

# Unternehmertum im Fokus

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## Capturing entrepreneurial activities among minors

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### Abstract

We estimate that around 290 to 610 minors start a business in Germany every year. Minors' entrepreneurial activities, thus, are a niche phenomenon: minors mainly use self-employment to try things out, implement ideas on the market, and acquire skills that prepare them for their later working lives. Financial motives are found to be less important. Moreover, we show that the family environment is perceived as supportive of starting a business, while experiences with administrative authorities and teachers often have a discouraging effect.

Only a few underage founders – also known as "teenpreneurs"<sup>1</sup> – are known to the public. Some of them, such as Bill Gates, who successfully sold his first software at the age of 14, have attracted considerable public and media attention. In Germany, several successful enterprises by minors have emerged from the *Jugend forscht* competition. Yet little is known about underage founders – not least because this group is hardly covered by conventional surveys.

We quantify the phenomenon of underage founders and try to shed light on the motives and the influence of their environment by analyzing the Taxpayer Panel (TPP) as well as our own quantitative and qualitative surveys (see Bijedić et al. 2023).

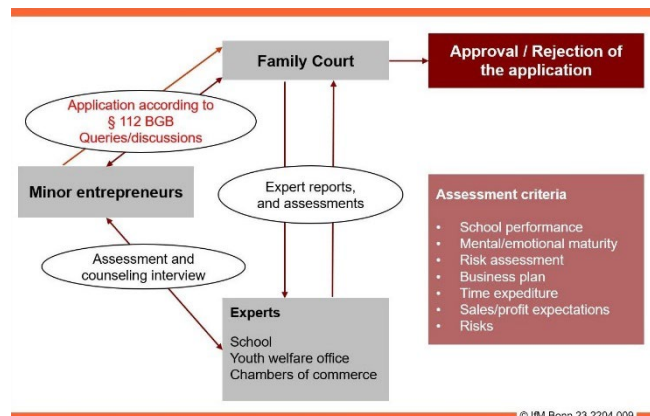
### Entrepreneurial activities need formal approval by family courts

Minors are defined as individuals, who have not yet reached the age of 18 (§ 2 BGB). Furthermore, minors under the age of seven are not legally capable of making legal (or business) decisions according to the German Civil Code. Therefore, their legal guardians act on their behalf. From the age of seven on, minors are considered to have limited legal capacity and might lead a business under certain circumstances. Subject to the consent of their legal representatives, minors with limited legal capacity can be authorized by the family court to operate a business on their own (§ 112 BGB). If such authorization has been granted, minors are permitted to carry out the legal transactions associated with the approved business without restriction.

Family courts approve by § 112 BGB as part of a case-sensitive procedure at its discretion. For this purpose, judicial officers aim to gain a personal impression of the minor and the family environment. Moreover, they obtain statements from various institutions. This

process takes time: Usually, it takes several months to a year from the application to the decision.

### Typical process of the authorization procedure



Source (translated version): Bijedić et al. (2023).

### Minor Entrepreneurs are rare

Our estimates suggest that 290 to 610 minors set up and manage a company every year. These are three to seven per 100,000 minors. About half of all self-employed minors are between 15 and 17 years old. The remaining ones are aged between seven and 14 years. Self-employment is often practiced in the field of artistic and creative activities and in the ICT sector.

Most self-employed minors achieved earnings of less than 5,000 euros in 2017. Since the main focus of minor founders is on school, they have limited time for running their businesses.

### Predominantly intrinsically motivated

Starting a business is primarily viewed as an entrepreneurial learning field for developing professional skills and gaining practical experience in

<sup>1</sup> Our definition of self-employed minors differs from youth entrepreneurship in that we examine individuals with limited legal capacity before their 18th birthday.

Youth entrepreneurship is a more broad concept and considers individuals between 18 and 35 (OECD; GEM).

working life. In addition, they proactively and strategically build up their own professional network. Financial motives, in contrast, play a less important role.

Many minor business founders can also imagine setting up other businesses in the future. Entrepreneurship at such an early age primarily serves to gain experience in the business world and is viewed as a vehicle to qualify for future entrepreneurial activities.

### Support system is crucial for becoming an entrepreneur

The close personal environment of minors plays a major role - both in the development of entrepreneurial intentions and in the process of founding a business. The personal environment includes parents, entrepreneurial role models, classmates, friends, and teachers. Minors perceive the transmission of parental values and the entrepreneurial experiences of parents as particularly conducive to starting a business. When it comes to the process of business foundation, role models and mentors become more important.

The institutional environment is often perceived as an obstacle to entrepreneurship: Minor founders often experience negative feedback from teachers, which can lead to giving up on their business ideas.

We suggest embedding entrepreneurship education into the school curricula. The focus of this entrepreneurship education is not fostering start-up activities per se, but rather offering career guidance and raising awareness for entrepreneurial opportunities and risks. In addition, students can gain basic economic knowledge, which is necessary for responsible behaviour in the socio-economic context. Besides, self-employment should be portrayed in a balanced way, implying that teachers sensitize students to the opportunities and risks of self-employment.

Empirical studies on the effect of entrepreneurship education measures also show that holistically designed entrepreneurship education at schools has a positive effect on the development of interdisciplinary key skills and entrepreneurial personality characteristics (see Bijedić 2013; Brüne/Lutz 2020). In addition, a reflected examination of self-employment, including its opportunities and risks, enables a mature decision for or against entrepreneurial activity in the further course of employment, which can reduce entrepreneurial failure (cf. Bijedić 2013).

Raising teachers' awareness of entrepreneurship in this way requires additional training and creates an additional workload for teachers. To lessen the burden, we propose cooperation between schools, e.g., to fund schools, which accumulate experience in "entrepreneurship education" and serve as a contact point for other schools within their region. Cooperations with established initiatives (e.g., BMWK's

*Unternehmergeist macht Schule*) could facilitate the implementation of entrepreneurship education in schools.

### How to support the entrepreneurial aspirations of minors

Legal authorization procedures are essential for the best interests of the minor. In their current form, however, they represent a major challenge for minor founders and their legal guardians, mainly because they are excessively time-consuming. Furthermore, the process and requirements are somewhat indistinct and not transparent. This early experience with authorities and bureaucracy could contribute to a negative connotation with entrepreneurship and to a later avoidance of self-employment.

We recommend more standardization and transparency regarding the procedure and the assessment criteria to speed up the process and significantly reduce the hurdles for all parties involved. Moreover, checklists regarding the requirements and digitization of the process might also help to simplify and speed up the procedure. In addition, setting up specialized family courts could provide the necessary expertise in a resource-efficient manner.

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