Ditching the young entrepreneur myth: Research shows over-50s are the more radical innovators

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Julie Wainwright—working as a CEO for almost two decades—was in her mid-50s when she created The RealReal platform for secondhand luxury. Harland Sanders was 62 when he started Kentucky Fried Chicken (KFC) restaurant chain, and Bernie Marcus was 50 when opening the first Home Depot home-improvement store. But just how common is such innovation potential in older entrepreneurs?

As populations are aging in many developed countries and people are working longer, it is important to know how we can best take advantage of the experience of more mature individuals.

In our study published in July, we provide evidence that older entrepreneurs have a lot to offer. Our findings show that those who start businesses later in life (50 years old and above) are more likely to bring radical innovations to the market than younger business owners. These novel products and services are of great benefit to the economy. This means that skills and experiences of older entrepreneurs are highly valuable.

Older entrepreneurs innovate bigger, and sell more

Based on data on 2,900 founders of new ventures in Germany in 2008–2017, we found that for every 10 more years of age increases a founder's likelihood to introduce a market novelty by up to 30%. Thus, those late-career entrepreneurs who are highly innovation-oriented and managerially experienced are more than three times more likely to introduce market novelties than the sample average. In terms of sales, ten additional years of age means about 35,000 euros more sales from innovations per year, which is about 26% more than the sample average. The positive impact of founder's age on novel products or/and services continues up until their retirement.

In contrast, younger founders introduce a larger number of innovations overall, but these are innovations that are more common in businesses and focus on improving the processes and product offering of a particular company. They may involve creating a novel software to cut costs, using new technology to reduce production time, or introducing new features to make a product/service more user friendly.

The key reasons for these findings is that older founders tend to benefit from managerial experience and personal wealth when starting their own firms. Individuals who switch from paid employment to entrepreneurship later in life are also likelier to hire more highly educated employees. A mix of all these factors changes the entrepreneurs' motivations and ability to create innovations, and make older founders successful in developing novel products or/and services that disrupt the markets.

Breaking the myth of the young entrepreneur

Our findings challenge the dominant stereotype that older founders are not very innovative. We show that it is important to distinguish between those innovations that are simply new for a particular company and those innovations that are new in the market.

For states to benefit from older entrepreneurs' capacity to develop truly novel innovations requires breaking the myth that entrepreneurship is only for the young. In practice, this requires pension schemes that encourage working longer as an entrepreneur. We must also encourage career mobility, so that individuals can transition to entrepreneurship later in life.

For the management of established companies, our findings suggest that older workers have a lot of innovation potential. Currently, these workers may leave their jobs and become entrepreneurs to pursue radically new and commercially successful ideas. Management should therefore challenge stereotypes about older workers and create work environments where older workers, with innovative ideas and broad skills, can drive innovation forward.

More information: Martin Murmann et al, How does late-career entrepreneurship relate to innovation?, *Research Policy* (2023). DOI: 10.1016/j.respol.2023.104763

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