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New or old? Comparing entrepreneurs founding a new venture to those taking over an existing business

When someone decides to become an entrepreneur, they must also decide whether to take over an existing business or to found a new one. For the first time in Germany, this empirical study provides a comprehensive analysis – based on data from the KfW Start-up Monitor – of the differences between entrepreneurs who take over established businesses and those who launch new ventures. The core findings of the study are as follows:

- As an average over the last ten years, approx. 10 % of new entrepreneurs have taken over an established business starting their self-employment.
- Businesses which have been taken over are, on average, larger than new ventures. Roughly 71 % of "takeover founders" begin on a full-time basis; 68 % of them employ staff, and 27 % start in conjunction with partners (the corresponding figures for "new start-up founders" being: 50 %, 27 % and 13 %).
- When the business starts, takeover founders – subject to certain other characteristics of the enterprise and the attributes of the entrepreneur – are less likely to bring new products and ideas to the market than new start-up founders.

These results show that, in the short term, positive effects on innovation activity within the economy are more likely to flow from newly formed businesses. The immediate contribution which taking over an established business makes to the economy is to keep the company going and to safeguard jobs. Over the medium to long term, however, takeover founders will also come to make decisions on innovation activity within their company, and may change their innovation strategy. For if nothing else, they have to survive in the market place in competition with innovative new start-up founders.

For starting a business successfully, it is necessary for the founder to be able to finance their venture. The following points are evident:

- Takeover founders can finance essential investments out of sales revenue more frequently, and as a result they can manage without using material or financial resources more often than those founding new start-ups. However, if they do need financing, they draw more frequently on external sources of financing such as bank loans, and they need more starting capital than those launching new start-ups.

Takeover founders experience financing difficulties with almost the same frequency as start-up founders (17 % and 15 % respectively). Having a proven business concept, which the capital provider will evaluate as part of the financing application process, should certainly help avoid financing problems. On the other hand, however, the new entrepreneur – unlike

the company itself – is not known to the capital provider and generally requires a considerable financing sum. Hence open access to financing is also of key importance for takeover founders, in order to enable existing companies to continue in business following succession. With the increasing age of the population, the issue of business transfers is gaining in importance, as more and more entrepreneurs seek successors for their companies.