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A Flight Academy for Entrepreneurs

Have you ever wondered why commercial airplanes rarely crash? It's simple. There are two competent, trained pilots. They follow strict rules set by the FAA and they fly numerous flights every single day. In other words, they are experts. So what does this have to do with entrepreneurship? Startup businesses fail. They fail often and they lose real money. More so, they are usually led by young, first-time managers who are prone to mistakes. This is similar to casual general aviation pilots (people that fly small planes for fun). Why are these pilots more likely to crash? The answer is not so obvious.

To begin, most general aviation pilots are not allowed to fly into clouds. They are permitted to fly only in visual flight rules (VFR). The number one reason small planes crash is not because of equipment failure. Rather, pilots whom, whether on purpose or by accident, fly their planes into "instrument meteorological conditions." They quickly become disoriented, are unfamiliar with "trusting" the instruments, enter an irrecoverable spin, and crash. In other words, it's not because their small 140hp Cessna engine fails. It is because they push their personal piloting limits and fail.

Many entrepreneurs complain of under-capitalization. Think of this as akin to the airplane. Large competitors are flying "reliable" jets while startups fly "unreliable" four-seat Piper Warriors. Entrepreneurs attribute many of their problems to this issue. The trap goes as follow, "If we only had another \$100,000, we could build that new website function/buy a competitor/compete with the big boys." This, as the casual vs. commercial pilot example shows, may not be the crux of the issue.

What if the difference between successful and unsuccessful businesses is not capital, but rather temperament and personality of the managers? The same question can be asked of pilots. What if commercial pilots approach flying with a markedly different attitude than general aviation pilots? The data is clear. Commercial pilots are much less prone to pushing their limitations, venturing into unsafe conditions, and crashing. Amateur pilots, conversely, commonly push the limits of their piloting ability and the airplane itself. Of course, commercial pilots are licensed to "do more" than amateur pilots, but when it comes to pushing legal and practical boundaries, the difference is dramatic. This difference is similar to a 25-year-old-first-time-entrepreneur vs. a 50-year-old-serial-entrepreneur. Generally speaking, a more experienced entrepreneur is going to fail less than a young/new entrepreneur. The entrepreneurial boundaries, like those of the pilot, are different for more and less experienced entrepreneurs. If we continue the logic, a 50-year-old experienced entrepreneur is less likely to step outside his comfort zone/known ability and fail.

We are now left with a question of causation. Does the additional pilot training create safer pilots or are unsafe pilots weeded out before they earn their commercial certification, thus leaving only pilots who are "born" with a safe temperament? We can

ask the same question of people who start businesses. Do “safer/older” entrepreneurs learn how to operate companies with increasing rates of success or are they simply born with those management skills that caused them to rise to the top?

There is no clear answer. Commercial pilots are at least in part self-selecting. You have to really want to fly to go through the pain, expense, and time to become a certificated pilot. The same goes for serial entrepreneurs. You have to be at least a little naïve, ambitious, and adventurous to stomach the risk of starting a new business time and time again. But what if there is a set of experiences/trainings/rules that could reduce failures of first-time entrepreneurs to the same level as airline transport pilots?

The venture capital industry gives us a strong hint that this is possible. There is a reason that companies funded by VCs succeed more often than those who are self-funded. Think of the VC as paying airplane passengers. Surely the pilot or entrepreneur feels some level of pressure to perform. This forces the business operator to think professionally (not from the gut, like amateur pilots and young entrepreneurs).

Venture Capital funded companies also have the resources of the VC to reduce failure rates. Venture Capital firms will do almost anything to help their portfolio companies succeed. They will consult, help hire for, and provide additional funds (beyond their initial investment) to see the company to fruition. Even more common is VCs funding trusted entrepreneurs time and time again. VCs, in essence, serve the same function as flight academies. They train and allow their entrepreneurs to practice. They know, like flight academies have known for decades, that training and practice are the key to reducing failures.

America needs to create a new program that can machine innovation much in the way that today’s flight schools machine safe commercial pilots. Imagine that within every high school, community college, and university is a government-funded innovation center. What if it nurtured entrepreneurs and steered them in the right direction? What if it provided them with a community-based panel of local entrepreneurs to act as their unbiased, free board of directors? What if it gave them funding without a collateralized loan that the Small Business Administration demands? What if it invested in them? What if it re-invested in them even after they failed?

There are signs that this could work. The Massachusetts Institute of Technology’s Venture Mentoring Service offers all faculty, students, alumni, and staff (not just business students) free mentoring from local entrepreneurs. They know something that most young entrepreneurs do not—unbiased, un-conflicted advice increases the rate of success. This is just like the commercial pilot who is required by law to operate the aircraft with a first officer (also a licensed commercial pilot) sitting next to him.¹

¹ Malcolm Gladwell discusses this relationship at length in *Outliers*. He concludes that the power relationship between first officer and captain, as determined by nationality and cultural norms, plays a significant role in plane crashes.

There are also dozens of college and university business plan competitions. If the judges think your idea is the best, you win a \$100,000 investment—no strings attached, no collateral required. There are even not-for-profit coaching services like SCORE. You've probably already realized the problem; none of these activities are coordinated or available to all. Imagine a flight school that only provided pilots with training on takeoff and landing. They then sent the half-trained pilot down the road to another school for instruction on weather, navigation, and airplane systems. This would be nonsensical. All the pieces must work together in a coordinated fashion.

In short, it will take a concerted effort by the Obama administration to reduce the failure rate of today's entrepreneurs from that of general aviation pilots to commercial pilots. Israel has done this. They are a relatively new nation—just sixty years old—who was forced to quickly create brand new infrastructure. More so, Israel has few natural resources and is surrounded on all sides by hostile nations creating a strong need for tax revenue to fund defense forces. Decades ago, before the word innovation had the buzz that it does today, Israel poured money into research institutions and schools. Today, they rely not on what used to work but on the promise of what will work. They built the machine and they are now minting innovation. America should follow suit.