THE SMART PEOPLE MANIFESTO: How to Get Our Nation's Top Graduates to Build Things

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ChangeThis | 115.01

We've got a problem right now: our smart people are doing the wrong things. If we can get them to do the right things it will transform the country.

We need more jobs, new enterprises and a resurgent culture of innovation in the U.S. The question is—how can we encourage our top people to take risks and build new things?

I started an organization, Venture for America, and wrote a book, Smart People Should Build Things, to help us answer this question. When I graduated from Brown in the mid-90's I went to law school and became a corporate lawyer in New York City. It wasn't a very sophisticated decision. I wanted to be smart and accomplished and successful—whatever that meant. Most of my peers made similar choices and went into consulting or banking or med school. After arriving at the firm, it took me five months to realize that I was in the wrong place. I left to start a dot-com company in 2000 and found that entrepreneurship is very difficult.

My company failed spectacularly. Our investors lost hundreds of thousands of dollars, and I was left unemployed and holding over $100,000 in law school debt. I was 26 and my parents were concerned.

But I resolved to get better at trying to build and run an organization. I apprenticed myself to two more experienced entrepreneurs over five years, and eventually became the CEO of Manhattan GMAT, an education company that grew to be #1 in its category in the U.S. I ran the company for 5 years and learned what it took to build a strong, successful organization. We were acquired by the Washington Post and Kaplan in 2009, and I became a millionaire when I was 34.

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While I was at Manhattan GMAT, I taught hundreds of smart young people who were working at companies like Morgan Stanley and Deloitte. I found that many of them reminded me of me at the law firm. They were searching for something and wanted to be more engaged with their work. They wanted to be a part of building something, but they didn’t know how to get started.

They felt like there were only a select number of careers for 'smart people' and felt little flexibility. The numbers show that if you graduate from a national university today, there's a very good chance you're going to become a banker, lawyer, consultant, or doctor. The odds are high that you're going to pursue one of these professions in New York, Boston, San Francisco, Los Angeles, Chicago, or Washington DC, regardless of where you originally grew up.

This isn't an accident. To give a sense of the resources being dedicated to recruiting top people to certain fields, a friend who works in financial services recruiting estimated that her firm spends $50,000 per recruit. If you project analogous expenditures from every major bank and consulting firm to develop talent pipelines, you have tens if not hundreds of millions being spent each year at major campuses across the country. One hedge fund spends so much on recruitment that it offered to pay Dartmouth students a hundred dollars each to tell the company why they chose *not* to participate in its recruitment process.

According to one McKinsey study, since 2007 eighteen- to twenty-four-year-olds experienced the greatest decline in entrepreneurial activity of any group, leading the authors to conclude, "The US economy is currently not producing enough of its next generation of serial entrepreneurs."

So what is the result of this war for talent? Here are the paths that our top graduates are now being funneled to:

Postgraduate Pursuits of National University Graduates

(research done for 2008 – 2013)

	FINANCE	CONSULTING	LAW	MEDICINE	TEACH FOR AMERICA	GRAD SCHOOL
Harvard	11–17%	7–11%	12–17%	12–16%	4%	8–9%
Yale	10.5–19%	4–14%	15–20%	9–12%	3%	7%
Princeton	22–25%	14–18%	10–15%	9–12%	2%	7–9%
Penn	20–21%	12–13%	11–15%	9–12%	2%	11%
MIT	9–10%	9–10%	1%	7–10%	.6%	29%
Stanford	15%	15%	8–11%	12–16%	2%	
Duke	15–16%	12–14%	12–16%	15–19%	2–3%	4–7%
Brown	8–10%	5–6%	8–12%	10–14%	3%	13–14%
Dartmouth	6–19%	6–12%	12–16%	10–14%	3–4%	3–7%
Cornell	12.3%	7.1%	8–12%	9–13%	1%	20%
Columbia	11–15%	6%	7–10%	7–9%	2%	10–13%
Johns Hopkins	6%	6%	5–8%	18–23%	2%	25%
University of Chicago	7-10%	5–10%	12–15%	6–10%	2%	14–19%
Georgetown	13–16%	7–13%	14–17%	5–8%	3%	11%
Average	**13.5%**	**9.7%**	**15.5%**	**10.9%**	**2.3%**	**13.2%**

The institutionalization of our top people brings the question—how can we encourage more to adopt a higher-risk, higher-reward path? It's useful to examine what happens in Israel, which is by any objective measure (venture capital, NASDAQ companies per capita, etc.) the most entrepreneurial country in the world. Israel's Defense Forces gather together the best educational prospects in the country for 2 years and reunite them every year for the rest of their careers. By the time they graduate from college, they're in their mid-twenties, have held operating roles and responsibilities, and are impatient. Many of them then gather together to start companies. It's a lot easier to take risks if you're part of a group whose members will look out for each other.

This network is vital because building things is very hard. Companies routinely spend millions of dollars on innovation initiatives that come up empty for a reason. You need the right combination of team, resources, product-market fit, time and a bit of luck to build a new business. It's among the most challenging things one can ask of either individuals or an organization. Yet, this is precisely the challenge we need more of our top people to take on if we want to create new services, products, and opportunities around the country.

Creativity is often invoked as the most important element of innovation, but this tells the wrong story. I sometimes compare starting a business to having a child. You have a moment of profound inspiration, followed by months of thankless hard work and waking up in the middle of the night.

People focus way too much on the inspiration, but, like conception, having a good idea isn't much of an accomplishment. You need the action and follow-through, which involves the right people, know-how, money, support, and years of hard work.

Even with these ingredients, there's still a great chance that your new business will not succeed. Over 50 percent of companies fail within their first three years. Imagine spending years working on a business, putting your all into it, getting money from your friends and family, and telling everyone you know that you're building this new thing, only to have it flop. I've experienced this, and it's not easy to go through. Dave McClure of PayPal and 500 Startups has said of his own experience, "It was a hell of a lot of work for not a hell of a lot of return. And there are days when you sit in a corner and cry. You can't really do anything else. You don't have a social life. You don't want to interact with family and friends because there's just not much context for them. Your world revolves around your startup and it's all about trying to survive and not look like an idiot in front of employees."

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So why does anyone ever do it? Some entrepreneurs are not very good joiners. Some just want to do their own things. But in the best of situations, entrepreneurs are motivated by solving problems. They clearly see that the world is missing what they have in mind to offer, and they can't rest until the world has their cookie, iPod, suitcase, software, or website in its hands. They then encounter ten thousand little problems on the way to solving the big problem they have in mind. They address these issues one by one and get others to help them. Over time, solving problems and building an organization that does so become addictive and second nature. It's less about creativity and intellect, and more about will, determination, and the willingness to take on the multitude of micro-issues in the service of the big goal.

When a team does arise that solves a problem, a culture of innovation results. After PayPal was acquired by eBay in 2002, its founders and employees went on to found or cofound LinkedIn, YouTube, Yelp, Tesla Motors, Yammer, 500 Startups, and many other companies. Former Apple employees founded or cofounded Android, Palm, Next, and Handspring, companies that revolve around devices. Former Yahoo! Employees founded Ycombinator, Cloudera, Hunch.com, AppNexus, Polyvore, and many other web-oriented companies. People who have done it will do it again.

Entrepreneurship is a process. You get better over time. The image of the college dropout entrepreneur who starts a world-class company is misleading. Most successful entrepreneurs failed once or twice when they were young.

Before founding Microsoft, Bill Gates cofounded a company called Traf-O-Data that lost thousands of dollars and shut down. Billionaire entrepreneur Mark Cuban recalls “coming home and having the lights turned off because [I] couldn’t afford to pay the bills” when he was starting out. Sam Walton’s first Arkansas store went under before he started Walmart, and Henry Ford’s first car company went out of business.

I learned this myself. My first company failed but I got up and got better. Entrepreneurs are themselves forged through experience. The key is to get the failures and lessons in as soon as possible so that you can learn from them, get up, and recover.

So how do we get smart people to start building things? We can start by lighting the path to entrepreneurship and mitigating the risks associated with the path to value creation.

In 2011, I founded Venture for America, a nonprofit with a three-part mission:

1 | To revitalize American cities and communities through entrepreneurship.

2 | To enable our best and brightest to create new opportunities for themselves and others.

3 | To restore the culture of achievement to include value creation, risk and reward, and the common good.

Our goal is to help create 100,000 new US jobs by 2025. We do this in two ways—help early stage growth companies access the talent they need to thrive and expand, and train a critical mass of our best and brightest to become business builders and entrepreneurs. Basically, we want to make it as easy to join a startup and get operating experience as it currently is to apply to grad school. Venture for America Fellows attend a five-week training camp so they can become friends and colleagues. They move in groups to each city and live near each other. At the end of the two years, Venture for America invests $100,000 or more in seed funding in Fellows who wanted to start businesses and introduces them to angel investors. We will give rise to a virtuous cycle of innovation, business building, and job creation.

Venture for America was just an idea several years ago. Today, it's a multi-million dollar organization with one-hundred-eight Fellows working in startups in cities like Detroit, Providence, New Orleans, Las Vegas, Baltimore, Philadelphia, Cincinnati, and Cleveland with one hundred more on the way in 2014. A number of other cities have already reached out to us. It's a big country, and there's a lot of work to do.

Let's put our people to work solving problems, building growth businesses, and creating opportunities for themselves. **We have the talent—it's just being poorly allocated. Let's solve the problem together.**

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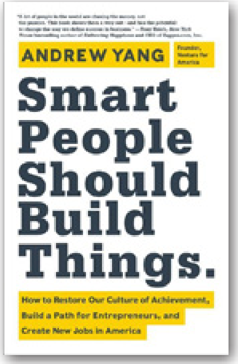

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ABOUT THE AUTHOR | Andrew Yang is the Founder and CEO of Venture for America, a fellowship program that places top college graduates in start-ups for 2 years in low-cost U.S. cities to generate job growth and train the next generation of entrepreneurs. Andrew has worked in start-ups and early stage growth companies as a founder or executive for more than twelve years. Andrew was named a Champion of Change by the White House for his work with Venture for America and one of Fast Company's "100 Most Creative People in Business."

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