

It's a Disservice to Urge Young People to Become Entrepreneurs

Talk to a businessperson today about hiring twenty-somethings and they will tell you what's what. Too often they bump into: no skills, no discipline, no patience for customers, no concern for doing what the boss says, no clarity about what a job even is.

What's gone wrong? Part of the answer is that young people are too often caught up in the alternative path of getting rich through "entrepreneurship."

The word itself sounds dreamy, so fancy and French. In the popular understanding, you get a great idea, disrupt an industry, get chased around by billionaires who throw money at you, end up on the cover of Time, and retire at 40 and sail the world on a yacht. If this is really possible, why would anyone choose the drudgery of just having a regular job like anyone else? Hey, be the CEO b****, as the movie The Social Network rendered the pep talk first given in a bar to Mark Zuckerberg.

Truly, it's not just dreams of Zuckerbergism that has captivated the young generation. It's also Elon Musk, Bill Gates, Steve Jobs, that WeWork guy, and so on. Everywhere you look these days, there are people and programs urging people just out of school to forget working for the man; instead, just start a new business and become a folk hero.

The legend of the twenty-something business wunderkind is everywhere in pop culture.

Here's the problem. The data are in. It turns out that the whole thing is a gigantic myth.

Young founders of businesses fail, almost certainly, and at a much greater rate than people who are much older, wiser, more skilled, and more knowledgeable about the industry. It turns out that succeeding in business is extremely difficult. It takes maturity above all else to achieve it.

We know this now thanks to a [fascinating study](#) by Javier Miranda, principal economist at the U.S. Census Bureau; Benjamin Jones, professor at the Kellogg School of Management at Northwestern University; and Pierre Azoulay, professor at MIT's Sloan School of Management and research associate at the National Bureau of Economic Research. They took a detailed look at the demographics of successful entrepreneurship. The results were so conclusive as to debunk the myth of the young startup founder. They paint a portrait that is much more consistent with your own intuition from experience.

They conclude: "The mean age at founding for the 1-in-1,000 fastest growing new ventures is 45.0. The findings are similar when considering high-technology sectors, entrepreneurial hubs, and successful firm exits. Prior experience in the specific industry predicts much greater rates of entrepreneurial success."

In other words, up with middle age! Actually, more precisely, up with experience, skills, discipline, and knowledge, all of which are more common among forty-somethings after two decades of work experience as compared with twenty-somethings. "Young people are just smarter," says Mark Zuckerberg. Maybe so but it takes a lot more than that to make a successful enterprise.

Here are some key findings of the research:

- Founders in their early 20s have the lowest likelihood of successful exit or creating a 1 in 1,000 top growth firm.
- Across the 2.7 million founders in the U.S. between

2007-2014 who started companies that go on to hire at least one employee, the mean age for the entrepreneurs at founding is 41.9.

- The mean founder age for the 1 in 1,000 highest growth new ventures is 45.0.
- The most successful entrepreneurs in high technology sectors are of similar ages.
- The “batting average” for creating five successful firms is rising dramatically with age. Conditional on starting a firm, a 50-year-old founder is 1.8 times more likely to achieve upper-tail growth than a 30-year-old founder.
- Younger founders appear strongly disadvantaged in their tendency to produce the highest-growth companies. Below age 25, founders appear to do badly (or rather, do well extremely rarely), but there is a sharp increase in performance at age 25. Between ages 25 and 35, performance seems fairly flat. Starting after age 35, there is increased success probabilities. Another large surge in performance comes at age 46 and is sustained toward age 60.



So you look at this data and ask the question: what is the best age to be an entrepreneur? It's middle age, not young. Why then are there so many programs and pundits urging young people to forget about getting a job and instead change the world by founding the new Apple or Facebook? The whole thing seems to be based on a fashion, not facts.

When I first brought up this data to a friend, he immediately retorted that perhaps this is just because it takes several tries to get it right. You start in your 20s and keep being a “serial entrepreneur” until it clicks. The authors, however, found no evidence of this at all. In fact what happens is that young people attempt new businesses, go into debt, run out of

luck, enter a period of demoralization, and then face the grim realities of life: you are far better off getting a job, buckling down, learning a trade, and then once you have experience and social capital, try your hand at starting something new.

The greater problem is that urging entrepreneurship on the young is creating an illusion that is distracting them from the best-possible path for life success: gaining skills, knowledge, and accumulating various forms of capital (financial, social, intellectual). Here is where we find a massive failing among people just leaving college today. Youth employment has never been lower. Having spent their lives in classrooms and all their free time consuming media, they are not gaining the values that lead to success. The notion that they should just hang up a sign and rock it has no empirical support.

Swearing that you will never work for wages and never obey a boss, while dreaming of the great new social media company you will dream into existence, is a potentially catastrophic path. The data indicate that this is almost certain to fail.

That said, a fundamental problem could trace to too narrow a definition of entrepreneurship, if by that word you mean seeing unmet needs and open opportunities and taking the risks necessary to meet them. It doesn't necessarily mean starting a new business. That path is available in every industry for those who seek it out.

I recall being in the clothing business when I was in college and going to market with the buyer of the store. What to buy to put on display for customers fully eight months in advance is a high-stakes gamble: if you buy too little of a successful product, you forego profits; if you buy too many to sell, you eat the profits on those you did sell. It's an ominous choice.

At the wholesale market, I became convinced that a particular pair of navy corduroys with a yellow duck motif could sell (hey, this was the 80s.) My boss was unsure. He wanted me to be sure. I finally persuaded him to take the risk and buy three runs of all sizes. When they arrived at the store, I knew I was on the line, so I sold them like a maniac. They did very well! Whether this was because it was a good choice or because I refused to face failure, I do not know.

The point is that it was a good example of entrepreneurship within a job, a realistic form that is fun with a low risk of failure. Here we find experiences that genuinely train people for a life of commercial success. Getting a real job is the best “incubator” there is.

The bigger problem with urging young people to start businesses is that this advice feeds disgruntlement with an actual path to success, which is not running a cool startup but doing the very thing that entrepreneurship chic implicitly puts down: getting a skill, obeying the boss, gaining wisdom, and developing a solid career bit by bit.

We should stop lying to young people about commerce and tell the truth that business is hard. Work is hard. Saving money is hard. Serving customers is hard. For some people, just showing up is hard. These are all learned skills. The fun comes once you master them.

In addition to baking entrepreneurship into your job, the best path is to take a job to provide income flow, while keeping your eye on a side business to start as your long-term capital plan. That way one can more easily become the other while you gather skills and information, while relieving the financial pressure for instant success. This not only bends in the odds in your favor; it’s also just good financial management.

Start a business when you are young? Sure. Just don’t quit your day job yet.



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