



2007 Small Business Outlook

Do M.B.A.s Make Better Entrepreneurs?

Mary Crane, 03.28.07, 2:00 PM ET

It's one thing to learn how to crunch numbers for an investment bank, quite another to start the next Microsoft, Google or even a decent restaurant.

Small businesses account for a little over half the output of the U.S. economy. If trade and productivity are an economy's twin engines of growth, entrepreneurship is the rocket fuel. The big question: Where will the next generation of entrepreneurs come from?

For keepers of the Ivory Tower, the answer is Karan Goel. Just 23 years old, Goel is the CEO of PrepMe.com, an online test preparation company he founded with two friends after bagging an M.B.A. in entrepreneurship and finance from the University of Chicago. Goel says he could have started his company without the business degree, but he's glad he plunked down the \$80,000. Now, just 18 months later, PrepMe.com boasts 13,000 customers at \$300 to \$1,000 per individual course.

In the last 10 to 15 years, business schools have massaged their curricula to attract and then train the next generation of Bill Gateses, Sergey Brins and Karan Goels. Along with core classes in accounting and marketing, students now tackle interdisciplinary exercises with macro themes like globalization and environmental sustainability. They even team with engineering schools to learn how to start and run companies, not just maneuver spreadsheets.

So-called entrepreneurship programs are hot too. The number of U.S. business-school faculty teaching entrepreneurship classes has exploded, to 349 in 2006 from 12 in 1997, according to the Association to Advance Collegiate Schools of Business. At the University of Pennsylvania's Wharton School, for example, the number of courses on entrepreneurship has grown threefold, to 30, in the last decade.

Whether the makeover will actually pump out more--or more successful--entrepreneurs, though, is unclear at best.

Academic directors from top-ranked business schools crow that their changes better equip students to develop ideas, evaluate risks and even shake off mistakes. More importantly, perhaps, they offer encouragement: Of last year's graduates from MIT's Sloan School of Management, 4.1% said they planned to start a business upon graduation, up from 1.4% in 2001.

Still, it's difficult to know what kind of effect business schools are having on U.S. entrepreneurship. For starters, many schools have trouble tracking the numbers of alumni who go on to start their own businesses--if they track them at all. Most students (even those who study "entrepreneurship") work at larger companies for years before branching out on their own. The other problem: Graduates may stumble a handful of times before establishing a viable business, muddling the numbers further.

When it comes to starting companies, the stumbling--not the studying--is what counts, argues Henry Mintzberg, author of *Managers Not MBAs: A Hard Look at the Soft Practice of Managing and Management Development*. Bona fide entrepreneurs such as Bill Gates and **Apple's** Steve Jobs typically shun M.B.A. programs because they're too anxious to work on their own ideas, says Mintzberg. (Both Gates and Jobs dropped out of college to start their companies.)

Mintzberg may have a point, if the super-rich are any indication. Of the members of *Forbes'* 400 Wealthiest Americans, approximately two-thirds each year are **self-made**. How many of those carry M.B.A.s? In 2006, just 15%,

down from 17% five years earlier.