

Do you need school to succeed?

Classes for would-be entrepreneurs are a hot trend at America's universities. But can risk taking and originality be learned?

By Patricia B. Gray, FORTUNE Small Business, with additional reporting by Anne Field., March 1, 2006: 2:44 PM EST

NEW YORK (FORTUNE Small Business) - At 21, Diana Reed has already reached the pinnacle of one career. A senior at the University of Iowa, she is the Hawkeye Golden Girl, one of the top twirlers in the Big Ten. Every Saturday during football season, she strutted down the 50-yard line in sequins and Spandex, flinging her baton into the sky before a stadium jammed with tens of thousands of howling football fans.

Besides four hours of baton practice a day, Reed runs Diana's Golden Twirlers, a for-profit school she started freshman year. One of her squads recently won the state twirling championship. A dual major in dance and business, Reed credits the four classes on entrepreneurship that she has taken at Iowa.

"I learned how to think about twirling as a market, not just a sport," she says. "My career as a competitive twirler may be coming to an end, but I can see there's almost unlimited potential in the twirling market."

Diana Reed has caught an entrepreneurial fever that is sweeping the nation's campuses, as students jam into classes to learn how to launch, finance, and run their own companies.

And we're not just talking about B-school students. Fledgling engineers, teachers, artists, pharmacists, lawyers, nurses, and even dancers have heard the siren call of the startup. Currently 1,992 two- and four-year colleges and universities offer at least one course in entrepreneurship, up from about 300 in the 1984-85 school year, according to a new survey by the Ewing Marion Kauffman Foundation, which promotes entrepreneurship education.

Universities are investing heavily, offering these moguls in the making everything from residence halls outfitted as business incubators to startup money to access to business networks.

"Twenty years ago students who dared to say they wanted to start their own companies would be sent for counseling," says Jerome Katz, a professor of management at St. Louis University, who has studied the trend. "Today entrepreneurship is the fastest-growing course of study on campuses nationwide."

Can it be taught?

But can entrepreneurship really be taught in a classroom? Fierce debate erupted over that question when a few maverick professors first introduced entrepreneurship classes to business schools more than 20 years ago. Now that the courses are a powerful draw at

many universities, it is an issue worth revisiting, especially given the rising cost of higher education. According to the College Board, the average tab for completing an MBA adds up to \$162,000.

Many acclaimed business builders say success depends as much on temperament as on teaching. "An entrepreneur is a kind of genius who is born, not made," says Ann Winblad, 55, a co-founding partner at Hummer Winblad Venture Partners in San Francisco.

She would know: The former software entrepreneur is a prominent venture capitalist who has successfully gambled millions on her ability to discern who could become an entrepreneur. "It's in the DNA," she says. "Or, most of the time, it isn't."

Entrepreneurship is about having guts -- something professors cannot teach, adds Paul Fleming, 52, who founded P.F. Chang's China Bistro, a Scottsdale-based restaurant chain that brought in \$675 million in sales last year. "The steps you have to take, the risks you have to take -- I don't think in a million years you can teach it in a classroom."

Ultimately, building a successful business is about passion, says Doris Christopher, 60, who founded Pampered Chef in Addison, Ill., a direct seller of kitchen tools; she sold it to Warren Buffett's Berkshire Hathaway in 2002. "The passion for your business is not something you can learn in a classroom."

Consider three of today's great entrepreneurs: Michael Dell, Bill Gates, Steve Jobs. Not one credits the classroom for his success. All are famously and unapologetically dropouts from college.

Explaining his reason for quitting Reed College after only six months, Jobs once said, "I couldn't see the value in it." (Jobs did find some value in education later, when he dropped in on a calligraphy class that turned out to be of help, he says, in designing typefaces and fonts for the Mac.)

Although JetBlue founder David Neeleman, 46, argues that entrepreneurship education can help guide those with the right spirit, the University of Utah dropout believes that his greatest lessons came from founding a previous airline, Morris Air (later sold to Southwest).

"I never would have started JetBlue unless I had the experience of starting another airline," he says. "And I guarantee that I never would have started JetBlue at J.F.K. airport if I had listened to the experts, who said that you can't put a low-fare, customer-centric airline in New York. But I knew we could do it, and I had a wealth of experience behind me that I trusted to make JetBlue a reality."

Like Neeleman, this reporter didn't see much value in entrepreneurship education -- at first. That all changed when I made a six-week tour of campuses, interviewing dozens of student CEOs. Since then I've come to agree with Joel Holland, 20, a sophomore at

Babson College in Wellesley, Mass., who snorts at skeptics. "How many great new businesses have failed because of stupid mistakes?" he asks. "How many succeeded because the owners happened to find mentors to coach them?"

Education effectiveness

Admittedly, little research has been done on the effectiveness of various types of entrepreneurship education. But intriguing results came from a 2002 study at the University of Arizona.

Researchers found that five years after graduation, the average annual income for entrepreneurship majors and MBAs who concentrated in entrepreneurship at the school was almost \$72,000, or 27 percent higher than for other business majors and students with standard MBAs.

Moreover, entrepreneurship graduates were three times more likely to form new companies. And we're not talking mom-and-pop shops. On average the businesses had annual sales of \$50 million and employed 200.

Even those entrepreneurship graduates who took jobs within large companies earned bigger paychecks: \$23,500 more a year on average than for other business graduates. Of course, students ambitious enough to enroll in entrepreneurship classes in the first place are likely to be more driven and confident than their peers. Even so, the gap in numbers is striking.

Taking an entrepreneurship class isn't likely to turn a student with no business smarts into an opportunity-spotting, moneymaking genius. Yet plenty of anecdotal evidence suggests that the classes can speed the learning curve for those with the right stuff. On the most fundamental level, the programs can teach students basic skills, such as managing financials or writing a business plan, forcing them to impose a structure and deadlines on dreams that they might never achieve otherwise.

Take Megan Wettach, a 22-year-old junior and fashion major at the University of Iowa. In high school she opened a store to sell prom dresses in her hometown of Mount Pleasant, Iowa. Last semester, after taking a class in entrepreneurship, she began designing her own gowns, secured a \$150,000 line of credit with a bank in Des Moines, signed a contract with an apparel maker in China, and negotiated a deal to sell her dresses in Nordstrom.

"My professors opened my eyes to the idea that I can be bigger than a little dress store in Iowa," Wettach says. "I can be a global force in fashion."

The best entrepreneurship programs offer a lot more than just drafting business plans. They can help students make valuable connections. They can prepare them to tackle the ethical decisions that most business owners eventually face. And they can give young entrepreneurs a safe place to launch a business and, sometimes, to learn the valuable

lessons that come with business failure -- without the consequences that they might face in the real world.

Just ask Mark Cuban, 47, who sold his startup, Broadcast.com, to Yahoo! for \$6 billion in 1999. He now owns the Dallas Mavericks and co-owns the high-definition-TV network HDNet.

"One of the best classes I ever took was entrepreneurship in my freshman year at Indiana University. It really motivated me," says Cuban. "There is much more to starting a business than just understanding finance, accounting, and marketing. Teaching kids what has worked with startup companies and learning about experiences that others have had could really make a difference. I know it did for me."

Saying that entrepreneurship cannot be taught is self-serving, adds Quintin Primo III, 50, co-founder, CEO, and chairman of Capri Capital Advisors, a Chicago firm that provides investment capital to the real estate industry. "It's like saying, 'I was born to be great.'"

Tatiana Saribekian, a Russian immigrant, believes that San Diego State University's MBA program helped her master the art of the deal. Trained as a lawyer in Russia, Saribekian, 37, was one of the first to launch a privately owned enterprise -- a lumber company -- in her homeland when it began allowing such ventures in the early 1990s.

She moved to California in the late 1990s and started a lumber-importing business, but it soon failed. Eventually she decided to get an MBA, concentrating on entrepreneurship. Now she has started over as a builder. She found a partner and put together a deal for a \$1 million piece of property in an upscale development in San Diego overlooking the Pacific. In the spring she intends to break ground on an 8,000-square-foot contemporary house, the first of what she hopes will be a series of expensive homes with a European flair.

"My classes opened my eyes to how business works here in America," she says. "It is completely different from Russia. I think this time I will have a better chance at success."

Connections count

Connections count as much in the entrepreneurial world as they do on Wall Street, and that truth isn't lost on educators. Aware of the valuable bragging rights that birthing successful startups can bring, many professors are happy to play matchmaker for students who are seeking management teams, advisors, and investors.

At Texas Christian University in Fort Worth, for instance, the faculty introduced Adam Blake, 20, to Terry Montesi, a successful developer who helped Blake evaluate his proposal to buy a local shopping center. Blake, a junior majoring in business, had been investing in residential real estate since he was a freshman, buying properties that he rented to students, but he was a novice when it came to commercial real estate.

"Montesi went over the numbers and told me how to structure the deal," Blake recalls. "I couldn't afford to buy that expertise from a consultant."

For some fledgling entrepreneurs, school is a convenient place to raise money. Many entrepreneurship programs look a lot like a bazaar on the Silk Road these days, as professors invite eager investors to wander the corridors and sniff the air as they search for the next new thing.

Through San Diego State's program, for instance, Robert Schulte, 41, a former auditor for the state, met a wealthy local businessman who invested in his tax management venture, vAudit, and later helped him raise \$500,000. The investor, Jim Morris, now a director of Schulte's firm, recently advised the entrepreneur on the recruitment of other directors, including Larry Wolfe, one of the key executives behind the success of TurboTax, Intuit's popular tax software program.

Entrepreneurs looking to raise capital live and die by the elevator pitch. To help students hone theirs, SDSU invites Domain Associates of Princeton, N.J., a venture capital firm specializing in biotech, to hold its annual meeting on campus. The students get to watch the partners spar over the merits of a handful of startups seeking money.

"We got to look inside the black box and see who gets funding and who doesn't -- and why," says Matt Giacalone, 30, who is working on his MBA in entrepreneurship and Ph.D. in life sciences at San Diego State and hopes eventually to start a biotech business.

Given the long line of CEOs doing a perp walk these days, some top entrepreneurial programs are starting to make ethics courses mandatory. But can moral behavior be taught?

Richard Schulze, founder and chairman of electronics retailing giant Best Buy, thinks so. Schulze, 64, recently donated \$50 million to the University of St. Thomas in St. Paul to fund, among other things, a new school of entrepreneurship. At his insistence, all MBAs must enroll in a business ethics course.

Students in that class recently took a field trip to Toro, a tractor and lawnmower manufacturer in Bloomington, Minn. On the agenda: how Toro resolves personal-injury lawsuits that are filed by customers who claim to have been seriously injured by one of the company's mowers.

The students learned that Toro's policy is to offer prompt settlements -- even when a customer has caused the accident. Since 1991, says executive chairman Kendrick B. Melrose, Toro has settled 1,100 cases, and only one went to court. Toro's average cost per incident has dropped from \$80,000 in the 1980s to \$20,000 today. The lesson: Doing the right thing often helps the bottom line.

Indeed, Schulze's strong belief in ethics is not just idealism. "I want the business community to have a high level of trust in these graduates. After all, trust is money in the

bank. Trust means bigger loans and better terms from bankers, and trust opens doors to deals with powerful partners."

Safe places to learn

The best entrepreneurs say they learn from their mistakes, and what better place to mess up than in the relatively cozy cocoon of a university?

At Babson College, freshmen undergo a trial by fire as soon as their parents pull out of the parking lot. Divided into teams of 30, the students are required to launch, run, and dissolve a business -- all within nine months.

Babson student Joel Holland learned a harsh lesson while taking the course two years ago: Rivals can be treacherous. He was part of a team that planned to sell decks of playing cards with advertising on them. "A competing group got wind of our idea and went to market with it faster," he recalls.

Holland's team was forced to try a different product: logo-imprinted baseball hats. "You can be certain we were secretive, silent, and extremely fast to act for fear of another group stealing our idea," he recalls. The playing cards sold better, nonetheless.

Perhaps the most useful purpose an education in entrepreneurship can accomplish is to weed out those who lack the right DNA. Some students discover at school that they can't stomach the realities of running a business.

"Entrepreneurship means coming to grips with life's ambiguousness and then harnessing that anxiety," says Paul Orfalea, 58, who founded Kinko's.

Adds Stephen Spinelli Jr., 50, the vice provost for entrepreneurship and global management at Babson College and co-founder of Jiffy Lube International, "Some people can't be taught to be comfortable in an environment of uncertainty and risk. We have to expose people to that environment and have them make that decision."

And knowing sooner rather than later whether they've got "it" can certainly save a young person a lot of misery down the road.