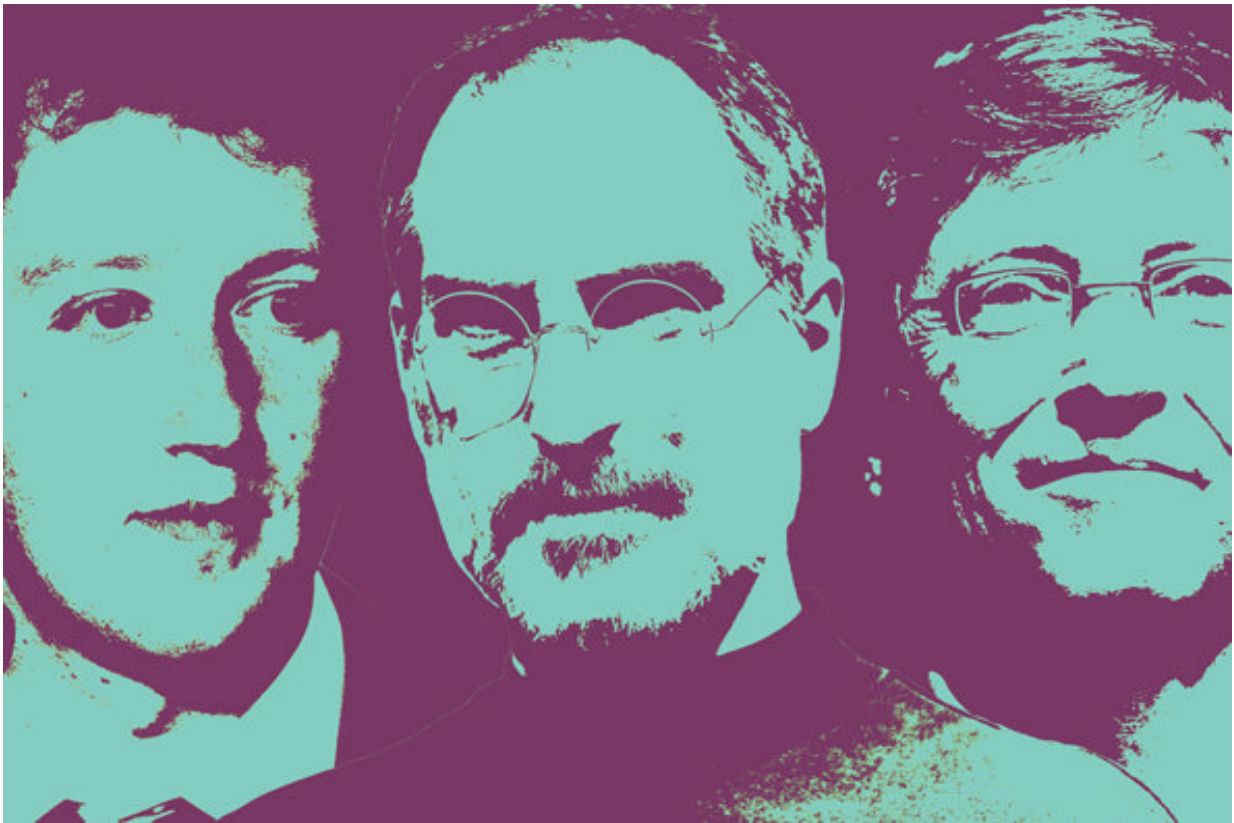


The 20-year-old entrepreneur is a myth, according to study

April 23 2018, by Meredith Somers



Mark Zuckerberg, Steve Jobs, and Bill Gates started Facebook, Apple, and Microsoft in their 20s, but new research suggests that founders in their 40s are more successful. Credit: MIT Sloan School of Management

Forget what you've heard about 22-year-old wunderkinds, sitting in the

corner offices of their wildly popular Silicon Valley startups—if you want to find the most successful entrepreneurs, you have to go back a few decades.

According to a working paper from MIT Sloan professor Pierre Azoulay and Ph.D. student Daniel Kim, the average age of entrepreneurs who've started companies and gone on to hire at least one employee, is 42 years old.

"If you knew nothing else, and you had two identical ideas, one proposed by a very young person, one proposed by a middle-aged person, and that's the only thing you have to go on, you would be better off—if you wanted to predict success—betting on a middle-aged person," Azoulay said.

To find out the correlation between age and entrepreneurship, Kim and Azoulay went to the government, specifically, administrative data from the Census Bureau's Longitudinal Business Database, and Schedule K-1 business owners data from the Internal Revenue Service.

The team looked at data around the 2.7 million people who founded businesses between 2007-14 and went on to hire at least one employee. Along with average entrepreneur age, they also learned those new ventures with the highest growth had an average founder age of 45.

The researchers broke out the data into high-tech employment, VC-backed firms, and patenting firms. Across the entire United States, the average founder ages were 43, 42, and 45, respectively for those divisions.

The team looked at ages and startups in areas like California, New York, Massachusetts, and specifically Silicon Valley. The closest any founder age got to "young" was in VC-backed firms, where the average age was

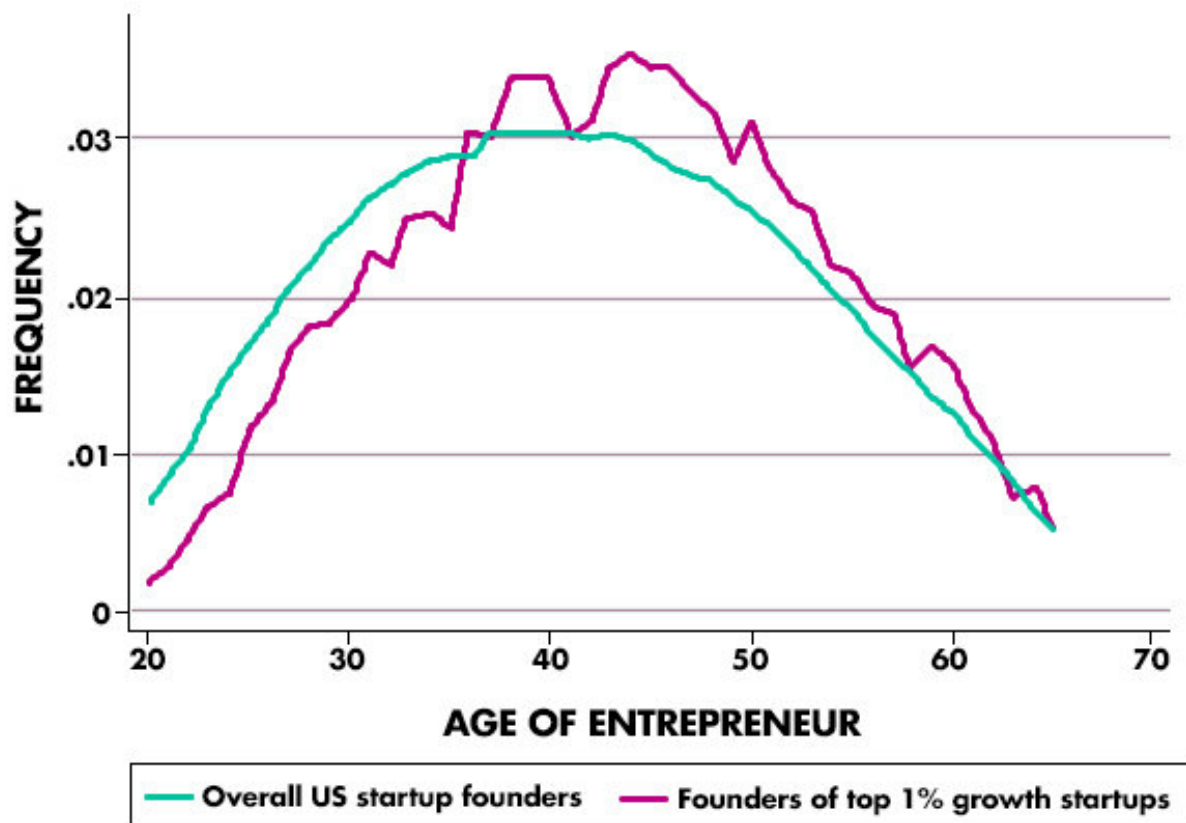
39 in New York.

Similarly, the average founder age for one of the "youngest" technology sectors—in this case wireless telecommunication carriers—was 39 years old.

Kim and Azoulay also found that entrepreneurs were 125 percent more successful if they were previously employed in a particular sector in which they are starting a business.

While that might come as a shock—at least to the 20-somethings looking to start companies and the venture capitalists looking fund them—Kim said for economists, that idea shouldn't be much of a stretch.

FOUNDER AGE DISTRIBUTION: ALL STARTUPS AND HIGH-PERFORMANCE STARTUPS



Top 1 percent firms by employee growth after five years. Source: "Age and High-Growth Entrepreneurship." Credit: MIT Sloan School of Management

"In theory, we know that with age a lot of benefits accumulate," Kim said. "For instance you get a lot of human capital from experience, you also get more financial resources as you age, as well as social connections, all of which will likely boost your odds of success as an entrepreneur."

Ambition and entrepreneurship

There are other ways of getting information about founders and businesses, such as LinkedIn, Azoulay explained, but Census data "gets a lot closer to the ground truth than anything else. Everything else is a selected sample."

"It's not just the Census data, the key thing is it's Census data matched to IRS records," Azoulay said. "People had access to the Census before, but they had no way of determining who's an employee and who's a founder. Now we can do that, this is the first time we can do that."

The team collaborated with Javier Miranda of the Census Bureau, and Benjamin Jones, professor at Northwestern University's Kellogg School of Management.

Before diving into the data, the researchers had to address several things, such as clarifying self-employment versus entrepreneurship, and narrowing the scope from any and all companies, to ones that have ambition to grow.

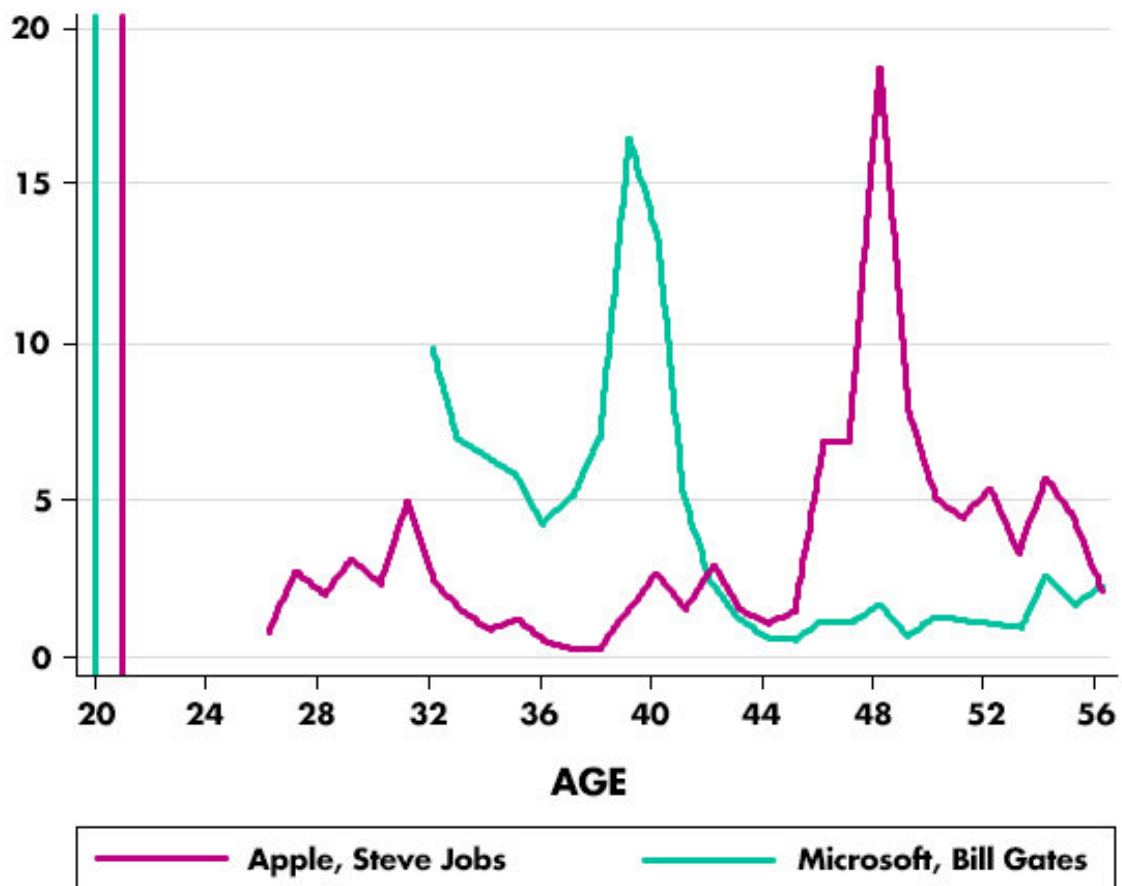
Many businesses are started with the intention of being successful, but also staying small—think a drycleaner or pizza shop.

"There's nothing wrong with that," Azoulay said. "But when you're talking about entrepreneurship, what you conjure is the image of someone who's trying something with the ambition to grow at the time in which he or she starts."

That starting point is also something that needed to be set, Kim said. How do you define entrepreneurship? Is it the day you actually hire someone, the day you come up with the idea in your garage, or is it the day you enroll in an accelerator?

"There's been no agreement in terms of how you define an entrepreneur; that's been a challenge," Kim said. "We had the opportunity to combine Census data and IRS data that allows us to actually pinpoint ownership of business, combined with people that actually are in the business on day one."

FORWARD STOCK MULTIPLES AS THE FOUNDER AGES: APPLE AND MICROSOFT



Steve Jobs and Bill Gates started their respective companies in their early 20s, as indicated by the vertical lines. But Apple and Microsoft stocks peaked when both were in their 40s. Source: "Age and High-Growth Entrepreneurship."

Credit: MIT Sloan School of Management

What Kim and Azoulay could track was not only who was there on day one, but differentiate between early, non-founding employees, and the entrepreneurs who are there on day one and also own a large stake in the company.

"The thing I think is cool in our paper, is it manages to do those two things at once: to find founders and their age, for a set of young companies that most likely have the ambition to build something meaningful at a time at which they start," Azoulay said.

Better entrepreneurship

So why does age matter in entrepreneurship? It could be the result of human, social, or financial capital, a combination of those, or something else.

"The one thing Census doesn't have is good data on education. We can't tell you the founders with Ph.D.s, or a college education. We don't know that. We see a little bit about your experience," Azoulay said. "That's part of what age is about, you know what's happening in the industry, you understand the problems."

That's a lesson for both founders and funders, Azoulay said. Right now some ideas that are deserving of funding might not be getting it because their 37-year-old founders are labeled as washed out.

That's not to say there aren't some young people who've created "very robust, very large successful businesses," Azoulay said, but that also doesn't mean they're not going to get better with age. Bill Gates and Jeff

Bezos, for example, had more success as 50-year-olds than as a 20-year-olds.

As for those 20-year-olds looking to be the next Mark Zuckerberg, Kim said they shouldn't be discouraged by the data, and instead should be confident that they can still be successful and part of improved [entrepreneurship](#).

"If you're 22 or maybe just coming out of an MBA program, and there is this social perspective that you should be an entrepreneur right now, rethink that, because you might have a great idea but you might not have the right skills or experience to really propel that idea," Kim said. "Think about career paths as options, not just as absolute paths."

Provided by MIT Sloan School of Management

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