

- Overall, **91%** of deals included **consent rights** and of those transactions that had a consent regime: investor majority consent (IMC) only (**40%**), investor director consent (IDC) only (**4%**), both (**37%**) and other (**19%**). Increasingly, later-stage deals transitioned to a blended IMC regime, avoiding stacked or tiered consents. To see how these terms apply in practical scenarios, refer to our case studies on pages 29-30.
- Similarly, we saw a **shift in later-stages** to having a **simple majority threshold (50% plus one) or 75% or more for drag-along**, *i.e.*, not requiring "stacked consents" from junior preference classes, with an **even greater** number of deals at all stages (and specifically later stages) including a drag-along threshold greater than **50%**.
- The vast majority of our deals have **drag-along rights (95%)**. Compared to 2023, in 2024, we saw a **decrease in the number of deals which included a founder veto**, especially at the earlier-stages (down from **64%** at Seed in 2023 to **30%** in 2024).

Information Rights
% of total deals in each round

- All deals include Information Rights (delivery of information and preparation of reports) on an annual basis. In addition, the majority of deals also feature Information Rights on a quarterly and monthly basis.

Orrick Deal Flow 2024–25 21

Deal Flow 5.0

We analyze our closed venture financing transactions and convertible loan note financings across our European offices, to offer strategic insight into the European venture capital market:

Over 375 venture financing deals across Europe in 2024, raising more than $7.1 billion which make up over 25 % of the total capital raised across the region.

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we know what has been contractually regulated in hundreds of venture transactions each year that Orrick advised on in Europe.

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Deal Flow 5.0 with our analysis of the 2024 deal terms is available at orrick.com/dealflow.

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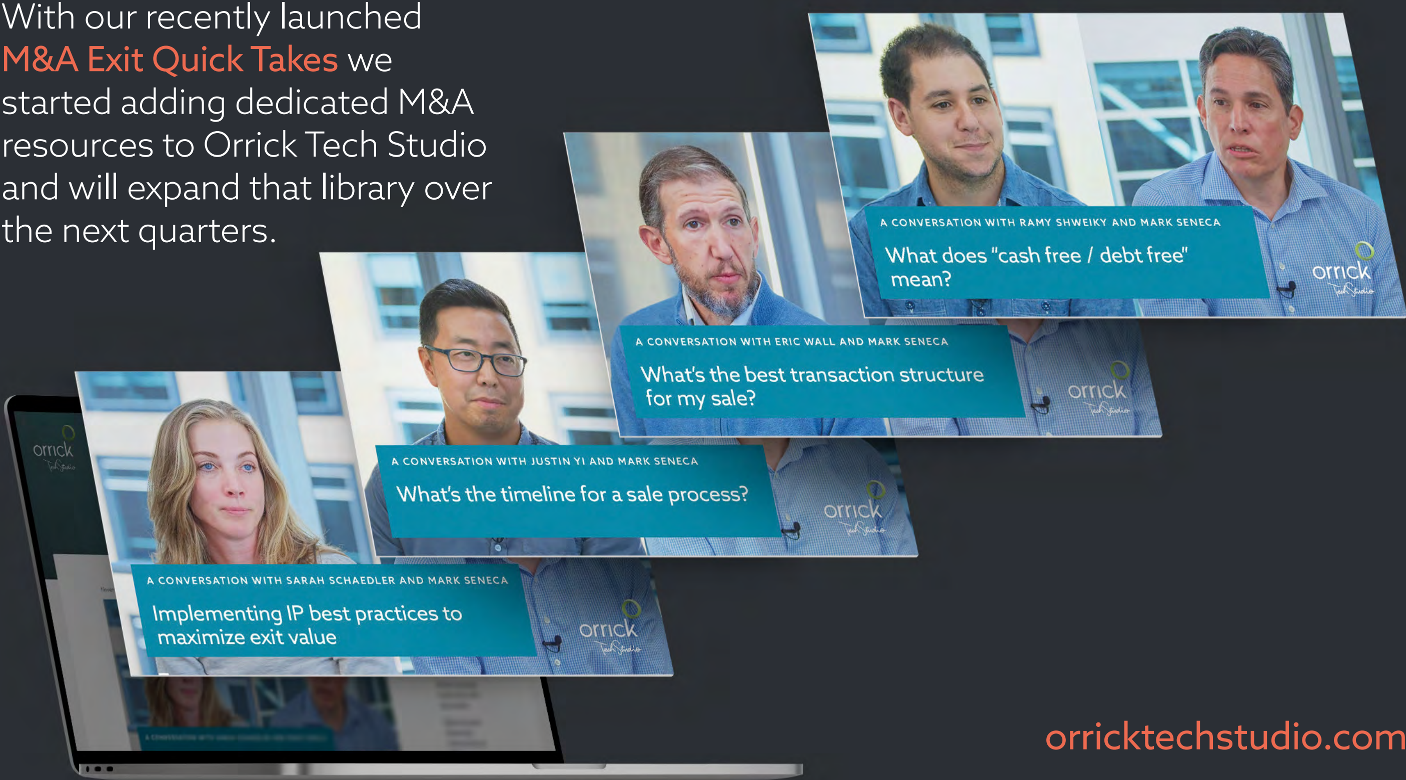
With our recently launched **M&A Exit Quick Takes** we started adding dedicated M&A resources to Orrick Tech Studio and will expand that library over the next quarters.



orricktechstudio.com

C. About the Authors

Carsten Bernauer

DÜSSELDORF

cbernauer@orrick.com

Carsten Bernauer is a partner in our Technology Companies and M&A practice. Besides advising on "traditional" national and cross-border corporate and private equity transactions as well as corporate restructurings (including insolvency restructurings), he particularly focuses on venture capital financing and advising technology companies through all growth stages.

Sven Greulich (Author and Editor)

DÜSSELDORF

sgreulich@orrick.com

Dr. Sven Greulich, LL.M. (Cantuar), *EMBA* is a partner in our Technology Companies and M&A practice and focuses on venture capital financing and advising high-growth technology companies. His work for technology companies in cross-border engagements has won several awards (*Financial Times*, *JUVE*, *Handelsblatt/BestLawyers*, *Legal500*, *Chambers Europe*). The leading *Chambers* journal lists Sven as one of the Top 3 venture capital lawyers in Germany.

Onur Öztürk

MUNICH

ooeztuerk@orrick.com

Onur Öztürk is a counsel in our Technology Companies Group and advises German and international clients in all aspects of corporate law. His focus lies in domestic and cross-border M&A and venture capital transactions. Onur has worked with numerous German start-ups on their flip transactions, in particular, with German start-ups that had been accepted into the Y Combinator program.

Carl Oldenbourg

MUNICH

coldenbourg@orrick.com

Carl Oldenbourg is an associate in our Technology Companies and M&A practice. He focuses on advising university spin-offs and their investors, from initial funding rounds to exit strategies.

Johannes Rüberg

MUNICH

jrueberg@orrick.com

Dr. Johannes Rüberg, EMBA is a partner in our Technology Companies and M&A practice and focuses in particular on advising technology companies and their investors from incorporation through financings to exit transactions.

Christopher Sprado

DÜSSELDORF

csprado@orrick.com

Christopher Sprado, LL.M. (University of Virginia) is a partner in our Technology Companies and M&A practice. He specializes in advising clients on M&A transactions, venture capital investments, corporate restructuring measures (notably conversions), as well as general corporate law matters. He particularly advises on projects and transactions in an international context with a focus on technology companies.

Kim Supe-Dienes

DÜSSELDORF

ksupe-dienes@orrick.com

Kim Supe-Dienes is an associate in our Technology Companies and M&A practice. She advises start-ups from their incorporation through their first financing rounds into the growth phase, as well as on internationalization projects. Kim also advises VCs and corporate venture capital investors on their investments.

Kjell Tönjes

DÜSSELDORF

ktoenjes@orrick.com

Kjell Tönjes is an associate in our Technology Companies and M&A practice. He has a particular focus on university spin-offs and general corporate law matters and advises on early-stage financings.

Martha Verhaelen

DÜSSELDORF

mverhaelen@orrick.com

Martha Verhaelen is an associate in our Technology Companies and M&A practice. She advises founder teams on equity splits, incorporation processes and the set-up of employee incentive schemes.

Other Issues in this Series

orrick.com/olns

OLNS #1 — Venture Debt for Tech Companies

May 2019

Venture Debt is a potentially attractive complement to equity financings for business start-ups that already have strong investors on board.

This is a highly flexible instrument with very little dilutive effect for founders and existing investors.

OLNS #2 — Convertible Loans for Tech Companies

August 2019

Due to their flexibility and reduced complexity compared to fully-fledged equity financings, convertible loans are an important part of a start-up's financing tool box. In a nutshell: a convertible loan is generally not meant to be repaid, but to be converted into an equity participation in the start-up at a later stage.

OLNS #3 — Employment Law for Tech Companies

January 2023 - updated and expanded edition replacing the 2019 edition

Young technology companies are focused on developing their products and bringing VC investors on board. Every euro in the budget counts, personnel is often limited, and legal advice can be expensive. For these reasons, legal issues are not always top of mind. But trial and error with employment law can quickly become expensive for founders and young companies.

OLNS #4 — Corporate Venture Capital

March 2020

Corporates are under massive pressure to innovate to compete with new disruptive technologies and a successful CVC program offers more than capital – access to company resources and commercial opportunities are key features that justify CVC's prominence. This guide serves to share best practices for corporates and start-ups participating in the CVC ecosystem and also to ask important questions that will shape future direction.

OLNS #5 — Venture Financings in the Wake of the Black Swan

April 2020

In the current environment, all market participants, and especially entrepreneurs, need to be prepared for a softening in venture financing and make plans to weather the storm. In this guide, we share some of our observations on the most recent developments and give practical guidance for fundraising in (historically) uncertain times. We will first provide a brief overview of the current fundraising environment, and then highlight likely changes in deal terms and structural elements of financings that both entrepreneurs and (existing) investors will have to get their heads around.

OLNS #6 — Leading Tech Companies Through a Downturn

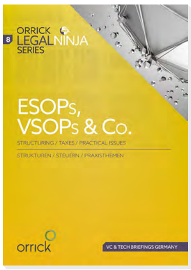
May 2020

Steering a young technology company through a downturn market is a challenging task but if done effectively, the start-up can be well positioned to benefit once the markets come back. While OLNS#5 focused on raising venture financing during a downturn, in this guide, we want to give a comprehensive overview of the legal aspects of some of the most relevant operational matters that founders may now need to deal with, including monitoring obligations and corresponding liabilities of both managing directors and the advisory board, workforce cost reduction measures, IP/IT and data privacy challenges in a remote working environment, effective contract management and loan restructuring.

OLNS #7 — Flip it Right: Two-Tier U.S. Holding Structures for German Start-ups

July 2024 - updated and expanded edition replacing the 2021 edition

Operating a German technology company in a two-tier structure with a U.S. holding company can have great advantages, most notably with respect to fundraising in early rounds and increased exit options and valuations. However, getting into a two-tier structure (be it through a "flip" or a set-up from scratch) requires careful planning and execution. This guide shows you what to consider and how to navigate legal and tax pitfalls.



OLNS #8 — ESOPs, VSOPs & Co.: Structuring / Taxes / Practical Issues

June 2021

OLNS#8 provides a comprehensive overview of equity-based and Employee-ownership programs (or in short "ESOPs") play a critical role in attracting and retaining top talent to fledgling young companies. Stock options reward employees for taking the risk of joining a young, unproven business. This risk is offset by the opportunity to participate in the future success of the company. Stock options are one of the main levers that start-ups use to recruit the talent they need; these companies simply can't afford to pay the higher wages of more established businesses. With OLNS#8, we want to help start-ups and investors alike to better understand what employee ownership is, structure them in a way that is congruent with incentives, and implement them cleanly.

OLNS #9 — Venture Capital Deals in Germany: Pitfalls, Key Terms and Success Factors Founders Need to Know

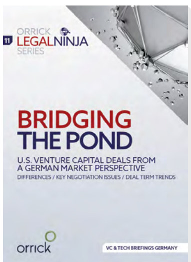
October 2021

Founding and scaling a tech company is a daunting challenge. OLNS#9 summarizes our learnings from working with countless start-ups and scale-ups around the world. We will give hands-on practical advice on how to set up a company, how (not) to compose your cap table, founder team dynamics and equity splits, available financing options, funding process, most important deal terms and much more.

OLNS #10 — University Entrepreneurship & Spin-offs in Germany: Set-up / IP / Financing and Much More

November 2022

German universities are increasingly becoming entrepreneurial hotbeds, but university spin-offs face some unique challenges. OLNS#10 helps founders by providing them with an overview of how to get a university-based start-up off the ground. We will discuss founder team composition and equity-splits, the cap table composition, important considerations for the initial legal set-up (founder HoldCos and U.S. holding structures) as well as financing considerations. We will also return again and again to the specifics of IP-based spin-offs, especially when it comes to how a start-up can access the university's IP in an efficient manner.



OLNS#11 — Bridging the Pond: U.S. Venture Capital Deals from a German Market Perspective

August 2023

Venture financings and deal terms in the U.S. and in Germany have many similarities but there are also some differences. To help navigate these challenges, we have put together OLNS#11. The guide offers founders and investors with a "German market" background an introduction to U.S. VC deals and helps them understand where U.S. deals differ from a typical German financing. OLNS#11 also augments and builds on OLNS#7 that explains how German founder teams can get into a U.S./German holding structure.

OLNS#12 — Advisory Boards in German Start-ups: Role / Duties and Liability / Best Practices

November 2024

Advisory boards are a standard corporate governance feature and its start-up specific tasks develop over time when the company matures. OLNS#12 summarizes the role of the advisory board, duties and liability risks, practical guidance regarding its appropriate size and composition and gives best practices for a functioning advisory board. Throughout the guide, experienced investors and founders share their lessons learned when it comes to board competencies and how best to deliver value. In addition, this guide presents the first results of the OLNS Board Study 2024/2025, an empirical study on the size and composition of advisory boards in the various financing stages of more than 2,900 German start-ups.

OLNS#13 — M&A in German Tech: A Playbook for Buyers and Sellers

January 2025

The German tech ecosystem matures and achieving exits is arguably one of the last missing ingredients to supercharge the German tech ecosystem. In a stubbornly difficult IPO market, mergers and acquisitions often offer the only practical route to liquidity for high-growth companies and its investors.

With special attention on the sale of venture-backed tech companies, this playbook provides buyers and sellers a guide to approaching M&A transactions involving German tech companies.

OLNS#14 — Growth and Hurdle Shares in German Start-ups: Structures / Practical Implementation / Empirical Data

March 2025

In German start-ups, Growth Shares are particularly intriguing for motivating key employees and late co-founders. This is especially true when the company has already reached a substantive equity value, making further stakes in the company hardly affordable or burdened with hefty taxes. While for "standard" shares, sec.19a German Income Tax Act now allows to defer the wage tax on the non-cash benefit, a better tax treatment can often be achieved with Growth Shares.

OLNS#14 explains the concept behind Growth Shares in detail and presents potential applications, provides practical assistance on implementation, highlights legal and tax pitfalls and presents the empirical results of an analysis of nearly 70 Growth Share programs that were implemented in German start-ups.

In addition to the in-depth publications of the Orrick Legal Ninja Series, in our **Orrick Legal Ninja Snapshots**, we pick up on the latest developments and provide you with quick, digestible insights into current legal issues that are highly relevant to the German venture/tech ecosystem.

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DÜSSELDORF

Orrick-Haus
Heinrich-Heine-Allee 12
40213 Düsseldorf
T +49 211 3678 70

MÜNCHEN

Lenbachplatz 6
80333 München
T +49 89 383 9800

orrick.de

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Orrick, Herrington & Sutcliffe LLP | 51 West 52nd Street | New York, NY 10019-6142 | United States | tel +1 212 506 5000
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