MIT’s William Aulet on teaching entrepreneurship and beachhead marketing

October 19, 2017 By Mark Boslet

Can entrepreneurship be taught in a classroom setting, or is it a set of skills learned only by doing?

MIT professor William Aulet clearly comes down on the taught side of the debate. But instruction has to be done in the right way.

An entrepreneur himself, Aulet describes building a company as a craft and not a science. He also admits it requires an element of apprenticeship.

“It is not an algorithm,” he said. “It is not a science: if you do A and B you get C. There are too many other things going on.”

It also is not an art.

“If you say it is an art, then you will never make much progress because that’s for a very small number of people,” he said. “If we say it is a craft, like pottery, all of a sudden that is accessible to everyone.”

Aulet said his goal is to raise the bar for teaching entrepreneurship and to make it a serious field with a substantial body of knowledge. The country needs to move away from the privatization of that knowledge, and academic institutions have a role to play, he said.

VCJ recently had the opportunity to speak with Aulet about venture investing and teaching entrepreneurship. An edited transcript of the conversation follows.

Q: The debate about teaching entrepreneurship continues. Can you explain your position?
A: Entrepreneurship is an unquestionably a learnable skill. We see the data on that. The more times you are an entrepreneur, the more likely you are to be successful.

Yet the same people who say, ‘This is why I like to invest in entrepreneurs who are repeat entrepreneurs,’ will say on the other hand, ‘You can’t teach entrepreneurship.’

Wait a second. It’s learnable, but it’s not teachable? I don’t buy that. It’s learnable. We just have to do a better job teaching it.

William Aulet, professor, MIT

Q: What do you hope for from VCs in Silicon Valley and elsewhere in the country?

A: It’s in venture capitalists’ interest to support educational institutions to create more entrepreneurs. It is not in their interests in the short term because they want to get that next deal. So it’s this bigger, long-term picture to do that.

That is very hard to ask. The onus is on some of the more established, successful entrepreneurs and successful VCs to support educational institutions. Somebody needs to teach people how to fish. We need not hundreds of entrepreneurs, or thousands of entrepreneurs. We need millions of entrepreneurs. This is the point of inclusive entrepreneurship. I believe that is doable, but we are not doing it yet.

Q: Many private tech companies choose to remain private longer these days because of an abundance of cash in the private markets and an unwelcoming IPO market. How do you view this trend?

A: The challenge is when you go public, the market is looking for predictable, consistent results. They are looking for optimization of what’s going on quarter by quarter.
The problem with innovation is it's not a straight line. The problem with entrepreneurship is it's not a straight line. Creativity ebbs and flows. Experimentation is opportunity created by the context.

Q: Is there a solution?

A: My answer is a complex one. We need to be able to account for innovation like we do for financials. We need to elevate that to a board level and audit how innovative a company is. That gets extremely complicated. The first thing you do if you want to have predictable results, you kind of eliminate these extracurricular things. So innovation will get squeezed out.

There is no way to account for that. We fundamentally need an accounting system for innovation and we need board level people to think about how we look at this across CEOs longer term.

Q: The venture industry has been under pressure to encourage gender diversity. You've spoken about inclusive entrepreneurship. What do you make of the push for gender diversity?

A: I think in so many ways this is important and something I really care about. First of all, if you want to be successful as an entrepreneur, you need a diverse team. If you say, 'we're only going to work with these people,' you're much less likely to be successful.

We need gender diversity. We need diversity of all sorts. We need diversity of expertise, where engineers work with business people, work with designers, work with policy wonks. We need diversity of people from different nationalities.

Q: What do you say to a VC who has spent 20 years developing a network and, because of the way the industry has operated over that time, the network happens to be mostly men?

A: It's a stock and flow problem. The stock is filled up with white males. The flow, on the other hand, today in our center (at MIT) is very good.

But the stock takes a while to fix. You can go on doing that. But you're going to miss a heck of a lot of good deals that are out there. You're missing a heck of a lot of good perspectives that are out there.

Change isn't usually predicted by the people who were successful in the past. It is usually predicted, or created, by people who come in with these new perspectives.

Q: You wrote a column on Jeff Bezos, Amazon and beachhead marketing. What lessons are there for entrepreneurs today from beachhead marketing?
A lot of times people look at a Zuckerberg or a Gates and say ‘Look at that.’ They have been successful, but they haven’t been as methodical as Bezos.

Bezos is extremely methodical. When you look at Amazon, Amazon is just on an absolute tear. They are like air, they are everywhere. It is easy to forget they started in an extremely methodical way without a lot of money.

They started in books for a very good reason. It limits the number of variables. And they could do it in a very cost efficient way. Books are all the same...It's all just about the back end. Are books a great industry? No. It was an excellent beachhead if you are thinking long term.

Q: Maybe Amazon is a one-off. Are there examples of other entrepreneurs following a similar strategy?

A: Elon Musk is following a similar strategy. He starts with the high end of the automotive market—really a luxury good—and he is trying to move his way down.

When you look at successful companies, the beachhead market strategy, whether they did it proactively or not, was how IBM succeeded with the personal computer. How Apple succeeded with what they had to do. How Pinterest has become so successful.

They had a very specific beachhead market that they had done successfully. You don’t just spray and pray. Successful entrepreneurs understand you need to close doors. You need to focus.

Photo of Q&A on blue box background courtesy of D3Damon/iStock/Getty Images
Ex-SEC lawyer at Kirkland & Ellis sees regulatory pressure on GPs

On the Bleeding Edge: Plenty ventured for Perkins

Apollo struggles with energy exposure in $3 bln credit fund

Solving the gender imbalance

OTHER COOL STUFF ON PE HUB

PE HUB First Read
Vertex gains listing with $85.8 mln deal, 32 Degrees invests
Comcast hires Beyda as MD and promotes Gulati to partner
Madison Dearborn co-founders Selati, Alexos step back

© 2006-2017 Buyouts Insider / Argosy Group LLC
Copyright (c) Buyouts Insider/Argosy Group LLC.
Reproduction in any form is prohibited without written consent by Buyouts Insider/Argosy Group LLC.