

Startups by recent university graduates and their faculty: Implications for university entrepreneurship policy

Lunchtalk, 17 October 2012

Speaker: Thomas Astebro, Associate Professor Strategy & Business Policy, HEC Paris; Karen Wilson, Visiting Fellow, Bruegel

Chair: Reinhilde Veugelers, Resident Fellow, Bruegel

In the 60s, the success of Universities was measured by the amount of Nobel Prizes won by each of them. During the 70s, papers were the most important; but today, the number of firms started by each university is also a key indicator of their quality.

In a recent study presented at Bruegel, Thomas Astebro, Associate Professor in HEC Paris, analyses the impact of US universities in start-ups and wonders about the best approach for policymakers to promote entrepreneurship.

According to his team's findings, the majority of start-ups are created by students and recent alumni; not faculty. In fact, the former outnumber faculty spin-offs 21:4. This discovery led Astebro to question whether if giving incentives to universities, a policy currently applied in the US, is the best option.

In order to focus in the quality of these new firms and not only the number, the study analyses yearly earnings of alumni vs. faculty firms, as well as their survival rate. The findings indicate that in the US, student start up owners earn half than faculty owners, but 12% more than their peers who become employed. Those who apply the knowledge acquired during their education earn 23% more, and the ones that come from top universities earn 31% more. On the side of survival rate, 60% of faculty-started firms last longer than the 2-3 year period, while the rate is of 34% among graduates. According to Astebro, these are signs of how entrepreneurial education matters, and how start-ups by student and alumni are not poor quality.

Astebro concludes that supporting students would have the biggest gross-impacts on start-up rates, as opposed to the current policy that invest in educational institutions.

Karen Wilson, Visiting Fellow at Bruegel, broadened Astebro's questions by stating how the role of universities needs to be looked at in relation to the entrepreneurial ecosystem in which they are located. Taking as an example that the average age of entrepreneurs in the US is 40-years-old, Wilson also emphasized that the goal of entrepreneurial education is to set a mind-set that might only be fruitful years after graduation. In this aspect, both panellists agreed on the need to look at these numbers in the long term.

Event notes by Francesca Barbiero