**GAZING THE POLISH EARLY STAGE LANDSCAPE FROM AN INDIAN LENS – By Madhav Verma**

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**1. GAZING THE POLISH EARLY STAGE LANDSCAPE FROM AN INDIAN LENS**

* **1.1 -** Over the past decade, Poland has diligently strived to become an entrepreneurial powerhouse.
* **1.2 -**The roots of Polish’s startup culture date back to Poland’s strong computer science and mathematics tradition, dating back to pre-WW2.
* **1.3 -**This tradition has given birth to a booming technology sector, which is in one manner the backbone of the startup ecosystem in Poland.
* **1.4 -**Poland is fast emerging as one of the hottest startup destinations around the world, due to an ecosystem conducive to entrepreneurs, high quality local talent, a slew of digital success stories and initiatives like the Google Campus being set up.
* **1.5 -**Indian entrepreneurs have traditionally seen Poland as a favorable destination to carry out trade and commerce and as a result, there is a slew of large Indian conglomerates which have made investments in Poland. These include: Infosys, HCL, TCS, Wipro, Arcelor Mittal etc.
* **1.51 – Infosys BPM**, one of India’s largest IT enterprises has a established a delivery center in Lodz, Poland. Established in 2007, the same happens to be the largest Infosys location outside India, with well over 2300+ personnel, involved in providing ITO & BPO services.
* **1.52 –** The above has also been recognized, through various awards like: **Top 100 Ideal , Marshal of the Lodz Voivodship’s** award (Lodz Voivodship’s Office, 2015), **Certificate Most Attractive Employers 2015 Poland** (Universum 2015**), Employer of the Year 2014 by AIESEC** **Top Employer Poland,** 2015
* **1.53 –** Likewise, **Bilenium**, a Polish IT firm has aestablished a facility in Pune, Maharashtra.
* **1.6 -**Given India entrepreneurs proclivity towards Poland as an investment destination in Eastern Europe, coupled with the fact that Poland is fast emerging as one of the leading startup destinations across the globe, Indian entrepreneurs can potentially tap into the Polish startup ecosystem.
* **1.7 -**This will not only benefit the Polish entrepreneurs, who can utilize Indian entrepreneurs capital and mentorship to their benefit, but also to Indian entrepreneurs, who can potentially diversify their investment base and look at multiplying their returns, riding on the back of high potential Polish early stage firms.
* **1.9 –** Given the geopolitical environment and challenging trade environment, India seese europe as a favorable destination for business and talent. In the past 1 year, **20** development centers have emerged in Eastern European nations like Poland, Romania, Hungary, Croatia etc.
* **2.0 -**In the subsequent sections, we will glance over the Polish early stage landscape, by analyzing recent trends and then look at how Indian entrepreneurs can look at Poland as a favorable investment destination with respect to early stage opportunities.

**2. RIDING THE HIGH TIDES: NUMBERS & TRENDS BACK POLAND AS A POTENTIAL SILICON VALLEY COMPETITOR**

* We analyze the numbers and trends in the most recent Startup Poland publication, to get a better perspective of the startup landscape. Startup Poland conducted a survey, with a large sample of early stage firms. The below inferences are from the same.
* **2.1 - AN INCREASING NUMBER:** The number of startups taking part in Startup Poland’s annual survey is growing year on year. In the 2017 edition, there were as many as 621 startups, up from 539 in the previous year and 423 in 2015, showing a 20% growth on an annual basis. The below graph shows a pictorial representation of the same:
* [**(Increasing Number Of Startups Participating In Startup Poland’s Annual Survey – Page 6, Startup Poland 2017 Report)**](http://startuppoland.org/wp-content/uploads/2017/10/SP_raport17_ENG_singlepages_lr.pdf)
* **2.2 - HIGHER MATURITY:** Although 58% of respondents are in there 30s, up from 53% last year, the proportion of entrepreneurs in their 20s and younger dropped from over 33% last year to just 26% in 2017. Promotion of high-tech activities among younger entrepreneurs is continually seen as a challenge. A pie chart, showing the split is presented below:

[**(Entrepreneurs Are Becoming More Mature – Page 6, Startup Poland 2017 Report)**](http://startuppoland.org/wp-content/uploads/2017/10/SP_raport17_ENG_singlepages_lr.pdf)

* **2.3 - EDUCATION & EXPERIENCE IS KEY:** Serial entrepreneurs account for 35% of the surveyed group and 89% of startup founders have a higher-education degree, with 7% holding an academic degree of PhD or higher
* [**(Large Proportion Of Entrepreneurs Are Higher education Recepients – Page 14, Startup Poland 2017 Report)**](http://startuppoland.org/wp-content/uploads/2017/10/SP_raport17_ENG_singlepages_lr.pdf)
* **2.4 - BUSINESS MODELS & FOCAL AREAS:** 76% of startups are B2B driven, meaning they sell clients are usually other firms, whereas 18% are B2C focused, meaning their clients are individual consumers.
* [**(Starup’s Customer Split – Page 19, Startup Poland 2017 Report)**](http://startuppoland.org/wp-content/uploads/2017/10/SP_raport17_ENG_singlepages_lr.pdf)
* The key areas of interest are: big data, analytics, internet of things (IoT), developer tools and life sciences.
* Around 50% or more startups are focused on exports. 60% of startups with regular income are export oriented.
* 19% of the surveyed startups focus on big data, 17% on analytics, 14% on IoT, 13% on life sciences. The remaining 37% are fragmented across other domains. The mix is represented below:

[**(Starup’s Focal Area Split – Page 20, Startup Poland 2017 Report)**](http://startuppoland.org/wp-content/uploads/2017/10/SP_raport17_ENG_singlepages_lr.pdf)

* Additionally, 39% of the surveyed startups sell through SaaS, 16% through e-commerce, 15% through marketplaces & the remainder through other means.
* **2.5 - FUNDING PRINCIPLE:** In relation to previous years, in 2017 fewer startups developed with the help of external funding. Bootstrapped startups were the most common, accounting for 62 %, up from 50% last year. The same is illustrated below:

[**(62% Startups Are Self Funded – Page 7, Startup Poland 2017 Report)**](http://startuppoland.org/wp-content/uploads/2017/10/SP_raport17_ENG_singlepages_lr.pdf)

* 39% of the VC funded startups are profitable and 77% of the surveyed startups are seeking at raising external capital in the next 6 months.
* **2.6 - GEOGRAPHICAL FOCUS:** The startups that were surveyed have geographical concentration is certain regions. This sample indicates that startup activity is concentrated in some regions or certain regions are more conducive to startups than others. The below illustration will represent the geographical distribution:

[**(Starup’s Geographic Split – Page 13, Startup Poland 2017 Report)**](http://startuppoland.org/wp-content/uploads/2017/10/SP_raport17_ENG_singlepages_lr.pdf)

* As seen above, Warsaw, Wroclaw, Krakow, Ponzan & Tricity account for 57% of the survey respondents. This indicates that startup activity is concentrated in these pockets.
* The presences of startup accelerators, in addition to presence of local industries conducive to startups along with local government initiatives make these regions very attractive to startups.
* Tri City has SaaS, design, AI & VR focus; Krakow has B2B SaaS and entertainment focus; Wroclaw has ICT, pharmaceutical, automotive and chemical focus; Ponzan has ICT, logistics & bio materials focus
* **2.7 - WHERE STARTUPS ARE AT:** 41% of the surveyed startups are analyzing product fit whereas 29% are analyzing market fit and 16% are looking to scale.
* **2.8 - STARTUP EMPLOYMENT TRENDS**: In terms of employment trends, almost half of the surveyed startups employ up to 10 people. Marketing and tech. focused startups are the largest employers, whereas energy and sciences focused firms tend to be the leanest, incase of employment base.
* 28% of the surveyed startups have foreign workers, with 52% of these foreign workers coming from UK, Germany & USA.
* **2.9 - INNOVATIVE APTITUDE:** 19% startups patent solutions, of which 68% patents are registered in Poland.
* Life sciences, IoT, electronics and big data contribute to a major chunk of patent filing

**3. A ROBUST STARTUP ECOSYSTEM WITH POTENTIAL TO MATURE**

* Poland has a robust startup ecosystem. In the following section, we will analyze certain critical factors, which contribute to creation of a successful startup ecosystem in a country and see how Poland fares in each of the areas:
* **3.1 - MATURITY OF THE STARTUP ECOSYSTEM:** The Polish startup ecosystem is relatively young and has considerable potential to mature.
* We analyze the Deloitte maturity engine to see how Poland fares in each of the critical areas, essential to creation of a robust startup ecosystem.
* A maturity engine created by Deloitte benchmarks Poland’s startup environment maturity against global leaders.
* The maturity index is a factor of 5 individually weighted components namely: Financing, Human Capital, Legal Regulations, Social Capital, Institutional Environment.
* Each of these is ranked on a scale of 1 to 4. Poland scored 2.5 on the institutional environment index, 2.55 on the legal regulations index, 1.5 on social capital, 1.68 on financing & 2.27 on human capital.
* While Poland fares well in the Human Capital, Institutional Environment & Legal Regulations areas, it performs poorly in the Social Capital & Financing domains.
* Plausibly, low levels of social capital are a byproduct of the communist legacy and low levels of financing stem out of the lack of savings in the economy.

**(**[**Starup’s Maturity Indexation On 65 Parameters – Page 3, Deloitte Poland Startups Report 2016)**](https://www2.deloitte.com/content/dam/Deloitte/pl/Documents/Reports/pl_Deloitte_Start_ups_report_summary_2016.pdf)

**4. THE POLISH STARTUP ECOSYSTEM: A BENEFACTOR FOR THE ECONOMY PROGRESS**

* By 2023, start-ups which achieve the gazelle status (market presence for up to 5 years, employ more than 10 people, more than 2 growth yearly) will generate over PLN 2.2 billion of added value in overall, i.e. in a direct, indirect and induced manner.
* Household revenue generated by startups in 2023 will reach more than PLN 757 million. These workplaces would reduce the number of unemployed younger than 35 by 8%.

**5.INDIAN INVESTORS SHOULD CAPITALIZE ON THE OPPORTUNITY**

* From the above analysis, we can infer that Poland has a very vibrant startup ecosystem. It happens to be the Silicon Valley of Eastern Europe.
* With the growth and visibility of the startup scene in Poland, coupled with a rapidly enhancing economy, abundant local talent and an environment which Is conducive to startup development, it is clear that startups will continue to thrive in Poland in the near future.
* In recent past, investors in India have been aggressively seeking opportunities to diversify their investment base.
* In this respect, investors can tap into the early stage scene Poland, to leverage the high growth and contribute through their capital and experience, which will in turn help startups prosper and thrive.
* Advantages for investing in Polish startups for Indian investors:

1. Asset diversification by geography
2. A high growth market, with abundant talent, which is well priced
3. Strong IT synergies, given Poland’s strengths lie in ICT and IT is also a backbone of the Indian economy
4. Startups will benefit by the investors contribution and mentorship whereas the investors can learn about the latest and greatest.

* Investment options for Indian investors:

1. Equity funding
2. Complete buy out
3. Debt funding
4. Strategic tie ups

**6 SUMMARY**

* From the above analysis, we can infer that Poland has a very vibrant startup ecosystem. It happens to be the Silicon Valley of Central Europe.
* With the growth and visibility of the startup scene in Poland, coupled with a rapidly enhancing economy, abundant local talent and an environment which Is conducive to startup development, it is clear that startups will continue to thrive in Poland in the near future.
* Given the high growth potential, coupled with synergies for Indian investors, Indian investors can favorably evaluate investments in Polish startups.

**7 SOURCES**

* http://startuppoland.org/wp-content/uploads/2017/10/SP\_raport17\_ENG\_singlepages\_lr.pdf
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