

Chapter 16

Profile of Young Entrepreneurs in Spain in Times of Recession

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Abstract According to Spain's 2011 barometer, 83 % of the Spanish population regards unemployment as Spain's main problem and thinks that the solution lies in supporting entrepreneurs and jobs for young people. Figures for the evolution of entrepreneurs highlight the influence of age on entrepreneur profiles. This chapter describes the typical young entrepreneur as a single male between 26 and 35 years old. The company is typically the entrepreneur's own limited company that has been operating in the new technologies industry for over 5 years, has less than ten employees and an annual turnover under €500,000. Finally, most young people become entrepreneurs because it is hard to find employment, and in turn, they have to deal with numerous challenges caused by the economic situation.

16.1 Introduction

Entrepreneurial activity is essential for understanding economic development in any country and it must be taken into account when planning and adapting public policies to promote new projects and generate employment. Entrepreneurship means setting up a new business project assuming the risk involved in exchange for business profit. It drives innovation, competitiveness and growth (Wennekers and Thurik 1999).

In an economic scenario with high unemployment rates (20.58 % in 2011), self-employment generates new jobs. However, entrepreneurial potential in countries

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like Spain is immersed in an issue that is preventing its development: lack of confidence in the economic system (Wennekers and Thurik 1999). For example, data from the 2011 barometer (Spanish Centre for Sociological Research (CIS), July 2011) shows that 82 % of Spanish people consider that Spain's main problem is unemployment and that the most important measure for ensuring the country's development is to support businesses and entrepreneurs (34 %).

According to the 2011 Global Entrepreneurship Monitor Report (GEM) one way the young can find jobs is by becoming entrepreneurs. Business creation by young people is one solution to the lack of jobs (Blanchflower and Meyer 1994), hence the increasing number of public and private initiatives to support entrepreneurial actions intended for this collective. Some of them are young entrepreneur associations, publicly backed financing and specialist courses.

Therefore we ask, are young Spaniards ready to take business initiatives? What profile do they need to have and what skills must they have? What are their main challenges and concerns?

16.2 The Influence of Age on Entrepreneurial Profiles

Many academic studies have analysed young entrepreneurs (Aidis and Van Praag 2007; Blanchflower and Meyer 1994; Bonnett and Furnham 1991; Brockhaus 1980; Fairlie 2002, 2005; Gómez 2011; González 2004; Honjo 2004; Jackson and Rodkey 1994; Levesque and Minniti 2006; Nafukho 1998; Parker 2006; Ronstandt 1985; Rojas and Siga 2009; Scherer et al. 1989; Schiller and Crewson 1997; Thomas 2009; Walstad and Kourilsky 1998). A review of these studies shows a lack of consensus over the question of whether young people are more entrepreneurial.

Studies that claim that being young means individuals are less entrepreneurial include Bird (1993), Blanchflower and Meyer (1994), Thomas (2009) and Rojas and Siga (2009). Bird (1993), however, shows that the entrepreneur's age is less significant than other factors. Based on results for the United States and Australia, Blanchflower and Meyer (1994) claim that entrepreneurial ability increases with age and employment experience. Young people are less entrepreneurial because they have barely begun their working lives and lack the necessary experience to start their own business. Thomas (2009) analyses the relationship between education and entrepreneurship and concludes that university graduates are less entrepreneurial because they expect better opportunities in other jobs and also because before engaging in entrepreneurship they want to obtain more experience. According to Rojas and Siga (2009) young people in Argentina usually work for an employer because they find it difficult to access economic resources.

In contrast, other studies claim that being young increases the likelihood of entrepreneurship. Bonnett and Furnham (1991) conclude that young people have less perception of success or failure and therefore are less frightened of starting an entrepreneurial activity. Honjo (2004) shows that young people have a much greater ability to learn and face challenges. Among newly created companies, those that are

Table 16.1 Age distribution of Spanish entrepreneurs in 2009–2011

Age	Nascent	New	General	Consolidated	Abandon	Potential
Year 2011						
18–24	9.2	6	7.8	1.1	5	14.4
25–34	33.2	32.8	33	12.2	20.6	31.5
35–44	33.7	34.7	34.1	31.5	28.8	30.6
45–54	18	17.9	18	32.8	27.7	17.9
55–64	6	8.6	7.1	22.4	17.9	5.6
Average age	37.31	38.63	37.88	46.33	43.01	36.31
Year 2010						
18–24	7.7	7.8	7.8	0.8	5.9	15.5
25–34	37.4	36.6	37	19.8	26.8	37.9
35–44	32.6	36.5	37	19.8	26.8	37.9
45–54	16	14.8	15.4	30.1	20.7	16.3
55–64	6.2	4	5.3	20.4	18.1	4.7
Average age	7.3	6.8	37.1	44.8	41.8	35.2

Source: GEM (2011)

managed by young people are more likely to grow, whereas companies managed by older people are more likely to survive.

Jackson and Rodkey (1994) argue that older individuals are less likely to create a company because they are less willing to take risks. The 25–40 age range is the most favourable period because of a series of factors: individuals have the energy, a certain amount of experience and knowledge, an appropriate level of self-confidence, they do not have to cope with excessive family responsibilities and they are not risking a consolidated reputation or social position.

Levesque and Minniti (2006) consider that young people are more capable of being entrepreneurs because they tackle greater risks. Ronstandt (1985) concludes that it is very difficult for people under the age of 22 and over 55 to create a company. Experience is a crucial success factor for entrepreneurs and there are critical ages where there is a greater willingness to be entrepreneurial. With the appropriate education, it is advisable to begin entrepreneurship at a young age as there are fewer responsibilities.

Data for the Spanish economy in the GEM (2010–2011) (see Table 16.1) shows that 2010 and 2011 saw a significant increase in nascent entrepreneurs between 18 and 24 years old, whereas entry of people in entrepreneurial activity in the next age range is almost 4 points below. Between the ages of 35–44 numbers increased by one percentage point, between 45 and 55 there was a two-point increase and the upper age range remained stable. The average age of Spanish entrepreneurs is 38.

According to the general report (2011), these changes symbolise greater determination of young people to engage in entrepreneurial activity due to the precarious situation of youth employment, the high unemployment rate, more initiatives for promoting entrepreneurial activity, the increase in vocational training and university graduates who finish their studies in this age range and more training and programmes for young entrepreneurs in comparison to 5 years ago.

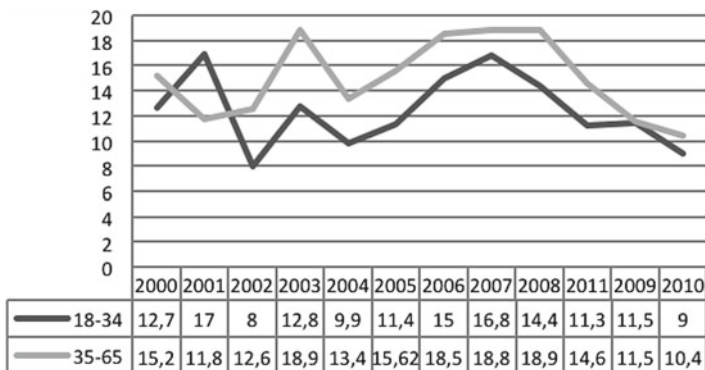


Fig. 16.1 EAR evolution from 2000 to 2010. Source: Original work based on GEM (2011)

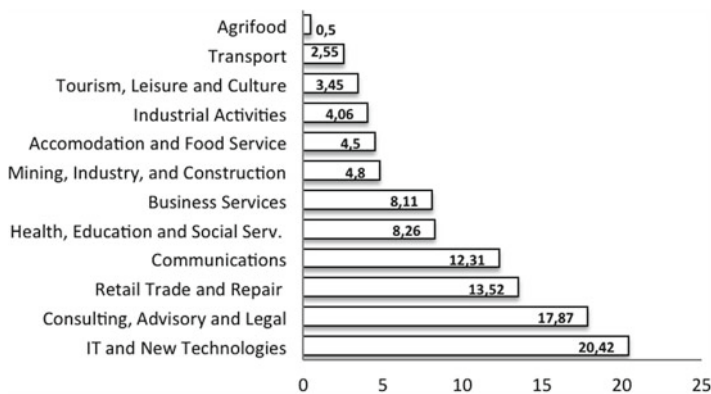


Fig. 16.2 Economic sector where young entrepreneurs operate. Source: Original work based on AJE Madrid (2011)

Although more young people are engaged in entrepreneurial activity, entrepreneurial intention is gradually decreasing. The intention rate in 2011 (14.4 %) exceeds that of nascent entrepreneurs (9.2 %) in the same year but is below that of 2010. Furthermore, young people are quite a changeable collective, highly affected by the environment and so results must be interpreted cautiously.

Finally, to establish differences between young and older entrepreneurs, Fig. 16.2 shows the evolution of the entrepreneurial activity rate (EAR) between 2000 and 2010. The figure shows increased rates of entrepreneurial activity among young people since 2008 and more moderate growth and declines in that age range. Therefore we consider it necessary to determine the profile and motivations of young Spanish entrepreneurs.

16.3 Profile of Young Entrepreneurs in Spain

Although it is not possible to establish the profile of an individual who is more likely to create a company (Brockhaus and Horwitz 1986; McDougall et al. 1992), an entrepreneur must have the skills of originality and innovation, moderate risk aversion, acceptance of responsibilities, an understanding of the results of their actions and long-term planning (McClelland 1961). Entrepreneurs also show the characteristics of needing to achieve, self-confidence, optimism, creativity and autonomy. Demographic, training, experience and psychological factors have also been identified (Fuentes and Sánchez 2010).

Based on data provided by the Association of Young Entrepreneurs of Madrid (AJE) and the Spanish Confederation of Young Entrepreneurs (CEAJE) below we detail the characteristics of AJE members. Firstly (and something that is hugely important for strategic decision making), young entrepreneurs generally represent the collective aged between 18 and 35. However, the data and current social changes show members of the Young Entrepreneurs Association aged between 18 and 40.

Table 16.2 shows the sociodemographic variables and it can be seen that the collective is predominantly aged between 26 and 35 (34.71 % of the members). The next largest group are those aged between 35 and 40 (30.84 %) followed by those over 41 (30.44 %). Entrepreneurs under the age of 25 are in the minority (4.01 %) because at that age future entrepreneurs are still studying, ending their studies or acquiring experience in other jobs. In terms of gender, men are in the majority. 77 % of young business owners are male and 23 % female. A large percentage of young entrepreneurs are single (57 %), and 38 % are married.

Secondly, we need to establish characteristics of the entrepreneur and the company. Table 16.3 shows that 81.71 % own the company they created and it is the only company they operate with (93.47 %). They choose the legal figure of a limited company (77.33 %) and the company is more than 5 years old. 61.71 % have from 1 to 10 employees and the turnover is less than €500,000 (84.68 %).

Table 16.2 Socio-demographic variables of young entrepreneurs

Age range	%
Under 25	4.01
From 26 to 35	34.71
From 35 to 40	30.84
Over 41	30.44
Gender	%
Man	76.64
Woman	23.36
Marital status	%
Single	56.87
Married	37.92
Other	5.21

Source: AJE Madrid (2011)

Table 16.3 Characteristics of companies created by young entrepreneurs

Entrepreneurs (AJE) with company/without company	%
With company	81.71
Without company	18.29
Companies per member	%
Entrepreneurs (AJE) with one company	93.47
Entrepreneurs (AJE) with two companies	4.9
Entrepreneurs (AJE) with three companies	1.14
Entrepreneurs (AJE) with four companies	0.33
Entrepreneurs (AJE) with five companies	0.16
Legal status	%
Self-employed	6.91
Limited liability company	77.33
Corporation	5.55
Employee-owned company	0.45
Cooperative	0
Joint ownership	0.45
Other	9.31
Active	%
Up to 6 months	3
From 6 months to 1.5 years	16.52
From 1.5 to 3 years	15.16
From 3 to 5 years	18.47
Over 5 years	46.85
Number of employees	%
No employees	22.67
From 1 to 10 employees	61.71
From 11 to 49 employees	11.11
From 50 to 250 employees	4.21
Over 250 employees	0.3
Turnover	%
Under €500,000	84.68
Between €501,000 and €1,000,000	4.96
Between €1,000,001 and €2,000,000	3.3
Between €2,000,001 and €10,000,000	5.11
Between €10,000,001 and €50,000,000	1.35
Over €50,000,000	0.6

Source: AJE Madrid (2011)

Thirdly, we present the industries in which young entrepreneurs operate (Fig. 16.2). Important sectors include computers and new technologies (20.42 %); and advisory or consultancy services, legal, insurance and investment (17.87 %); followed by commerce, sales and repair (13.52 %); communication (12.31 %); health, education and social services (8.26 %); and business services (8.11 %). Less attractive for young people in order of nonparticipation are the food and agriculture industry (0.15 %), transport (2.55 %), tourism, leisure and culture (3.45 %), industrial activities (4.06 %), hotel and catering (4.5 %) and construction, real estate and mining (4.8 %).

These data suggest that the typical young Spanish entrepreneur is a man aged between 26 and 35 years old and single. Young entrepreneurs in Spain typically direct their own limited company in the new technologies industry which has been in the market for more than 5 years and has less than ten employees. Annual turnover is under €500,000.

16.4 Motivations and Challenges for Young Entrepreneurs

The literature considers two main motivations for entrepreneurship: seizing an opportunity and need due to the lack of employment options. According to the 2011 GEM report, 71.5 % of Spanish people engage in entrepreneurship because they have found an opportunity and 25.9 % out of necessity. 38.7 % become entrepreneurs to obtain greater independence, 33.3 % to increase their income, 19.4 % to maintain their income and 8.6 % for a variety of reasons.

The main motivations and challenges facing young entrepreneurs in Spain are as follows:

- (a) *Perception of opportunities*: Although the collective of entrepreneurs is characteristically made up of people able to capture entrepreneurship opportunities, young Spaniards find reasons for a negative assessment of the situation in Spain. To quote young entrepreneurs (CEAJE 2009) the reasons that discourage entrepreneurship are: lack of liquidity, rising defaults, rising unemployment rate, decreased consumption, lack of confidence, lack of operational capacity in companies, lack of measures from public authorities and the increased effort entrepreneurs have to make.
Nevertheless, as entrepreneurs they have to find positive aspects that can become opportunities.
- (b) *Social entrepreneurial network*: Having some social network in the form of knowing other entrepreneurs increases the likelihood of entrepreneurship. Here, it can be said that young people are changing this situation with tools like AJEIMPULSA created by the Spanish Confederation of Young Business owners.
- (c) *Having the knowledge, skills and experience for entrepreneurship*: There has been a considerable increase in specific training courses for young entrepreneurs. Universities have created specific subjects like “Business Creation” activities that bring students into contact with business reality, seminars aimed at entrepreneurs and postgraduate courses aimed at developing entrepreneurial skills.
- (d) *Fear of failure*: According to the GEM (2011), fear of failure lessened in recent years but has increased again with the difficult economic situation. Although one of the advantages for young people is that they are less concerned about risk, according to the Spanish Confederation of Young Entrepreneurs, 68 % of young people are afraid that risk might make them lose everything, in addition to the lack of financial support, complex administrative procedures, etc.

- (e) *Preference for a competitive society*: According to the Malaga Association of Young Entrepreneurs (2011), competitiveness is a fundamental aspect for entrepreneurial success and one of the weak points in the high number of firms that have disappeared or are finding it difficult to survive. The Association itself highlights the fact that many of its members are adapting to the more competitive society (fruit of better business training for the young people of today).
- (f) *Entrepreneurship as an attractive professional option*: According to the GEM (2011) around 65 % of the adult population thinks that entrepreneurship is a good professional option. From the perspective of young entrepreneurs (AFE Malaga 2011) difficulties in finding jobs lead many young people to create their own job (25.1 %), seize an opportunity (20.1 %) or decide to become their own boss because of the advantages it brings (19.4 %).
- (g) *Entrepreneurship and socioeconomic status*: Exemplified by the fact that 19.4 % of young entrepreneurs in Malaga decided to become entrepreneurs because they wanted to be their own boss.

16.5 Implications

The economic situation in Spain requires a detailed study of the profile and motivations of young entrepreneurs. Increasing entrepreneurial initiatives in young people is one solution to high rates of youth unemployment. It is fundamental for public and private institutions to encourage such actions. To provide these institutions with more information so they can design more effective action plans, the first issue is to find out whether age really is a differentiating factor in entrepreneurship. A review of previous scientific studies and data provided by the GEM (2011) shows a disparate evolution in the number of entrepreneurial actions over the years and an upward trend in young entrepreneurs. The data highlights a significant increase in potential young entrepreneurs ensuring the entrepreneurial process in Spain.

The profile of the young Spanish entrepreneur is an unmarried male between the ages of 26 and 35. Young entrepreneurs in Spain typically direct their own limited company in the new technologies industry which has been in the market for more than 5 years, has less than 10 employees and an annual turnover of less than €500,000.

This profile highlights the scanty presence of women in the entrepreneurial world, the attraction of the new technologies industry and the predominance of SMEs. These traits raise the need to develop initiatives to respond to the question of why young women are not entrepreneurial, analyse the potential in the medium to long term of companies that operate in the technological industry and develop initiatives directed at the specific features of SMEs.

Of the motivations for young entrepreneurs business creation in particular is a channel for professional development. Along this route need prevails over “vocation” and this option is taken with fewer resources. Young Spanish men and women perceive numerous negative aspects to the current economic situation which become obstacles to entrepreneurship. Young people view the recession (that has caused among others,

a drop in the employment rate) as an important spur or motivating factor to creating one's own job. In addition, despite the fact that current economic conditions are not good, they can also be a source of opportunities facilitated by the falling prices for renting spaces and facilities, acquiring materials, equipment and human resources.

A final important consideration that cannot be analysed in this work refers to the quality of entrepreneurs when their numbers increase due to a recession and the need to create self-employment. In such circumstances new entrepreneurs will move further away from the ideal characteristics of entrepreneurship and that will make it difficult to innovate and discover opportunities in the sense of Shane (2012) and Shane and Venkataraman (2000).

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