



empowering youth for
a sustainable future

Pioneering Gen Z Entrepreneurs: Reflections and Policy Considerations

A policy paper by

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Executive Summary

Entrepreneurs change the way we think, work and live. Around the globe, inspiring young people are building successful companies around ideas that are driven by their ambitions and enabled by their entrepreneurial skills and values. Generation Z – referring to people born after 1997 – is reshaping our economies with its distinctive approaches to work and entrepreneurship. The members of this generation tend to value collaborative and flexible work, and strive to integrate a focus on sustainability into their working lives. For this reason, youth entrepreneurship is an exciting area, as it attracts ambitious young people who want to change the world by engaging in business activities.

As a means of better understanding how to help this generation live up to its potential, this policy paper seeks to identify key drivers and barriers affecting young entrepreneurs committed to sustainability and innovation. To do so, it uses a focused case study centered on the fellows of the Sigma Squared Society, a network of founders under 26 years of age with over 800 members globally. The paper is informed by a quantitative survey of the Society’s members and supplemented with in-depth interviews of six fellows, selected on the basis of their active engagement in innovative sustainable ventures.

One issue of significant concern to these young businesspeople was “regulatory anxiety,” a term used to describe the apprehension felt by young founders as they confront complex legal frameworks. Young founders do not perceive the government as an enabler, but rather as a constraint to successful entrepreneurship. Hence, simplifying and reducing bureaucratic burdens by digitalizing application processes should be a top priority for public policymakers. Founders under 18 face unique barriers that make it difficult for the youngest entrepreneurs to start businesses. Policymakers can also improve the environment for ambitious young people by providing better access to grants and loans, assisting them in protecting their innovations through copyrights and patents, offering programs that support early entrepreneurial activities in particular, and providing better practical implementation guidance. Most important is practical, hands-on assistance, ideally from other young people who have already succeeded: Gen Z wants to learn from itself through learning by doing.

The highly successful Gen Z entrepreneurs showcased in this study exhibit the kind of resilience and optimism that epitomizes a positive psychology mindset. If fostered widely, this could significantly benefit entrepreneurial culture. Young founders have no trouble revealing their vulnerabilities to colleagues; they pay close attention to their own mental health and consciously practice optimism even in the face of failure. Encouraging and empowering the next generation of sustainable entrepreneurs should be in everyone’s interest.

Introduction: Generation Z is shaping entrepreneurship

Entrepreneurial landscapes evolve with each generation. We are thus witnessing a significant shift today that is shaped by the emerging Generation Z (or Gen Z) workforce. Their ascent into the entrepreneurial sphere heralds a potential revolution in the way businesses operate. Understanding and integrating their unique values and approaches toward the green and digital transitions is therefore of critical importance. As the generations that will bear the brunt of the challenges posted by climate change, Generation Z and Millennials are also the generations most actively addressing environmental issues (Pew, 2021).

Gen Z entrepreneurs stand at the vanguard of sustainable change and are set to redefine economic and entrepreneurial growth patterns. However, the path ahead for Gen Z is strewn with personal and professional challenges. Much has been said about this generation's focus on work-life balance and mental health. Policy changes are thus needed to foster environments that encourage positive mental health while also being sensitive to the vulnerabilities often experienced by members of Gen Z, such as climate anxiety and the pressure of digital connectivity.

Educational approaches must also be transformed to accommodate the hands-on, dynamic learning styles preferred by Gen Z. By integrating entrepreneurship education early on, and focusing on action-oriented, problem-solving curricula, we can nurture a generation of innovative leaders. This shift toward practical, technology-infused learning environments is critical to unlocking the entrepreneurial potential within each young person. The broader entrepreneurial ecosystem must also evolve to be genuinely inclusive, with all stakeholders striving to close the persistent gender gap and foster an environment in which founders with diverse backgrounds can flourish. To achieve this, it will be necessary to encourage intergenerational dialogue. Moreover, research initiatives in this area must actively engage Gen Z voices, ensuring that the entrepreneurial frameworks of the future are crafted not only for them, but with them. As we look to this generation of entrepreneurs to catalyze societal and environmental transformation, it is essential to listen, understand and act on their aspirations and concerns as we chart new paths toward a more sustainable and equitable future.

Literature review

As Generation Z reaches working age, and many members begin to see entrepreneurship as an appealing career option, the field of Gen Z entrepreneurship research is growing. This literature review seeks to provide a working definition of this generation, and aims to offer an overview of the broad-brush values and convictions that drive Gen Z in general and the field of youth entrepreneurship in particular. It explains why sustainable entrepreneurship fits well with Gen Z's value-driven mindset. Furthermore, it seeks to explore the motivations guiding Gen Z entrepreneurs, the obstacles they face and the reforms that would be likely to support the emergence of more Gen Z startups.

Understanding the values and convictions of Gen Z

The term "Generation Z" commonly refers to the demographic cohort that was born between 1997 and 2012. This group follows Generation Y, whose members are also known as Millennials (Pew, 2021). Individuals who belong to Gen Z tend to have grown up in a digital world, and have been exposed to social media technologies and the internet since early in life, which makes them "digital natives." According to the Pew Research Center, this generation in the United States is the best-educated and most diverse generation yet (Fry & Parker, 2018). Roberta Katz, a senior researcher at Stanford's Center for Advanced Study in the Behavioral Sciences (CASBS) who is working on a research project focused on Gen Z, describes a typical Gen Zer as "a self-driver who deeply cares about others, strives for a diverse community, is highly collaborative and social, values flexibility, relevance, authenticity and non-hierarchical leadership, and, while dismayed about inherited issues like climate change, has a pragmatic attitude about the work that has to be done to address those issues" (De Witte, 2022).

In terms of work-life balance, members of Gen Z emphasize the importance of enhanced career progression for part-time roles, the option of a condensed four-day workweek, job-sharing opportunities and flexible working hours. A study conducted in 2023 by the consultancy Deloitte found that approximately half (49 %) of Gen Zers say that work is central to their identity and assign high importance to work-life balance. While members of Gen Z are likely to have longer working lives than their predecessors due to increasing longevity, the ongoing labor market disruptions caused by digitalization and the rise of new career paths linked to new technologies makes career planning for this generation challenging. In addition to longer life expectancies and career uncertainty, Gen Z reports high levels of mental health challenges. According to a report on Gen Z by McKinsey & Company, a consultancy, one out of five respondents from this age cohort in Europe, as well as one out of four in the United States, report having poor or very poor mental health. This far exceeds the comparable figures reported by any other generation (Arora, et al., 2022). Climate change, the war in Ukraine and the COVID-19 pandemic have all helped increase levels of emotional distress, although the specific numbers vary by country. According to Katz et al. (2022), the most significant concern among members of Gen Z is about the future of the planet and environment (60 % U.K., 43 % U.S.), followed by rising levels of inequality (30 % U.K., 25 % U.S.), and global political unrest and/or war (24 % U.K., 25 % U.S.). Almost half (46 %) of Gen Z's members state that they feel stressed or anxious all or most of the time, and place a high value on having ways to address mental health issues. More than

half, or 52 %, state that they feel burned out (Deloitte, 2023). When asked about their priorities in life, the largest share of Gen Z respondents identifies mental health as their top priority (28 %), with physical health (19 %) coming in second (Deloitte, 2022).

For people feeling such intense anxieties, positive psychology interventions have proved to be of great use in improving well-being and boosting happiness (Sin & Lyubomirsky, 2009; Bolier, et al., 2013). Positive psychology is defined as “the scientific study of positive human functioning and flourishing on multiple levels that include the biological, personal, relational, institutional, cultural and global dimensions of life” (Seligman & Csikszentmihalyi, 2000). Positive psychology interventions are a collection of scientific tools aiming to promote positive feelings, positive cognitions or positive behavior (Keyes, Fredrickson & Park, 2011). This includes actions such as expressing gratitude, practicing mindfulness and meditation, focusing on strengths and associated exercises, practicing optimism and reflecting on three good things that have happened in the course of a day. Furthermore, the presence of support groups, as well as interventions that focus on teaching general psychosocial skills, have been proven to boost overall well-being (Reblin & Uchino, 2008). While a variety of interventions can be carried out on an individual level, support for such programs from the government and the health care system is needed. To help young people suffering from mental health challenges, public policy could therefore support the establishment of a well-being measure, or help to identify groups with special needs such as young people at risk of mental illness, thus facilitating the exploration of paths toward a good life (Tweed, et al., 2017).

A study by the Bertelsmann Stiftung (2022) has shown that three-quarters, or about 76 %, of Gen Z in Germany attaches importance to behaving sustainably. When asked who or what entity bears the most responsibility for making the world more sustainable, the majority of Gen Z names the government (41 %), followed by individuals (24 %). This is in line with the findings of recent Eurobarometer (2022) report, in which 31 % of respondents indicated that they expected the European Union to promote environmentally friendly policies and fight climate change. Standing in contrast to these results, very little academic attention has to date been paid to the political and legal frameworks – that is, the public policies – that young people need to develop and scale sustainable business ideas. Moreover, there appears to be a widening disconnect between young people and policymakers. Politicians have played only a minor role in influencing young people’s attitudes toward sustainability, with only 11 % of Gen Z respondents citing them as having been influential in shaping their attitudes toward sustainability (Bertelsmann Stiftung, 2022). By contrast, nearly one-third (31 %) of respondents cited individuals from their immediate circle of friends, while just under one-quarter (23 %) pointed to their own parents. Respondents also frequently named people from their broader circle of acquaintances, as well as role models found on digital media such as influencers, YouTubers or internet (lifestyle) coaches (23 % each). Role models also prove to be significant in persuading young people to volunteer or participate in sustainability-focused pursuits, with 69 % of young people who cited activists and 62 % who mentioned teachers and supervisors from school, training programs or the workplace as influencing their attitudes toward sustainability saying they were more likely to participate in such activities. These findings highlight the importance of peer and parental influences in shaping Gen Z’s attitudes toward sustainability, as well as role models such as Swedish climate activist Greta Thunberg, who exemplifies Gen Z’s impatience with the status quo. The same study revealed that young people who do not prioritize sustainability (46 %) often lack role models in this area, and that when they do become involved, young people prefer collaborative activities (ibid).

Fully 48 % of respondents in the Bertelsmann Stiftung (2022) survey indicated that they found participatory opportunities organized by local schools, training centers or workplaces to be particularly appealing. A total of 32 % said they found projects organized with friends or like-minded individuals to be appealing, which shows that the creation of new ventures is an important avenue for activity. In contrast, existing formats for democratic participation, such as becoming a member of a political party (16 %) or being active in local youth parliaments (9 %), were viewed as less attractive options by most young people. One-third of teenagers expressed an interest in becoming an entrepreneur, with four out of five stating that contributing to sustainable development was their primary motive in becoming an entrepreneur (ibid.). More recently, this trend has become visible in the commercial sector, with the arrival of Gen Z portending a change in consumer spending. For example, six out of ten (59 %) members of Gen Z state that they are willing to pay more for a sustainable product or service (Deloitte, 2023).

② Sustainable entrepreneurship

Members of Gen Z are worried about the planet and the environment. Consequently, they are more likely to prioritize sustainable practices in their business ventures. Emphasis on triple-bottom-line thinking – considering the economic, social and environmental impacts of business decisions – guides many Gen Z leaders to take a responsible and impactful approach to entrepreneurship. Zahra et al. (2009) note that sustainability-driven entrepreneurship not only contributes to environmental preservation, but also enhances long-term business viability and resilience. This growing convergence between entrepreneurship and environmental sustainability reflects a broader societal shift toward more responsible and eco-conscious business models (Dean & McMullen, 2007). Sustainable entrepreneurship fits well with Gen Z's value-driven mindset and is therefore a desirable business model for this generation.

According to the World Commission on Environment and Development (1987), sustainable development is development that meets “the needs of the present without compromising the ability of future generations to meet their own needs” (p. 41). Authors such as Schaper (2002) have argued that entrepreneurs can play a pivotal role in advancing sustainable development by bringing environmentally friendly products and services to market. An increasing number of companies seeking to counteract environmental and climate changes with innovative ideas and new solutions have emerged in recent years, thereby contributing to a broader trend in sustainable development. As a result, the role of startups that pursue not only economic but also sustainable goals has gained in importance. These sustainable entrepreneurs are characterized above all by the fact that they strike a balance between economic success, social justice and environmental resilience, and that they are eager to improve the state of the environment and society's well-being (Kuckertz & Wagner, 2010; Middermann et al., 2020).

③ Entrepreneurs and sustainable finance

Startups often find financing their business to be their greatest challenge, alongside customer acquisition, product development and staff recruitment (Kollmann et al., 2023). Though some startups try to bootstrap, most rely on government grants to take their first steps, with a smaller share relying on business angels and venture capital (ibid.). Young entrepreneurs who at some

point need to secure capital must be aware of trends in capital markets and the venture capital sector. As climate challenges for economies and societies increase, international and European financial institutions are seeking to shift capital into ventures that address global challenges and foster innovation while also creating positive environmental and social impact. To do this, they have developed and implemented regulatory requirements, and laid out roadmaps for future needs (CISL, 2015, July; updated 2017). In consequence, the rapid increase in interest in sustainable finance has been accompanied by a measurable shift in the allocation of capital more generally (EIU, 2023; Ozili, 2023).

As more venture capital companies (VCs) seek to finance sustainable businesses, they are increasingly requiring startups to think hard about future-proofing their own business models (Mansouri & Momtaz, 2022). A May 2023 white paper released by World Fund, a venture capital fund investing in climate tech startups and a member of the Venture Climate Alliance, stated that climate tech firms had raised \$13.2 billion in 2022 (World Fund, 2023). But it additionally estimated that to reach the targets set out at the climate conference in Paris in 2015, overall investment in climate tech would have to increase by 590% annually by 2030. The World Fund uses a scientific approach to measure a technology's "climate performance" and regards the potential to reduce carbon emissions as being a significant criterion when making its own funding decisions. While not all new businesses and innovations aim to reduce carbon emissions, venture capital investors are increasingly weighing their investments' positive and negative environmental and social effects (Lin, 2022).

Motivations for and obstacles to entrepreneurship

But what drives members of this generation to be entrepreneurial? In general, personal motivations for becoming an entrepreneur are diverse. They can include having the drive to become one's own boss, having a desire for autonomy, wanting to increase personal income and wealth, finding it enjoyable to work on a challenge, or having a desire for recognition and status (Kolvereid, 1996; Carter et al., 2003; Wilson et al., 2004). In many studies, the most commonly cited reason for becoming an entrepreneur is a desire to make more money and secure financial autonomy (Stephan et al., 2015). Entrepreneurs also seek a high degree of autonomy, flexibility and significance or meaningfulness from their work (Stephan, 2018). Hessels et al. (2008) argue that entrepreneurs are driven primarily by their desire for autonomy in terms of independence and flexibility (Shane et al., 1991; Kolvereid 1996; Carter et al., 2003). However, sustainable entrepreneurs in particular often follow a path aimed at solving social or environmental problems, whatever their other individual motivations may be.

Assuring gender inclusivity is also critical in creating a healthy and more productive entrepreneurial ecosystem. Within the OECD, women are less likely than men to be involved in starting and managing a new business (OECD, 2021). Furthermore, women generally encounter obstacles to establishing businesses that are more numerous and significant than those faced by men, with these challenges frequently being interconnected and mutually reinforcing. Studies have indicated that women on average possess lower levels of essential financial literacy than men, as well as less well-developed financial management and digital technology skills (Oggero et al. 2019). Additionally, the likelihood that women will self-report that they have the necessary skills and knowledge to initiate a business is lower than for men, which in turn makes it more

difficult for women to seek external funding and cultivate professional networks (OECD, 2021). In countries such as Germany, gender gaps persist in the business angel community, which is predominately male and rarely invests in female founders (Hözlner et al., 2023). This lack of progress represents a significant missed opportunity; for example, a BCG study (2019) found that if women and men participated equally as entrepreneurs, global GDP could rise by approximately 3% to 6%, boosting the global economy by \$2.5 trillion to \$5 trillion.

5 Entrepreneurial competencies

Education is a key aspect of training the next generation of entrepreneurs, since young businesspeople will need to be prepared for future challenges. These challenges include a variety of demands and stressors associated with the entrepreneurial journey (Stephan, 2018). In addition to long working hours and harsh work demands, founders will have to worry about financial problems, job insecurity and high levels of daily uncertainty. Furthermore, being an entrepreneur can lead to family and work-to-family conflicts. Handling conflicts with customers and employees can also cause stress (ibid.). Moreover, in addition to the stressors experienced by every entrepreneur, Gen Z entrepreneurs usually have comparatively low levels of experience, skills and knowledge, due to their young age. This makes it even more difficult to embark on an entrepreneurial journey, and gives rise to insecurities and fears along the way. Having social support from family, friends and peers can increase an entrepreneur's mental health and well-being, as can positive customer feedback (ibid.). The concept of work-life balance is defined as a key aspect of personal fulfillment in the Subjective Entrepreneurial Success Importance Scale (SES-IS) (Wach, et al., 2016). However, it is rarely easy in practice to balance the demands of an entrepreneurial career with those of other areas of life.

The ability to manage one's business competently and resourcefully therefore becomes vitally important. Entrepreneurial competencies, as identified by the European Entrepreneurial Competence Framework (EntreComp) (Bacigalupo, et al., 2016), are crucial skills that allow an individual to engage in entrepreneurial activities successfully. These competencies can be applied in diverse settings, such as civil society, education, and startups. Our research is intended to explore these competencies, especially as they pertain to Gen Z entrepreneurs. The EntreComp framework places these competencies into three main categories: ideas and opportunities, resources and "into action." These prove to be useful in understanding and questioning Gen Z entrepreneurs about the significance of these skills to them, and how they are applied in respondents' own ventures. The GreenComp framework (Bianchi et al., 2022), which builds on EntreComp's work, further emphasizes the integration of sustainable and environmentally friendly practices into entrepreneurial endeavors.

Sustainable entrepreneurs in particular tend to feel considerable pressure to fulfill their missions, and to avoid disappointing their communities and themselves. This can provoke even more stress, fear of failure and anxiety. The resulting interplay between economic reward, social impact and environmental sustainability can be depicted using the Subjective Entrepreneurial Success Importance Scale (SES-IS). A group of entrepreneurs interviewed using this scale (Wach, et al., 2016) cited the importance of traditional factors such as firm performance, work relationships, personal fulfillment and personal financial reward. However, they also noted the importance of community impact, which includes the social responsibility for employees, firms' social

contributions and being an environmentally friendly firm, as an element of entrepreneurial success.

It is clear that engaging in sustainable development is a complex process, and cannot be fully achieved in an isolated way. Entrepreneurs often seek collaboration in order to address their resource and technology constraints (Jirapong et al., 2021). Sustainable entrepreneurship is thus primarily a process of collective idea creation, selection and application by people working together to address environmental and social challenges (Scott et al. 2016; Middermann et al., 2020). To promote this collective endeavor, policymakers can support the development of networks for young entrepreneurs. However, ensuring the availability of role models who can talk to young people at their own level is also helpful (Schüler et al., 2023). Role models play a critical part in motivating young individuals to engage in entrepreneurship, volunteer work and other sustainability-focused activities. They also help young people understand how they can overcome obstacles, deal with stressors and fight anxiety.

Bureaucracy reform in entrepreneurship policy

Bureaucracy presents startups with significant challenges, as it can hinder creativity, risk-taking and productivity (Hamel & Zanini, 2018). Typically, e-government initiatives are considered to be complementary to bureaucracy reform. There are many areas in which simplifying the startup process, for example with regard to hiring rules and taxation policies, could make it easier and more efficient to launch a business. This topic has been addressed by an OECD initiative (2009) aimed at minimizing bureaucratic complexity, for example. Lowering regulatory barriers for startups can help these new businesses succeed. Bureaucratic obstacles could be substantially lowered by reducing the number of forms and activities needed to register a business, simplifying the process of applying for funding, and reducing the over-all amount of paperwork required.

To be sure, bureaucracy and regulation are essential parts of a well-functioning, modern and innovation-based economy. They shape numerous aspects of entrepreneurship, such as education, finance and support structures. Yet if Gen Z entrepreneurs see these interventions primarily as challenges, governments and their institutions must find a way to lower hurdles in order to encourage these young entrepreneurs. This will be a difficult and long-term task. Public policies need to be carefully calibrated to avoid unintended consequences for individuals, companies and society at large. Yet they must be adapted in order to level the playing field for young entrepreneurs who face complex barriers and obstacles, but are essential to a future-oriented European way of entrepreneurship.

Our research seeks to clarify this task. It explores the constraints and aspirations reported by this generation of entrepreneurs as they enter the market, and seeks to understand the mindsets with which members of Gen Z overcome these challenges. It asks what drives young people to become and remain entrepreneurs, despite the difficulties of this journey.

Methodology

This paper applies the single case study methodology, using multiple units of analysis embedded in one case (Yin, 2003). This methodology is well suited to exploring novel research contexts (Ketokivi & Choi, 2014), thus aligning with the goals of this paper. It is based on the Sigma Squared Society, a dynamic Gen Z entrepreneurship society of more than 800 fellows that promotes innovation and collaboration among young entrepreneurs and creatives. Operating in more than 25 countries across five continents, it provides a global platform for Gen Z entrepreneurs to connect, learn and start innovative ventures. Inclusivity, sustainability and technology-driven solutions are all key aspects of its philosophy, reflecting the values and aspirations of this generation of entrepreneurs. Consequently, this study looks at high performers who are ambitiously promoting entrepreneurial ideas that they care about.

A mixed-method approach has been used to gather data, combining the results of a questionnaire-based survey given to Society fellows with qualitative data collected via semi-structured interviews. First, a preliminary questionnaire was sent to the members of the Sigma Squared Society via a group-wide message board. The goal of this survey was to identify important aspects of respondents' entrepreneurial journeys, their practical experiences with government entities, and the issues they were working on, among other topics. The questionnaire received 59 responses. One-third of the respondents were female, and two-thirds were male. Although entrepreneurs from 19 countries participated in the survey, more than one-third of the entrepreneurs work in Germany (34%), followed by the United States (8%), Poland (8%) and the United Kingdom (6%). Other countries included are France, Greece, Finland, Malta, and Portugal.

Second, video interviews were conducted with five fellows of the Sigma Squared Society. Each of these individuals are innovative entrepreneurs under 26 who are actively working on solutions to the world's most significant challenges. The interviewees were asked what barriers they have faced on their entrepreneurial journey, and what drivers have kept them going. The interviews furthermore addressed the topics of sustainability, governmental support, education and access to capital. The questions guiding these face-to-face video interviews were informed by the results from the questionnaire submitted to the larger group. The videos were subsequently coded using an open coding procedure (Corbin & Strauss, 1990) and categorized inductively based on the information provided in each interview (Eisenhardt, 1989).

Analysis

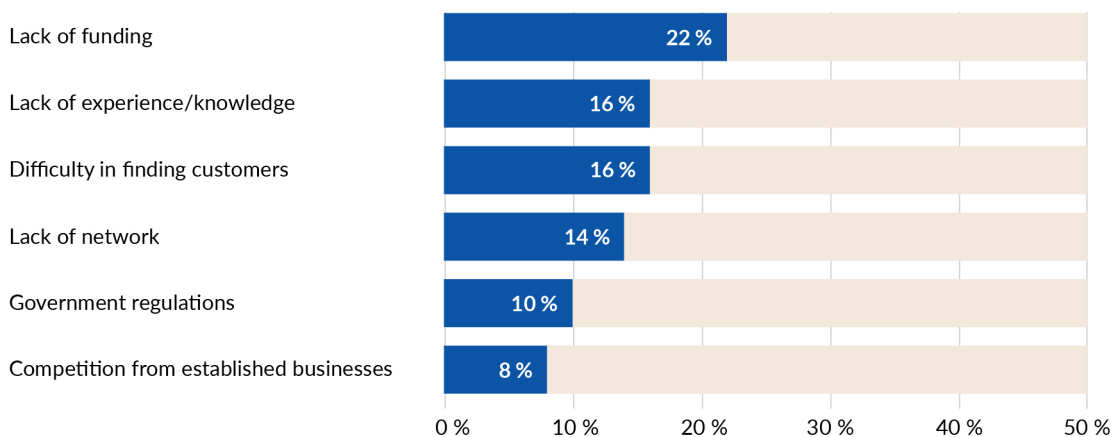
1 Sustainability integration in business

Sustainable entrepreneurship offers Gen Zers an avenue through which they can align their work with social and environmental causes, fulfill their desire to pursue a self-directed career, and actively integrate their values and beliefs into their work lives. Gen Z's entrepreneurial tendencies, in addition to their attitudes and habits regarding work and life, are placing them at the forefront of climate action and social change. The quantitative data gathered from the Sigma Square survey indicates that more than half of the entrepreneurs polled (56%) support integrating sustainability goals into their business. However, one-third of respondents cited developing sustainable products or encouraging customers to choose such products as the most significant challenges they face in their sustainability efforts. At least two-thirds of the founders surveyed have found practical ways to integrate sustainability into their businesses. Nearly 38% of entrepreneurs are adopting innovative technologies or business models, while about one-third have opted to engage in stronger collaborations with other businesses or organizations. Additionally, 15% of founders say they find it beneficial to engage with local communities or stakeholders when it comes to implementing sustainability and social impact measures into their business. Some entrepreneurs favor lobbying for policies and regulations that foster the achievement of sustainability goals in the business sector. Other founders note that while sustainability is their key priority, it is not the most important selling point for the customers. As a result, they identify other distinct advantages for their product and treat sustainability as a positive add-on.

2 Obstacles, equity and the state

Being an entrepreneur can be challenging, and obstacles often come in various forms, with the lack of funding being one of the most prominent. Insufficient funding emerged as a consistent theme in both the questionnaire responses and interviews. Nearly every fifth founder (22%) highlighted the challenge of limited funding availability for their startups.

Figure 1: Obstacles for young entrepreneurs. What are the biggest obstacles you have faced as a young entrepreneur?

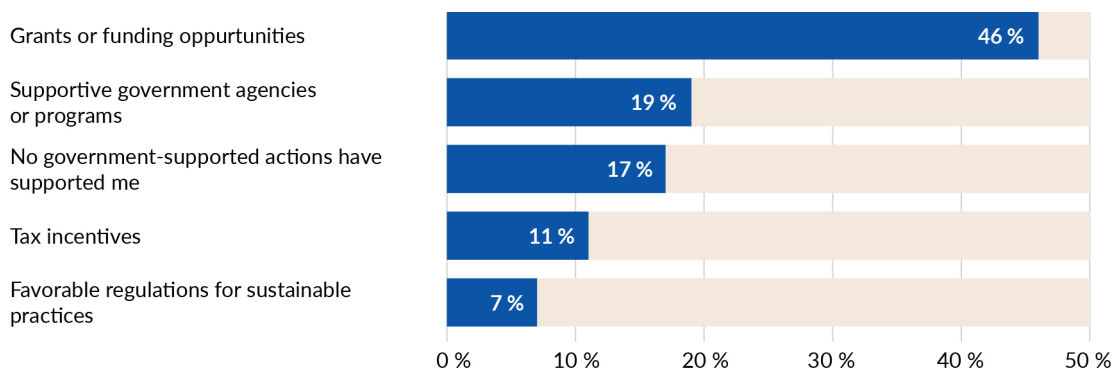


Opinions differ regarding whether entrepreneurs should seek funding or venture capital, and if they choose to do so, at what stage in their business's growth journey should they pursue it. One interviewee pointed out:

"I realized that raising funds from investors, selling part of your company to investors, can create a lot of pressure on you as a founder, and it can also restrict you in many ways, making you feel not free."

At the same time, the lack of information about available (public) funding opportunities makes it difficult to access resources that can help an entrepreneur start or grow their business. Nonetheless, almost half (46%) of our survey respondents have received grants or made use of funding opportunities at some point in their entrepreneurial path. Nearly one-fifth of respondents indicate that they have received support from a government agency or program. Furthermore, one in ten (10%) founders mention benefiting from tax incentives at some point, and roughly 7% have found advantages in favorable regulations for sustainable practices. However, at least 17% of founders reported that they did not experience any benefits from government-supported measures.

Figure 2: Government-supported actions (Question: Have any of the following government-supported actions supported your entrepreneurial endeavors?)



While a majority of survey respondents (56%) have not encountered issues related to public policies or regulations, a significant 44% have already faced such challenges. Notably, female entrepreneurs are twice as likely to confront such issues as their male counterparts. However, all interviewees consistently identified bureaucratic hurdles as an issue, indicating that it is a significant obstacle in setting up and operating a business. Bureaucratic procedures are perceived as overwhelming, time-consuming and frustrating, as one interviewee points out:

"Ideally, the government is on your side, it is supporting you on your journey. It is creating the best possible circumstances for your idea and your business to thrive in, because they are benefiting from it, of course, in some financial ways as well. However, right now, the feeling is that you need to assemble a legion of tax advisory, legal councils, you take your pick."

Nearly all interviewees mentioned that dealing with bureaucracy and government regulations leads to regulatory anxiety. In fact, fear and anxiety, as well as a general concern for their overall mental health emerges as a recurring theme among interviewees. Many interviewees expressed a fear of failure and fear of making wrong decisions. Notably, very little research has been conducted on the impact of bureaucratic burdens on young people founding their own business.

③ Competencies, unconventional paths and impactful entrepreneurship

Gen Z entrepreneurs often grapple with a lack of experience and knowledge with regard to successfully starting and operating a venture, a challenge identified by 16% of survey respondents. Most respondents, however, express faith in taking a practical learning-by-doing approach in order to acquire entrepreneurial competencies more quickly. This is particularly true of Gen Z entrepreneurs, who typically think and act in unconventional ways, are proactive in solving problems and often pursue a lean start-up strategy. All interviewees cite as a motivating factor their unwavering commitment to and personal investment in their entrepreneurial endeavors. As one interviewee states:

“For me, one of the most powerful experiences is having the opportunity to draw on my personal story and create something that improves the well-being of others.”

Integrating their personal experience into their business model, these entrepreneurs are more engaged with society and committed to informing policies that affect them both as entrepreneurs and private individuals. Networks such as Sigma Squared serve as sources of inspiration, guidance and support that offer them opportunities to engage with others facing similar challenges. Pursuing a viable alternative to traditional employment that remains true to their self-directed career goals, Gen Z entrepreneurs are always conscious of a desired work-life balance. They frequently utilize social media platforms to establish communities and collaborate with their peers, drawing inspiration and valuable guidance from various networking opportunities. Nearly all interviewees cited their passion for solving the problems they care about as a driver of their decision to embark on their entrepreneurial journey. Their commitment to cultivating a positive mindset that prioritizes the creation of valuable, meaningful impact liberates them from conventional work paradigms involving the mere exchange of time for pay.

Policy recommendations

Modern entrepreneurship policies have advanced significantly from the foundational small business practices of the 1960s and 1970s, adapting to technological advancements and shifting market dynamics (Bennett, 2014; Gilbert et al., 2004). Yet each generation reshapes business and entrepreneurship practices with distinct values and innovations. Drawing on current literature and our research, **Table 1** delineates the contrasts between traditional entrepreneurship and the Gen Z-adapted approach, and guides our policy recommendations.

Our research highlights a shifting perspective and shows that new strategies are required to meet the needs and characteristics of this new generation of entrepreneurs. Historically, the traditional model emphasized stability and was focused on conventional small businesses and corresponding management education. In contrast, the Gen Z-adapted model embraces a more dynamic, purpose-driven approach that prioritizes sustainability, experiential learning, mental well-being and inclusivity, all within an agile regulatory and financial framework that caters to the distinct nature of Gen Z-led startups.

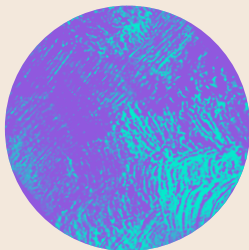
Table 1: Traditional entrepreneurship versus Gen Z-adapted entrepreneurship

Aspect	Traditional entrepreneurship	Gen Z-adapted entrepreneurship
Vision, purpose and sustainability	Prioritize business viability and market competition	Embrace a visionary approach with purpose-driven ventures that prioritize sustainability and societal impact
Entrepreneurship support structures	Established business support services (e.g., chambers of commerce)	Innovative ecosystems (e.g., incubators, accelerators and entrepreneurship communities) with digital know-how and nurturing entrepreneurial spirit
Education and skill development	Standardized business education with a focus on small business management skills	Experiential learning models fostering creativity, innovation and leadership skills relevant to Gen Z
Mental health and work/life balance	Generally, not a central focus or indirectly acknowledged	Direct support for entrepreneurial well-being with initiatives for positive psychology and resilience training
Inclusivity and diversity	General policies for inclusivity, regulatory and non-discriminatory practices	Active promotion of efforts to enhance inclusivity, intergenerational collaboration and digital-native communication channels
Regulatory framework	Regulations designed for stability and risk mitigation	Agile regulatory frameworks facilitating quick adaptation to new business models and enabling young (under-18s) startups.
Financing	Steady financial instruments like loans and traditional investment	Agile, flexible financing such as impact investments that align with Gen Z's sustainable and ethical values
Intellectual property rights (IPR)	Traditional punitive IPR practices and protection mechanisms	IPR strategies integrating the digital nature of Gen Z's ventures, ensuring swift and accessible protection tools

Our research underscores the importance of understanding the needs of Gen Z entrepreneurs in order to provide an environment that motivates and facilitates young people to engage in (sustainable) entrepreneurship and make a social contribution. In this context, governments and the support organizations from the entrepreneurship ecosystem should collaborate closely with Gen Z entrepreneurs to co-create policies that foster an environment conducive to their entrepreneurial aspirations.

Sustainability, business models and financing

Deeply invested in social and environmental causes, Gen Z entrepreneurs are driven more by the “purpose” of a venture than mere financial gain. They demonstrate a commitment to such causes that underpins their approach to sustainable entrepreneurship. At the same time, because customers often do not value sustainability aspects as much as other added values, young entrepreneurs face a dilemma in developing and implementing sustainable business models. The authentic mindset held by Gen Z entrepreneurs is critical to driving the green transformation forward and solving the problems we face in today’s global landscape. However, access to capital proves to be a challenge when balancing a profitable business model with the goal of contributing to a social or environmental cause. The introduction of financial support allocated specifically for young founders and startups with a sustainable focus (e.g., young entrepreneurship funds, VC with a focus on Gen Z and sustainability) would facilitate the emergence of further green and young startups. Additionally, simplifying and digitalizing the application processes for funding would reduce some of the most central hurdles facing young founders. At the same time, it is important to ensure that these funding models do not disproportionately restrict the autonomy of young founders.



→ **Policy recommendation: Foster smart capital that supports sustainable entrepreneurship**

While Gen Z’s commitment to sustainability is commendable, integrating these values into their business models presents challenges. Policies should focus on heightening awareness around the economic and societal value of sustainable practices. To propel young entrepreneurs forward, policies offering easier access to financial capital, especially for sustainable businesses, should be discussed, developed and implemented.

② Cultivating entrepreneurial ecosystems, support systems and role models

Gen Z entrepreneurs face the same challenges as entrepreneurs from other generations but have to overcome additional hurdles and fears related to their youth and their lack of entrepreneurial knowledge, competencies, experience and industry insights. This highlights the importance of Gen Z-related support programs like incubators, networks and mentorship programs that are designed to facilitate their business ideas and support the implementation of their businesses. Communities focusing on young entrepreneurs such as the Sigma Squared Society are key support networks. Moreover, highlighting role models within the young entrepreneurs community could foster peer-to-peer learning and introducing new media formats could positively influence the image of entrepreneurship.



→ **Policy recommendation: Create the foundations for entrepreneurial success**

Policies and initiatives should underline the importance of co-working spaces, incubators and mentorship programs that cater specifically to the needs of young entrepreneurs and support the business areas that they are working in. EU and national policies should prioritize creating networks and platforms that offer mentorship, climate education and exposure to role models who can guide and inspire.

③ Regulatory simplification, easing company creation and IPR awareness

Regulation and bureaucracy are not inherently negative; rather they are essential components of an innovation-driven economy that require careful calibration. Understanding and navigating the legal and regulatory landscape can be challenging for young entrepreneurs. Although Gen Zers are not alone in grappling with overwhelming bureaucratic processes and barriers to establishing and running a business, young entrepreneurs under the age of 18 in particular face an additional hurdle. These factors collectively complicate the lives of young entrepreneurs, creating a fear of bureaucracy and consuming a significant amount of time that could otherwise be allocated to idea development and testing. Establishing online processes with digital forms could mark a first step in simplifying procedures for young entrepreneurs. Setting up communication channels that are used by these entrepreneurs could mark a second step. Although initiatives to ease the bureaucracy have been introduced, they need to be adapted to Gen Z's needs of being digital, easy to understand and easy to operate.



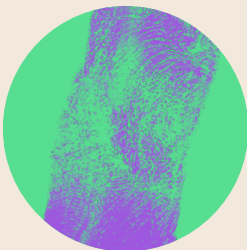
→ **Policy recommendation: Support the youngest entrepreneurs and IPR education**

To support young entrepreneurs, policies should address the bureaucratic and legal hurdles faced by those under 18 wishing to establish a company and empower a community's youngest innovators to transform their ideas into viable businesses. It is essential to improve awareness and offer resources that educate individuals on protecting their innovations through means such as patents, copyrights and trademarks.



Mental well-being, positive psychology and resilience

The growing rates of reported depression among Gen Zers and Millennials underscore the importance of mental well-being. The interviewed founders clearly showed their application of positive psychology methods in both their daily lives and businesses. In addition to demonstrating a positive mindset, they exhibited a high degree of resilience and strong self-reflection skills. Moreover, all interviewees emphasized the importance of practicing mindfulness and protecting their mental health. These founders had no trouble expressing their fears and showing vulnerability. Educating entrepreneurs on these topics and promoting positive role models is of utmost importance for a generation struggling with well-being and mental health. Gen Z could benefit greatly from learning from inspiring role models who have overcome obstacles, experienced fear and ultimately maintained trust in their future. This positive outlook serves as their driving force that is anchored in a broader mission. Having such role models who have successfully navigated the challenges of starting a business can provide inspiration and courage to young people contemplating entrepreneurship.

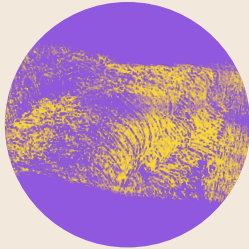


→ **Policy recommendation: Embrace empathy to build resilience**

Principles of positive psychology should be incorporated into established EU policies targeting entrepreneurship. Principles such as resilience and a growth mindset can enhance the preparedness of young entrepreneurs in addressing global challenges like climate change and economic volatility. In addition to introducing appropriate programs aimed at helping young entrepreneurs navigate potential setbacks and learn to pivot effectively, the communication of such programs, including procedures and applications for support programs, should be thoroughly examined through a positive psychology lens to ensure a focus on strengths and fostering a positive mindset.

⑤ Entrepreneurial teaching and learning

Gen Z favors a dynamic and hands-on learning style, often emphasizing quick and practical experiences. To meet this demand, we need to integrate entrepreneurial education into school curricula and thereby nurture an innovative and proactive entrepreneurial mindset from an early age. Furthermore, given Gen Zers' affinity for collaborative online engagement as well their familiarity with AI tools, educational policies and practices must undergo digital transformation to align with their learning preferences.



→ **Policy recommendation: Early entrepreneurial education and competence development**

Policies should incorporate entrepreneurial topics into early education, thereby cultivating a mindset focused on innovation and proactive problem-solving. Furthermore, policies should promote the development of both practical, hands-on skills and structured entrepreneurship lessons.

⑥ Gender inclusivity in entrepreneurship and intergenerational dialogue

Young entrepreneurs reliant on digital communication platforms often hold divergent life views and goals, which can lead to misunderstanding and intergenerational conflicts. Addressing these conflicts is essential to harmonious collaboration. As one founder mentioned, their company gained valuable insights from experienced colleagues who work alongside them, contributing their experience, skills and knowledge. This mutual collaboration allowed both generations to learn from each other.

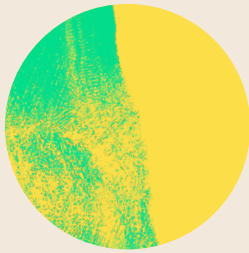


→ **Policy recommendation: Go all-in on Gen Z entrepreneurship!**

Policy support should underline the importance of closing the gender gap. Policymaking must prioritize Gen Z entrepreneurship and focus particularly on elevating female founders, thereby addressing the entrepreneurial gender gap. Policymakers should create platforms that foster intergenerational dialogues and greater inclusivity in entrepreneurship.

7 Further research on Gen Z

In order to do a better job of helping Gen Z leverage the drivers of their entrepreneurship and navigate the obstacles to establishing and running a business, we need to know more about their behavior and needs. Addressing this will involve including young entrepreneurs in every step of the policy development process.



→ ***Policy recommendation: Mind the gap – a call for informed action***

Governments should support further research on Gen Z entrepreneurship in order to better understand their needs and drivers as well as the barriers they face.

This policy paper covers several essential aspects of Gen Z's entrepreneurial pursuits and recognizes the potential of young entrepreneurs. Given the complexity of this subject and the variety of new questions it raises, it is imperative that Gen Z be actively involved in the development of a forward-looking public policy agenda. This involvement will empower them to directly influence the frameworks that will define their entrepreneurial future.

Conclusion

By 2025, Gen Z will make up almost one-third (27%) of the workforce in OECD countries (OECD, 2023). Gen Z entrepreneurs are poised to become vital catalysts for sustainable change, innovation and green growth. But their journey is fraught with unique challenges, both personal and professional. The growing focus on work-life balance and mental health issues within this generation underscores an urgent need for policies prioritizing mental well-being. Implementing programs that incorporate positive psychology to address their vulnerabilities and anxieties could bolster their resilience as they navigate their entrepreneurial path.

To achieve this, the educational sector must adapt by prioritizing experiential learning and dynamic learning environments that integrate cutting-edge technologies. It is imperative that educational institutions evolve and emphasize the cultivation of future entrepreneurs' potential. This entails introducing entrepreneurship lessons early on and weaving them together with innovative and proactive problem-solving approaches.

Beyond nurturing individual entrepreneurial competencies, such as those outlined in the EntreComp framework, the broader entrepreneurial ecosystem should champion inclusivity and intensify efforts to close the gender gap, ensuring equal opportunities for entrepreneurs of all genders to thrive. Moreover, fostering intergenerational dialogues can bridge knowledge gaps and provide young entrepreneurs with invaluable insights from those who have treaded the path before them.

Lastly, there is a need for the development of effective and responsive policies and further research into Gen Z entrepreneurship. In this regard, there is no substitute for incorporating the voices of Gen Z entrepreneurs themselves. By comprehending their aspirations, challenges and the driving forces behind their endeavors, we can lay the groundwork for career paths that not only foster entrepreneurship but also serve as catalysts for societal and environmental transformation.

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