

Entrepreneurship in Focus

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How young and established companies differ with regard to sustainability and digitisation efforts

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Summary

The Global Entrepreneurship Monitor data from 2021 shows that new business owner-managers and established business owner-managers have different digitisation and sustainability efforts. More young companies have adopted digital technologies for the first time in response to the Covid-19 pandemic than established companies, according to the founding person. Sustainability already plays an important role for companies - the majority of entrepreneurs, for example, include ecological aspects in future decisions. New business owner-managers, on the other hand, more often consider social aspects in their business than established entrepreneurs and more often take measures to maximise the social impact of their business than the comparison group.

New business owner-managers and established business owner-managers

The total early-stage entrepreneurial activity (TEA) calculated in the GEM report includes not only the percentage of people between the ages of 18 and 64 in Germany who have already founded a company within the last three and a half years but also those people who were actively considering their own start-up project at the time of the survey but had not yet implemented it. Both groups of people are summarised in this article as "new business owner-managers". In addition, data on established business owner-managers is collected. These are run by persons who have been paying or receiving salaries, profits or benefits in kind from the start-up for more than three and a half years, who are owners or partners and who are actively responsible in the management.

Covid-19 pandemic brings digitisation boost

The COVID-19 pandemic has triggered a digitisation push in most countries in 2021, with founders introducing additional digital technologies into their businesses in direct response to the changed conditions. 36.5 % of new business owner-managers and 31 % of established business owner-managers in Germany in 2021 agreed that the pandemic has opened up new business opportunities. In order to keep up with the digital transformation, companies need to find fast and efficient ways to adapt their business models and their business and production processes to the new requirements and opportunities of the digital economy.

27 % of new business owner-managers said that their company used digital technologies for the first time to

sell products or services in response to the Covid-19 pandemic. These young companies tended to be flexible, innovative and often able to respond more quickly to changing conditions. For 19 % of new business owner-managers, plans to increase the use of digital technologies were already expanded before the pandemic. In contrast, only just under 13 % of established companies said they had introduced digital technologies in response to the Covid-19 pandemic. Complex internal work and decision-making processes at incumbents made it difficult to digitise their business models and processes and to adapt and develop their products and services accordingly. In addition, a KfW study (Zimmermann 2021, p. 1) pointed out that the tense financial situation due to the Corona pandemic makes it difficult for companies to finance such activities.

The relevance of digital technologies was evident in 2021 in almost all GEM countries considered, with high incomes for both start-ups and established companies. In Germany, a total of 42 % of new business owner-managers and 22 % of established business owner-managers expect to use more digital technologies in the next six months.

Established entrepreneurs and founders – sustainability goals

As a result of the COVID-19 pandemic, the importance of implementing sustainable economic concepts and environmental policy measures has once again become the focus of public attention. Companies are also called upon to assume more responsibility in this field and to act in a way that is not only economically but also socially and ecologically sustainable. As part of the GEM population survey, entrepreneurs are asked how much importance they attach to social and ecological sustainability issues. If we compare the

founders of young companies with established entrepreneurs, it is noticeable that social aspects in particular, are more important for founders (see Figure). Thus, 44 % of the new business owner-managers state that they have taken measures in the past year (before the time of the survey in 2021) to maximise the social impact of their company. Only slightly more than a third (36.4 %) of all established companies have taken such measures. The differences are most noticeable in the statement "When making decisions about the future of your business, always consider the social impact". A full 70 % of new business owner-managers always consider the social impact when making decisions about the future, while only about half (55.6 %) of established entrepreneurs do so. This result is in line with the research of the German Social Entrepreneurship Monitor, which shows that companies with a specific social focus in Germany are predominantly young companies (Kiefl et al. 2022, p. 22).

Sustainability goals of new business owner-managers and established business owner-managers in 2021



Source: GEM population survey 2021. Proportion of entrepreneurs who agree or answer "yes" to the above statement.

Hardly any differences between young and established companies, on the other hand, can be seen when considering environmental aspects. Fortunately, the majority of young companies (62.6 %) and established companies (64.8 %) already always consider the impact on the environment when making decisions about the future of their company. The concrete implementation of these measures is still somewhat lower in 2021: About half of the established companies (51.1 %) and the young companies (53 %) have

already taken measures to minimise their company's impact on the environment in the past year (as of the time of the survey), according to the owners. The fact that sustainability aspects already play an important, but not always priority role in business decisions is also shown by the following result: Only under half of the new business owner-managers (46 %) and approx. 40 % of the established companies actually prioritise the social and/or environmental impact of their business over profitability or growth.

The results make it clear that many German companies are well positioned regarding digitisation and sustainability but that there is still a certain potential for growth. Here, further education programmes and training offers are helpful, through which digital and sustainability-oriented competencies are taught and built up. At the same time, it is important to promote and expand the teaching of digital as well as ecological and social key competencies already in schools.

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