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## RESEARCH ARTICLE

### HOW OLDER-PRENEURS ARE TURNING SILVER INTO GOLD

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#### ABSTRACT

Sometimes referred to as older-preneurs, by others as senior entrepreneurs, third age entrepreneurs, gray entrepreneurs, and other names, persons aged 50 and over are starting businesses at a rate faster than any other age demographic. This phenomenon runs counter to the overall rate of new business startups which has been declining since the 1970's. Research supports that baby-boomers are becoming senior entrepreneurs and often out-perform their younger counterparts in several ways. In this paper, the author discusses the reasons for the senior entrepreneur boom, profiles some of the more successful senior entrepreneurs, and identifies the keys to success for older entrepreneurs.

#### INTRODUCTION

In the United States and around the world, baby-boomers start businesses faster than any other age group. This trend began at least ten years ago and continues. According to the Kauffman Foundation (cited in Lyons, 2016), entrepreneurs aged 55-64 increased from 18 percent in 2003 to 23 percent in 2013. In addition, a study by the MetLife Foundation (cited in Isele, 2014) found 34 million baby-boomers want to start their own business. More and more seniors choose to become entrepreneurs. Research from the Kauffman Foundation, cited in Moeller (2010) finds that in every year from 1996-2007, the highest rate of entrepreneurship activity comes from the 55-64 year old age group. Statistics from the U.S. Department of Labor (cited in Maria, 2016) confirm that in 2011 there were 7.4 million entrepreneurs aged 50 years and older who were self-employed. This phenomenon is not limited solely to the United States. Today, countries around the world experience significant increases in senior entrepreneurship. Hantman and Gimmon (2014) describe a new venture incubator for seniors in Israel. The incubator is part of an active-aging program promoted to help *young-old people* live better lives as they age. Although seniors selected for the program sought work, none demonstrated experience as entrepreneurs, yet 15 of 22 participants in the program (70%) started their own small business venture. The literature provides numerous articles regarding baby-boomer entrepreneurs around the world, from France to Japan and Australia. According to a 2013 Gallup poll (cited in Clark, 2014), 73 percent of baby-boomers anticipate

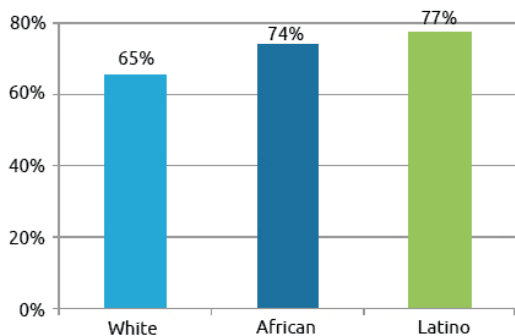
that they will continue working after they begin collecting Social Security. The poll also indicated that 41 percent plan to continue working by choice and 32 percent plan to keep working out of economic necessity. Clark (2014) points to research from the Kauffman Foundation that reports 23 percent of entrepreneurs aged 55 or older. Beehr and Bennett (2015) discuss the aspect of bridge employment, defined as employment after a person retires from their traditional job. Bridge employment could be in a totally new line of work, perhaps even a field related to hobbies or interests. Sometimes seniors choose bridge employment for financial reasons, but can fulfill the need to stay employed (feel useful), connected to their company or occupation, maintain social contacts, and even provide some amount of physical exercise. There happens to be a number of reasons for this. First, as people live longer they may choose to work may be in a very different career or may need to continue working out of economic necessity. Second, when downsized from their jobs, some older workers will choose to start their own business rather than search for a new job, chancing potential age discrimination. Rosato (2014) cited the Challenger Gray and Christmas outplacement firm data which finds that 5.5 percent of jobless managers choose to start their own business. A number of reasons account for this phenomenon. First, baby-boomers have come of age. Many have retired from their primary careers and now want to move into the next stage of their life. Second, people today live and work longer than previous generations and some seniors may need to continue to earn extra income. According to the Center for Retirement Research of Boston College, the Social Security Administration reports that 34% of Social Security recipients in 2008 reported that Social Security benefits accounted for 90% of their income (Center for Retirement Research, 2016).

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Therefore, with the aging of the baby-boomers and people living longer lives, an increasing number will seek employment or choose to start a business after retirement. While some senior entrepreneurs may be need-driven, others appear to be opportunity-driven. Kelley *et al.*, 2013 (cited in Isele *et al.*, 2014) reports that opportunity-driven entrepreneurs have greater personal financing, more education, and more extensive business networks than need-driven entrepreneurs. Many find the declining rate in new business startups troubling, as this further impacts other areas of the economy. *Trends* reports that as the startup rate declines, the number of new jobs also declines (p. 23). In addition, the *Trends* report indicates that companies today keep more cash on hand, rather than reinvesting in their own company or other sectors of the economy. Despite conflicting data, most signs point to a significant growth in silver seniors. According to Elizabeth Isele (cited in Messina, 2016) “along with their age comes a wealth of experience and senior entrepreneurs often possess management skills, industry knowledge, and an intuitive sense of what works and what doesn’t.”

**Social Security: At Least Half of Retirement Income**



Source: Social Security Administration.

Cited in the Center for Retirement Research of Boston College Edward Rogoff, Director of the Lawrence N. Field Center for Entrepreneurship at Baruch College, states “The older a person is, the more likely they are to be an entrepreneur” (Messina, 2016). In fact, some of the most successful entrepreneurs in the United States were started by entrepreneurs aged 50 or older (Schmalbruch, 2014). The list includes Amadeo Giannini, who founded the Bank of America at age 60, Charles Flint, who founded International Business Machines (IBM) at age 61, and Colonel Harland Sanders who began the Kentucky Fried Chicken franchise at age 62 (You’re Never Too Old To Start A New Venture, 2015).

### Seniors score higher

The Kauffman Foundation research (cited in Moeller, 2010) points to data that indicates that while persons aged 45 or older start 48 percent of start-ups, they account for 64 percent of surviving companies. Wadhwa (cited in Theil, 2010) reports that “Older entrepreneurs are just able to build companies that are more advanced in their technology and more sophisticated in the way they deal with customers.” Wadhwa (cited in Berold, 2013) also stated that although young people often have good ideas, he also believes there is no substitute for experience. Experience benefits older entrepreneurs, though risk still exists. When younger and lose all your money, you probably didn’t have a lot to lose in the first place and probably have plenty of years remaining to earn it back.

- Social Security is the major source of income for most of the elderly.
- Nine out of ten individuals age 65 and older receive Social Security benefits.
- Social Security benefits represent about 39% of the income of the elderly.
- Among elderly Social Security beneficiaries, 53% of married couples and 74% of unmarried persons receive 50% or more of their income from Social Security.
- Among elderly Social Security beneficiaries, 22% of married couples and about 47% of unmarried persons rely on Social Security for 90% or more of their income.

Source: Social Security Administration <https://www.ssa.gov/news/press/basicfact.html>

Older entrepreneurs could be losing lots more money and very likely have fewer years to earn back whatever they lose. Fewer seniors are retiring from companies with long-term employment and generous pensions. In fact, since the economic downturn in 2008, seniors have suffered from unemployment more than any other age demographic. Despite this, many times seniors successfully leverage experience, contacts, confidence, and other skills to start their new business venture. When it comes to innovation, senior entrepreneurs also outperform their younger counterparts. According to Theil, (2010) technology senior entrepreneurs do not get much notice as they tend not to develop the trendy, cool tech products attractive to millennials. Instead, senior entrepreneurs develop more complex technological products in areas such as biotech, energy, or IT hardware. Theil (2010) relates an interesting example of one of the largest German companies which had an early retirement policy. A researcher who was examining the company system for continuous improvement assumed that the results of his study would support the company practice. To his surprise, and that of corporate management, study findings demonstrated that not only did older workers have great ideas for making processes and procedures more efficient, their innovations generated significantly higher returns than those of younger workers. Linderholm (2016) cites a Kauffman Foundation study which reports that “U.S.-born high-tech founders holding MBA degrees established companies more quickly than others.” This is consistent with Kelley who found older entrepreneurs to have an advantage over younger entrepreneurs with regard to educational attainment. Finally, research by Schlosser and Zolin (2015) finds older entrepreneurs work smarter, not harder. Although limited to Australia, her research results determined that older entrepreneurs develop businesses just as profitable as younger entrepreneurs, but by working fewer hours, hence, working smarter rather than harder.

### Not everything comes up roses

As capable as senior entrepreneurs might be, with advantages in some key areas, they often still hit barriers in their path to entrepreneurial success.

#### Why Senior Entrepreneurs Rock!

- Intuitive sense of what works (Isele, cited in Messina, 2014)
- Higher success rates (Moeller, 2010; Rosato, 2014)
- Management skills (Isele, cited in Messina, 2014; Weber & Schrapfer, 2004)
- More likely to innovate (Theil, 2010)
- Experience matters (Rosato, 2014; Weber & Schrapfer, 2004)
- Wealth of knowledge (Farrell, 2012)
- Deep informal networks (Farrell, 2012; Weber & Schrapfer, 2004)
- Leverage technology (Farrell, 2012)
- Greater personal financing (Kelley, cited in Isele *et al.*, 2014; Weber & Schrapfer, 2004)
- More education (Kelley, cited in Isele *et al.*, 2014)
- Risk tolerant (*Trends* E-Magazine, 2014)

According to Carl Knoblock, the Western Pennsylvania Director for the Small Business Administration, many seniors lack tech skills and need to learn the importance of web sites and effective use of social media (cited in Hensley-Clancy, 2012). In addition, Weber & Schrafer (2004) report senior entrepreneurs sometimes have lower levels of health, energy, and productivity; and other issues centering around the ageing process.

### Resources for older-preneurs

A report from the Government Accountability Office (cited in Hensley-Clancy, 2012) found that workers over the age of 50 who lost their jobs since the economic downturn of 2008 have struggled more than any other age group to find a new job. Hensley-Clancy (2012) reports that the U.S. Small Business Administration has established a partnership with the American Association of Retired Persons (AARP) in developing a special program to assist older entrepreneurs. This new program includes counseling and training, in addition to online resources and webinars.

### Summary and Conclusion

The aging of baby-boomers should be considered a worldwide phenomenon and the literature provides similar examples of the entrepreneurial boom. Likewise, other countries are mustering resources to facilitate this boom. One example can be found in Israel, where a business incubator developed specifically to work with older entrepreneurs in developing a better quality for life during the aging process, actually assisted 70% of participants in the first group in developing a microenterprise (Hantman and Gimmon, 2014). Despite the overall decline in new startup businesses, the good news is that the number of startups is likely to increase. In fact, *Trends* believes that baby-boomers will create “an unprecedented boom” in entrepreneurship from today until 2025. This is likely in large part due to the increasing longevity of baby-boomers and the large number of millennials who are beginning to enter the typical age for starting a business. The Kauffman Foundation (cited in *Trends*) reports that fifty-four percent of Millennials have already started a business or want to start a business. Because most new jobs come from new businesses, the increasing rate of senior entrepreneurs is encouraging and should be supported.

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