Entrepreneurship is a Terrible Idea

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One thing I know is that entrepreneurship is a terrible idea for most people, most of the time.

As regards its benefits, it is very clearly documented that success in entrepreneurship is incredibly skewed. Only a small share of entrepreneurs actually succeed at creating companies that prosper and grow, and on the order of 0.002% of start-ups result in the IPO's that make the news headlines. Startups fail at high rates and the great majority of entrepreneurial firms remain economically marginal and too small to achieve efficient scale and innovate, and perform poorly as a result. In this way, we should think of an entrepreneurial career as comparable to one in professional sports, music or the high arts: many will attempt, few will succeed. Those who fail will rarely be visible to outside observers.

At the same time, there are real costs to being an entrepreneur. Entrepreneurs have lower life-time earnings than wage-earners. Surprisingly to many, this is because established organizations tend to *not* value entrepreneurial experience very highly relative. Evidence increasingly suggests that entrepreneurs are less, not more, employable than wage-earning counterparts. Entrepreneurs also have higher incidence of stress, anxiety, depression, substance abuse and various other ills. Being in a start-up is associated with higher divorce rates and entrepreneurship may well stress the social relationships that people would need to rely to deal precisely with these psychological issues.

This combination of uncertain benefits and likely costs makes it particularly problematic that the value of entrepreneurship is increasingly taken for granted in higher education. More and more universities offer an increasing number of courses on entrepreneurship to increasing numbers of students in programs. More and more universities have entrepreneurship hubs, incubators, clubs and competitions to expose students to entrepreneurship and encourage them to set up their own ventures.

This expansion of entrepreneurship education is often pegged as an essential part of making national and regional economies more entrepreneurial and innovative. In a sense, this is reasonable enough: dynamic economies do depend on entrepreneurs (not as much, perhaps, as the popular story goes, but certainly to some degree), and exposing more people to entrepreneurship could conceivably lead to more entrepreneurs in time.

It is, however, not at all clear that this effect should materialize. Entrepreneurship education at its best would equip students to better identify and execute on entrepreneurial opportunities, and that

would certainly be valuable for both individuals and society. More likely,though, entrepreneurship education will boost prospective entrepreneurs' confidence and build up excitement around the prospects of being an entrepreneur. Confidence and excitement, while positive emotions, make a poor basis undertaking a business venture.

Paradoxically, entrepreneurship education could also lead to *poorer*, not better, entrepreneurial performance, if prospective entrepreneurs are exposed to the myths about successful entrepreneurship that pervade the field. Such myths can distort their learning, planning and decision making. Also, focusing students on the rituals of entrepreneurship (e.g. performing 'the pitch') can lead them to forego the arduous and demanding parts of the entrepreneurial process that are key to actually succeeding. These effects are particularly likely to particularly salient for prospective entrepreneurs who are poorly equipped and resourced, and thus least likely to succeed at the outset. And students are already unlikely to succeed: despite the myth of the college-dropout-turned-superstar-entrepreneur, most successful startups are founded by the middle-aged, with 45 being the best time to found.

This is not to disparage entrepreneurship education, or entrepreneurship generally. It is rather to suggest that we need to take seriously that *most entrepreneurial ideas are bad ideas* and that failure is *likely* even for incredibly good ideas. When we combine this with the recognition that entrepreneurship has real costs, it becomes clear that entrepreneurship should not necessarily be blanketly encouraged. Rather, the burden of evidence should be reversed. Let entrepreneurship education present students with the facts that the costs are real and the outcomes uncertain, and let it than equip students to assess when their ideas deserve to be abandoned, when their ventures do not merit their time and its opportunity costs. Those students who burn for entrepreneurship could be encouraged to go *work for* a startup, rather than to found one, or to go and work in industry they eventually want to build a venture in. That way, they will know much better what launching a startup actually entails, should they encounter an idea that is simply too good to be abandoned. But they too should know that entrepreneurship is a terrible idea for most people, most of the time.