



# Can Entrepreneurs Be Made?

By Vivek Wadhwa

**S**ilicon Valley investors often have a picture in their heads of the type of person worthy of funding: young, brash, stubborn, and arrogant. They believe that successful entrepreneurs come from entrepreneurial families and that they start their entrepreneurial journeys by selling lemonade in grade school. Angel investor and entrepreneur Jason Calacanis said as much in his talk to Penn State students. And after meeting Wharton students, VC Fred Wilson expressed shock when a professor told him that you could teach people to be entrepreneurs. Wilson wrote, “I’ve been working with entrepreneurs for almost 25 years now, and it is ingrained in my mind that someone is either born an entrepreneur or is not.”

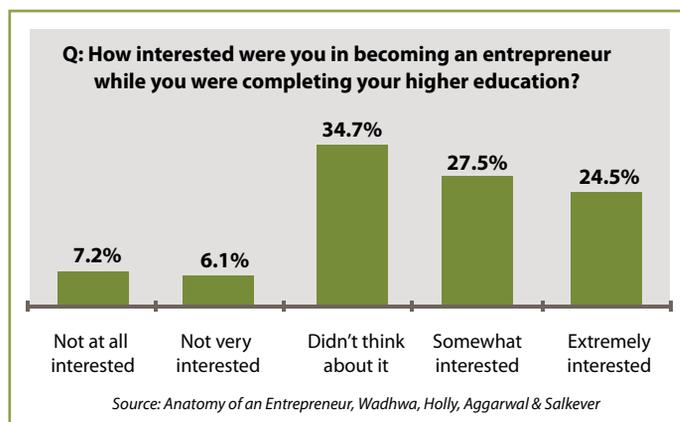
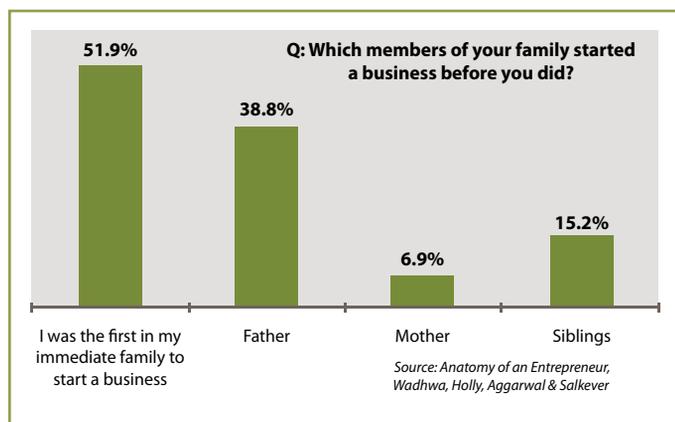
Jason, Fred, and Silicon Valley VCs, I’ve got news for you: you’ve got it all wrong. Entrepreneurs aren’t born, they’re made. And they aren’t

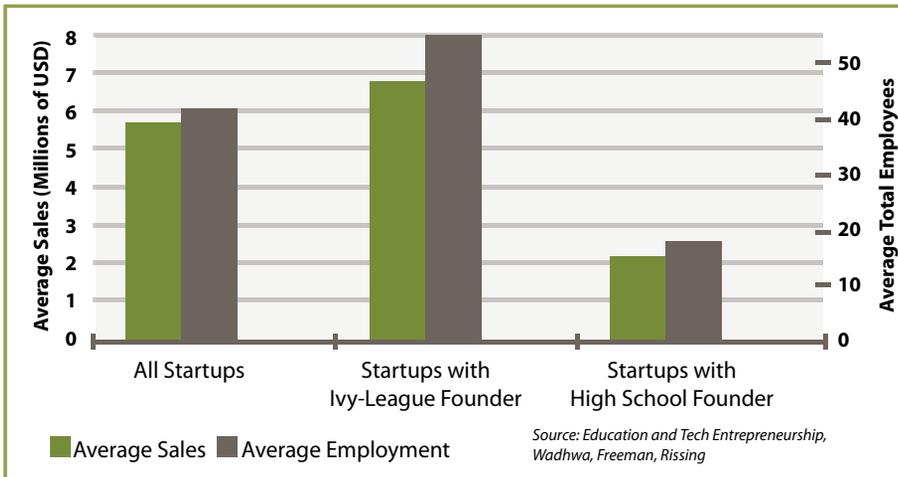
anything like you think they are. My team surveyed 549 successful entrepreneurs. We found that the majority didn’t have entrepreneurial parents. They didn’t even have entrepreneurial aspirations while going to school. They simply grew tired of working for others, had a great idea they wanted to commercialize, or woke up one day with an urgent desire to build wealth before they retired. So they took the big leap.

We found that 52 percent of successful entrepreneurs were the first in their immediate families to start a business—just like Bill Gates, Jeff Bezos, Larry Page, Sergei Brin, and Def Jam founder Russell Simmons. Their parents were academics, lawyers, factory workers, priests, bureaucrats, and so on. About 39 percent of successful entrepreneurs had an entrepreneurial father, and 7 percent had an entrepreneurial mother. (Some had both.)

Only a quarter of these people caught the entrepreneurial bug when in college. Half hadn’t even thought about entrepreneurship, and they had had little interest in it when in school.

No significant difference existed between the success factors or hurdles faced by entrepreneurs who were extremely interested in entrepreneurship in school (and who likely set up those lemonade stands) and the ones who lacked interest. But entrepreneurs with extreme interest started more companies and did it sooner. Of the 24.5 percent who indicated that they were “extremely interested” in becoming entrepreneurs during college, 47.1 percent went on to start more than two companies (as compared with 32.9 percent of the overall sample). Sixty-nine percent started their companies within 10 years of working for someone else (as compared to 46.8 percent of the rest of the sample population).





What did affect their successes? Education—but not the college they graduated from. In a different study of the 652 CEOs and CTOs of 502 tech companies, we researched the correlation between education and the sales and headcount of companies founded. We learned that a significant difference existed between companies started by founders with just high-school diplomas and the rest. Education provided a huge advantage. But there wasn't a big difference between firms founded by Ivy League graduates and the graduates of other universities.

The Kauffman Foundation has been researching entrepreneurial education and training extensively. Over the last six years, it has invested around \$50 million in academic research to understand what makes entrepreneurs tick and what policies are most conducive to entrepreneurship, and to construct databases that permit analyses of these subjects. (Kauffman has also funded some of my research at Duke, UC-Berkeley, and Harvard.) Its VP of Research, Bob Litan, says that Kauffman has learned conclusively that entrepreneurship can be taught. The key is to provide education at “teachable moments”—when the entrepreneur is thinking about starting a venture or ready to scale it. What entrepreneurs need isn't the type of abstract course they teach in business schools, but practical, relevant knowledge. That's why Kauffman created a program called Fast Trac, which has trained 300,000 entrepreneurs so far.

One of the findings of Kauffman's research is that of the approximately 600,000 businesses started every year, less than a fraction of a percent become high-growth “scale” businesses. These new firms, especially the “scale” firms, have added all of the net incremental jobs to the U.S. economy since 1980 (about 40 million), and probably account for about one third of GDP growth since then. So the key to boosting economic growth is to increase the number of successful high-growth startups. After all, the growth rate of our economy is nothing more than the aggregation of the growth of our firms.

That is why Kauffman (which has a \$2 billion endowment) is investing heavily in an ambitious program called Kauffman Labs. This initiative aims to dramatically increase the ability of small businesses to become big businesses. The Labs program is built around a novel idea: that highly motivated individuals with “scalable ideas” can be recruited to be entrepreneurs and be made successful by surrounding them with a network of other experienced entrepreneurs, sources of money, and mentors. The goal is to educate entrepreneurs and surround them with a powerful network. This is like a Y Combinator on steroids.

Anecdotal evidence also shows that many more factors than genetics are at play. I doubt that all of the many Google employees, for example, who have started successful businesses were born with entrepreneurial genes. VC and former entrepreneur Brad Feld also blogged about how

many of his frat buddies at MIT had become successful entrepreneurs. Were all of these people born to be entrepreneurs as well? I don't think so. It is probably education, exposure to entrepreneurship, and networks that led these people to pursue the entrepreneurial path—which means that the Kauffman Foundation may have hit on the right idea with Kauffman Labs.

This topic is important because, as Wilson writes, “Venture capital is a lot about pattern recognition.” The reality is that VCs like him make quick judgments about people based on the stereotypes in their minds. **N**

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