

From unemployed to entrepreneur

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Credit: 2012 EPFL

More than 90% of companies launched by unemployed individuals are still viable after three years. And they've also created additional jobs, potentially bringing even more people out of unemployment. This phenomenon has been studied at EPFL in order to better understand how companies are formed.

When you're out of work, starting a company can be a good solution, both for you and for the economy. This is the conclusion of a recently released study led by professor Marc Gruber, holder of EPFL's Entrepreneurship and Technology Commercialization Chair. Conducted with the support of several regional employment agencies, this study analyzed in detail and for the first time which unemployed individuals are starting their own businesses, what factors drive them to take this step, and how their companies are developing. The scientists compared data from several countries – Switzerland, Germany, France and

Belgium. Gruber gives us an overview of the study.

-Your study shows that companies started by unemployed people do much more than just provide them with a job.

Absolutely. It appears that these companies generate employment. In Switzerland, these enterprises created on average 2.2 jobs after three years, in addition to the position of the company's founder, and thus they're potentially taking other people off the unemployment rolls. In addition, they have a very encouraging survival rate, even higher in Switzerland than in the other countries we studied: 88% of them are still viable after three years, compared with 80% in Germany and 77% in Belgium.

- Can you give us a profile of someone who's likely to start a successful company?

This is a heterogeneous group, made up of people coming from very diverse backgrounds, from landscaping to architecture to consulting. Even so, there are certain commonalities. These people are by and large male, in the 30-60 year-old age bracket, and thus have a certain amount of previous job experience. Two profiles stand out: those who have always dreamed of starting their own business but resisted as long as they had salaried jobs; for them, unemployment provided the needed impetus and opportunity. And there are those who only considered starting a business after months, if not years, of unemployment, and then as a last ditch solution. Those in this second category are in the minority.

- How can the results of this study be used?

The goal of this study was to better understand the effects that interventions and government support, which vary considerably from one country to another, have on the evolution of unemployment. These results will thus be primarily of use to policy makers in the area of unemployment, to improve programs designed to facilitate business development, better target their financial or training support systems, or develop new kinds of assistance. These data can also be helpful for entrepreneurs or those who would like to become entrepreneurs; they will discover possible avenues for developing their strengths, anticipating possible difficulties, identifying gaps they need to fill in education or management skills, and learning how to get the support they need. Understanding how to handle all these aspects is all the more important now that everyone is likely to change jobs or go through job restructuring several times in the course of his or her life.

- Do you think that for these companies there is a “recipe for success?”

We often believe that luck is the main ingredient in success. You need it, that’s for sure! But in this study, we were asking ourselves about other components that systematically had an impact on the performance of new start-ups -- the idea itself, the founder’s expertise or knowledge, his management experience and personality – which make a company prosper, create jobs and turn a profit. In fact, two factors favorably influence success: an idea with growth potential and a founder with prior management experience. You have to know how to stay afloat in a competitive environment and understand how your competitors are handling it, as well. Our results show that specific expertise in the new company’s domain is less critical for these “high performers,” because they can always acquire knowledge along the way or get outside support by bringing in skilled collaborators.

- Could starting a company be possible for all the unemployed?

Entrepreneurship isn't for everyone. But we could at least ask everyone who is jobless to consider it, to see it as a possible alternative. There are certainly many people who would make good entrepreneurs, but who don't think of it or won't even allow themselves to consider the possibility.

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