

With jobs scant, MBAs consider startups

Francesca Di Meglio

Landing a banking or consulting job used to be the main reason for going to B-school. These days, it's just as likely to be launching a business.

Business schools have quietly become the back door to starting your own business. Once considered merely the hallway to a high-salaried career with an investment banking or consulting firm, business schools are now drawing attention from those tinkering in their garages and hoping to find the next big thing. Through virtual and traditional business incubators, business schools are helping students launch startups with everything from fund-raising and networking to finding office space and interns.

During the economic crisis, many people took shelter in graduate programs, while many others who had been pursuing careers at companies large and small sought opportunities to become their own boss so they won't have to worry about the next round of layoffs. These ingredients have come together in a recipe that has graduate business programs cooking up entrepreneurial ideas like never before—from RecipeKey, a reverse search engine that has visitors to its Web site typing in ingredients to get recipes, to WallStreetOasis.com, an online community for finance professionals.

The next generation of employers

The increase in interest in entrepreneurship has schools broadening their mission. "Rather than creating the next generation of employees, we want to create the next generation of employers," says Ted Zoller, associate professor and executive director of the Center for Entrepreneurship at the UNC Kenan-Flagler Business School (Kenan-Flagler Full-Time MBA Profile). Both the enrollment of courses on entrepreneurship and applications to Kenan-Flagler's Launching the Venture program are up 25% in the last year, adds Zoller.

Attendance at the kickoff to the business plan competition at the University of Chicago Booth School of Business (Booth Full-Time MBA Profile) was also up about 25% from last year, says Ellen Rudnick, executive director and clinical professor at the Polsky Center for Entrepreneurship at Booth. In the last year, 42% of MBA students at the Carnegie Mellon Tepper School of Business (Tepper Full-Time MBA Profile) took at least one class in entrepreneurship. The program saw the entrepreneurship track rise from 12 to 27 participants. And 75 of the 210 incoming MBA students chose to participate in the entrepreneurship boot camp before classes started.

Aspiring MBAs have always had an interest in starting their own businesses, say experts. But student loan debt and attractive career prospects at traditional firms have usually swayed them from pursuing startup dreams during and right out of school. Now, they're breaking with tradition and feeling less risk-averse because there isn't as much to lose. "Before students looked at entrepreneurship as job options three, four, and five," says Rob Adams, director of the Moot Corp business plan competition and lecturer at the University of Texas-Austin McCombs School of Business (McCombs Full-Time MBA Profile). "Now, it's job option one, two, and three."

In fact, in an average year at the UCLA Anderson School of Management (Anderson Full-Time MBA Profile), 5 to 10 people would consider starting a business right out of school, but now it's closer to 15 to 30 people, says Elaine Hagan, executive director of the Price Center for Entrepreneurial Studies at Anderson.

How B-Schools back startups

When dot-com startups appeared to be the ultimate path to riches in the late 1990s, business schools began offering business incubators, which provide all kinds of resources for student entrepreneurs, including phones, computers, and business advisors, not to mention the company of other like-minded souls. These incubators, some of which even provide office space for startups, were supposed to represent a new wave of thinking that had business schools becoming business partners with students.

Some schools still profit from companies that are launched on their campus. If Booth awards its students money for a startup, then the students give the school equity in the company, for example. Other schools profit only if intellectual property—say a product that was developed by research conducted on campus—plays a part in the business. Still others make no money at all on student startups, but they all realize that MBA entrepreneurs, especially those who succeed with a startup that they launched while in school, are likely to contribute donations to the MBA program down the road.

Aspiring MBAs with startups on the brain realize, however, that half-baked Internet ideas are no longer going to make you millions. Most of today's MBA entrepreneurs went to business school with the seeds of a startup in their back pocket. Some of them even wrote about their startup ambitions in their business school applications. Adam Erlebacher, a May 2008 graduate of the University of Pennsylvania's Wharton School (Wharton Full-Time MBA Profile), has entrepreneurship in his blood. He started his first business renting Nintendo video games to his grammar school classmates at lunch when he was seven years old. In middle school and high school, he created and ran a D.J. company and medical records filing firm. Today, he is building PlaceVine, a company he launched while at Wharton that matches marketers with media for product placement and brand-integration deals. Erlebacher always intended to start a business while at graduate school, where he won the Wharton Venture Award, which gave him a jump-start.

Being able to enter, and possibly win, business plan competitions is one of the reasons aspiring entrepreneurs are drawn to business school nowadays. Rush Hambleton, who graduated with an MBA from Babson College (Babson Full-Time MBA Profile) in May 2009, won \$30,000 for his startup Canditto, a company that rents out machines for weddings or other events that allow guests to download their photos onto a flash drive for the bride and groom or other guest of honor before calling it a night. Those winnings helped Hambleton move the company forward at a quicker pace than he imagined, he says.

Whether business school—with its very expensive price tag—is worth the time and expense for aspiring entrepreneurs is a question that always stirs debate. While Hambleton admits that an MBA is not a requirement for creating a successful startup, he says that Babson helped him with tasks such as getting media exposure and learning the language of angel investing. "Entrepreneurs need exposure to a broad cut of people and ideas. They need to unabashedly criticize their own ideas," says Hambleton. "The MBA program is good at those things." Indeed, many entrepreneurs in MBA programs say that the feedback from professors, alumni, and fellow students is key to their success. "Advice isn't as free once you become an alum," reminds Hagan.

Putting passion to work

Looking at business school and the startup as a long-term investment gets some MBA students through the sleepless nights. Passion about their ideas helps, too. Michael Dunford, who is expected to graduate from Babson's evening MBA in December 2010, and his wife Elizabeth, are chocolate lovers. Before Dunford entered school, he had an idea for a store selling chocolate products from around the world. Through his research, he and his wife decided that

a high-end chocolate milk product was missing from the market, and that they could fill that niche. "Starbucks had done it for coffee, but no one had done it with chocolate," says Dunford.

With 10 years of marriage under their belt, the Dunfords went to work in their kitchen creating a recipe for decadent chocolate milk—a big step up from the kind your kids are drinking, says Dunford. The two made the recipe by themselves and are working diligently to build the company Cocoa Metro, says Dunford. They've beaten their sales projections, received help from the school especially with PR efforts, and received the first shipment of bottles recently. They won't easily give up their aspirations, says Dunford.

As bonuses disappear and pink slips fly in increasing numbers, entrepreneurship—the nitty-gritty kind where men and women with dreams roll up their sleeves, get their hands dirty, and work hard to make something of nothing—is becoming the new MBA lifestyle. Business schools are impressing upon students that taking on this new ideology behooves all MBAs, even those in traditional industries. "Entrepreneur is not just a job title," says Arthur A. Boni, director of the Donald H. Jones Center for Entrepreneurship at Tepper. "It's a way of thinking and acting. All people are required to innovate, whether in a startup or a big company. Especially in a recession, everybody needs to be more innovative."

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