

Feature

# The Jeff Sandefer Interview:

## Entrepreneurship and MBA Education

Jeff Sandefer is a founder of the Acton School of Business, an innovative MBA program in Austin, Texas focusing on entrepreneurship. Sandefer received his MBA degree from Harvard University before launching five successful companies in several industries, most notably in energy. He translated that business experience into becoming an award-winning professor at the University of Texas, where he was named by *BusinessWeek* as one of the top entrepreneurship professors in the United States.

### INSIDE:

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**Kaizen:** In 1996, you were teaching at the University of Texas and honored by *BusinessWeek*, yet soon you would be leaving to start a new business school with a very different approach. Why was *BusinessWeek* impressed with your teaching?

**Sandefer:** The *BusinessWeek* award was based on a survey of students, which I think is the best measure of a teacher, especially if there is a strong learning contract in place. After all, who other than students knows if a class has delivered on its promises? I believe that this is the same reason Acton wins so many honors from Princeton Review, because unlike most business school polls it asks students: "Did you get what you were promised?" Of course, the *BusinessWeek* and Princeton Review awards really belong to all the Acton teachers, each a successful CEO who is committed to his or her students and the Socratic Method.

Our secret is that we set high expectations and hold students accountable to their promises. It helps that teachers are rewarded based on student satisfaction, after the students have been evaluated based on a forced grading curve. In other words, we have an incentive system that rewards performance, just like in the real world. No grade inflation; with rewards tied to results.

It's a system I wish more people in academia would adopt.

**Kaizen:** This was at UT?

**Sandefer:** Yes, at UT. Our band of entrepreneur-teachers made a clear set of promises to students at the beginning of each semester, graded on a forced curve, and teachers were rewarded based on student evaluations—and the lowest-rated teacher wasn't invited back. We were a voluntary association of successful entrepreneurs, serving as adjuncts; we were paid very little. We were doing it for the fun of it and because we cared about the next generation of entrepreneurs.

We were running the entire entrepreneurship department out of my office—even though officially it wasn't a department at all. We were setting the bar extremely high, and students were answering to the challenge—in fact, flocking to the higher standard. And we were delivering what we promised. At the peak, eight of us serving as adjuncts were teaching close to 25% of all the elective hours in the school, even though there were over 100 professors in the school. I started wondering—what in the world are those other professors doing? That was the start of my interest in higher education reform.

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KAIZEN

Continuous  
Improvement

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## From the Executive Director



Troubling news: the rate of entrepreneurial activity continues to decline in the USA.

According to Reuters, “the latest Census Bureau data showed the startup rate fell to an all-time low of 7.87 percent from 8.10 in 2009.” And according to a Kauffman report, start-up rates are lowest in the Midwest and highest in the Southwest—especially in Arizona and Texas.

That makes directly relevant our feature *Kaizen* interview with serial entrepreneur **Jeff Sandefer**. We spoke with Mr. Sandefer in Austin, Texas, about his business successes in oil and gas, his dramatic experiences as a professor of entrepreneurship, and his radical new experiment in MBA education.

We also report, coincidentally, on a visit by guest speaker **Dr. Tara Smith**, professor of philosophy at the University of Texas, Austin, as well as the excellent work of Rockford College students **Megan Hopwood** and **Carly Stokstad** in the Business and Economic Ethics course.

At the Center, previous issues of *Kaizen* are available featuring extended interviews with entrepreneurs in a wide variety of exciting fields—from architecture to technology to marketing to venture capital to sports and more. So please feel welcome to visit us on the second floor of Burpee—or online at [www.EthicsandEntrepreneurship.org](http://www.EthicsandEntrepreneurship.org).

Stephen Hicks, Ph.D.

## Guest Speaker Tara Smith



Dr. Tara Smith at Rockford College

Dr. Tara Smith, Professor of Philosophy at the University of Texas at Austin, visited Rockford College this April. Dr. Smith (Ph.D., Johns Hopkins) is author of *Ayn Rand's Normative Ethics – The Virtuous Egoist* (Cambridge University Press, 2006) as well as many journal articles, including “Money Can Buy Happiness.” She spoke with Dr. Hicks’s Business and Economic Ethics class and Dr. Klein’s Ethics class on the value of money and the concept of greed.

## More information about CEE and Rockford College



*Kaizen* is published by the Center for Ethics and Entrepreneurship at Rockford College. Founded in 1847, Rockford College is a four-year, independent, coeducational institution offering undergraduate and graduate degrees in traditional liberal arts and professional fields. One of 81 colleges nationwide designated as a “College with a Conscience” by the

Princeton Review, Rockford College is also among 76 U.S. colleges and universities selected by the Carnegie Foundation for the Advancement of Teaching for inclusion in a “Community Engagement” college classification. Rockford College is one of 11 colleges in Illinois and 280 in the country with a Phi Beta Kappa chapter, the oldest and most prestigious academic honors society, and in 2007 was named a “College of Distinction.” Please visit us online at [www.Rockford.edu](http://www.Rockford.edu).

## SANDEFER, CONTINUED

**Kaizen:** You also attended the University of Texas as an undergraduate. What did you major in?

**Sandefer:** Petroleum engineering.

**Kaizen:** How did you choose that as your major?

**Sandefer:** I was raised in an oil and gas family, so I grew up crawling over oil and gas maps as a child. My father was a bigger than life wildcatter, like in the movie *Giant*.

**Kaizen:** At that point, what were you thinking your career path would likely be?

**Sandefer:** Well, right after my UT graduation I had been accepted to Harvard Business School. At an early age I saw that all the money that came from New York seemed to get into the bad oil deals in Texas. And all of the good oil deals in Texas could never seem to get money in New York. And I was convinced that Harvard was in New York, so I thought that would be a good place to apply. It took a while to realize that it was actually in Boston. But I really did see a disconnect between the money and the good deals.

**Kaizen:** So after your MBA, in 1986 you came back to Houston and started Sandefer Offshore, an oil and gas company. What exactly did that company do?

**Sandefer:** Yes, I was determined to start a business. I was tempted to go to work for McKinsey, for a young McKinsey partner named Jeff Skilling [later of Enron]. Had I gone to work with Jeff, I’d likely have gotten caught up in the euphoria of Enron.

Sandefer Offshore took subleases from major oil companies in the Gulf of Mexico. At that time, oil was \$10 a barrel, gas was \$1.50 per MCF. The major oil companies had bought tens of billions of dollars of leases in the Gulf of Mexico in the early 1980’s, and now those leases were expiring. I had done a study at Harvard, in my last year of business school, on the future of the independent oil operator, and I had done another study on the Gulf of Mexico farm-out idea. It was a great opportunity because energy prices were down, and the major oil companies had offered a severance agreement to many employees. Basically, if you were over fifty years old and a professional, you could get a million dollars to retire.

So, what happened? Many of the best people retired. They had a lot of cash. We hired them and gave them a piece of the potential profits. They knew where all of the good leases were expiring. It wasn’t a conflict of interest, because the majors didn’t want the

leases anyway. So we looked for leases where a well had been drilled; oil and gas reserves had been found, but the fields weren't big enough to be interesting for the major oil companies. We could give the large oil companies a slice of the revenues, develop these leases and still make a profit.

We had a great strategy, terrific people, and were lucky on the timing. We got in at the bottom and sold at the top. It was a great run.

**Kaizen:** So that's how you made hundreds of millions of dollars in about five years?

**Sandefur:** Yes, the employees, investors and management all made a lot of money.

**Kaizen:** How did becoming a professor at UT come about?

**Sandefur:** I'll try to make this a short story. The dean at the business school, a man named Bob Witt, who is now the president of the University of Alabama and a dear friend, said, "You should teach. I would love to have you teach." And I said, "Gosh, I've been thinking about what to do next. So, I'm in." That was probably February. So I'm working 100 hours a week on the business and building this course on the side from all of the things I was taught at Harvard—everything I had in the course was something borrowed from one of my professors, with permission to use. I called in about July or August and asked, "When should I show up?" The dean doesn't return my phone call. I call again and I call again.

Finally, I get so fed up that I go sit in his office. I mean, not returning phone calls, really. Bob Witt comes out and says, "Look, the faculty's not going to let you teach, not without a Ph.D." I said, "No, no, no. We had a deal. You're the CEO; you made the deal." And he said, "Well, it doesn't work that way." Little did I know at the time, it doesn't work that way when you're a dean.

So I started raising hell. I went to see members of the board of regents, and finally I end up in the president of the university's office, Bill Cunningham. And at the University of Texas, this is like going to see Oz; you could throw a football across his office. He's in this big, tall chair, and I'm in this little, bitty chair. I'm 28 or 29 years old at the time, and he looks at me and says, "You can teach astrology for all I care. But I'm begging you to teach an undergraduate course. I'm so tired of hearing your name; I don't ever want to hear about you again. If I have to let you teach a graduate course, I'm going to catch hell from the faculty. So I'm asking you as a favor, would you teach an undergraduate course?" Well, who was I to say "no" to the President of the University of Texas? So I saluted and said: "Yes, sir. Sure."



Acton School of Business campus in Austin, Texas

It turns out the MBA students wanted the course so badly that they found the woman who was in charge of the computer to set the schedules and went in and gave her cookies and cakes. I walk in the first day of my undergraduate course and it's filled with MBA students. They filled it before the undergrads could register, because of her. That year I won teacher of the year in the graduate school teaching an undergraduate class. They had no choice but to promote me. So it was a total accident that I ended up teaching more than one year.

**Kaizen:** But also a lot of persistence. Was the faculty resistance just a credential issue?

**Sandefur:** I don't know. From all of my experiences since then, I imagine that was what it was.

**Kaizen:** UT is a prestigious institution, and the MBA is a well-regarded degree. What are the strengths of traditional MBA programs? I know you had some dissatisfactions.

**Sandefur:** Yeah, that's funny—it's changed so much over the last 21 years. I think there's such a difference between the case schools for one—Harvard, UVA, Garden, Babson, Thunderbird, Acton—and everybody else. The case schools can deliver business judgment, I believe. Non-case schools, I'm not too sure. Skills? You know, that's a place where certainly traditional schools can deliver, but you can get those at a community college or on the job.

But figuring out what to do with your life? I don't think many of the traditional MBA schools do a good job at that. That's not what they're there for. So for the very top schools, it's the prestige and the degree; for the case schools, it's the judgment. If you're not a top school or a case school, I think you're becoming more of a commodity and that's a problem.

Back in the old days, the MBA was to get your ticket punched and move up. That is diminishing over time. We see it in the enrollment numbers and the move toward shorter MBAs.

**Kaizen:** When did you decide to start a new college as opposed to working within the UT system?

**Sandefur:** Once our group decided to leave UT, we realized we had stranded hundreds of first-year MBA students at UT who'd come to take our courses. So we decided to host a one-off

campus course to make it up to them. We told them, "It's free; it's going to take you about 40 hours a week of work; you pay \$200 in materials; if you fail, we'll give it back." That was our way of giving back. We thought ten people would show up. We just felt like, out of obligation,

we had to do it. 130 people showed up! Students drove from Rice, College Station, Baylor, and faculty showed up from those places too. So we had this incredible following we didn't even know about.

That went so well, we said, "You know, we already have an entire entrepreneurship curriculum. We could just start our own school." So we did. In the first year, we had 27 students show up, pay \$35,000 a year, and we won all of the Princeton Review awards the first year, out-of-the-box.

**Kaizen:** Impressive. There were four of you who started Acton—you, Jack Long, Phil Siegel, and Vaughn Brock?

**Sandefur:** Yes.

**Kaizen:** What were the initial capital costs to get the school running?

**Sandefur:** Probably \$200,000 because we were teaching in rented office space. We

## Back in the old days, the MBA was to get your ticket punched and move up.

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## Student Essay Contest Winners

Students in the Business and Economic Ethics course wrote an extended essay on the following topic: “The best things in life are free”—True or False?

The essays were judged on their accuracy and depth of interpretation as well as their independence of thought. Cash prizes were awarded for the co-winners.

Congratulations to our winners!



First Prize (co-winner): Megan Renee Hopwood



First Prize (co-winner): Carly Lynn Stokstad

## Walhout Philosophy Award Winner



Brandon Jacobs

The Walhout Prize is named for Donald Walhout (Ph.D., Yale), emeritus professor of philosophy at Rockford College. This year’s winner, senior philosophy major Brandon Jacobs, received the honor for his exceptional writing skills, hard work, and overall excellent performance in many courses in philosophy.

## SANDEFER, CONTINUED

didn’t build a real campus until several years later. Today we get our accreditation from Hardin Simmons, where my great-grandfather served as President.

**Kaizen:** You have a great reputation in the Texas area. What did you formally do to recruit?

**Sandefer:** We’ve tried every way in the world to recruit students. We’ve got a real following of CEOs in Texas because many of their children have come to Acton as students. Other students find us because we’ve won so many awards from Princeton Review. And we have rabidly loyal alumni.

**Kaizen:** You mentioned that your first class had 27 students ...

**Sandefer:** Acton has always featured small classes. We’re like the Navy Seals of the MBA world. You don’t get on the A-team without being really good.

**Kaizen:** The Acton MBA program is a distinctive integration of methods—experiential learning, Socratic dialogue, case studies, teacher-student contracts, teaching technology, and only hiring successful entrepreneurs as professors. What are your benchmarks for what counts as a successful entrepreneur?

**Sandefer:** We want our graduates to start, buy or work their way to the top of a successful business. That’s what Acton is all about—learning to run a successful business. But it’s even more important that our graduates learn to lead meaningful lives too.

Our entrepreneur-teachers all serve as CEO’s of successful businesses, but more importantly, they try to lead meaningful lives, with healthy families too. That’s what we look for in a teacher. Someone who has been successful and still wants to learn. Someone more interested in asking questions than giving answers.

**Kaizen:** You’ve mentioned the case study method. Why is that foundational and not other methods?

**Sandefer:** We’re training students at Acton to run real businesses—to stand between Sales and Operations and make the tough decisions. The Sales VP always wants to sell; he will price low and promise to customize the product for each and every customer. The Operations VP wants to make one product, paint it black, and price it as high as possible. As the owner of a business, you have to stand between Sales and Operations, decide what to make and how much to charge, and try to keep both Sales and Operations happy.

At Acton, you learn to make decisions by making decisions. Class after class, you stand

in the shoes of a real entrepreneur facing a real dilemma, and have to make a decision and defend it.

**Kaizen:** A typical case study, then, is to put yourself in real time with the information available to the entrepreneur at that time?

**Sandefer:** Yes. Sometimes it's too much information. Sometimes it's not enough information. Sometimes the data you have is conflicting. The student says, "Well that's not fair. It says this on one exhibit and on the next page another." We say: "Welcome to the real world. You don't get pure data. You get messy data."

**Kaizen:** "Experiential learning." What does that mean at Acton?

**Sandefer:** Selling door-to-door. In the early spring students are given a set of children's books and a geographic sales territory. Then they have to sell door-to-door. If they don't make quota, they don't come back.

The real goal there is not to teach them sales skills. It's to have them learn to be told "No" 99 times and to knock again. They just have to stay out there. And over time they actually learn a lot of sales skills and techniques and things, because they have to survive.

As much as we love and revere the case method, we're moving toward more experiential.

**Kaizen:** For the Socratic element, what's the role of the professor?

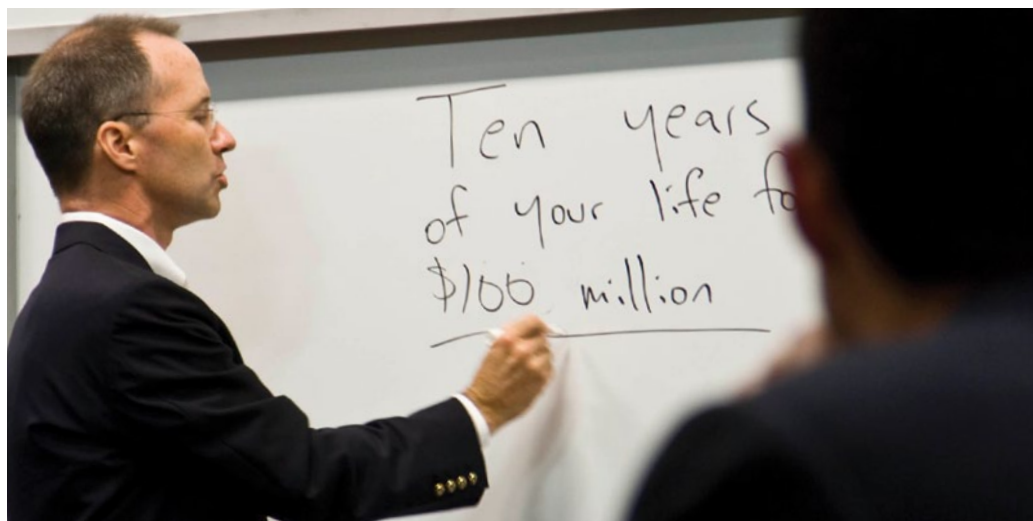
**Sandefer:** Two things. The main one is that our entrepreneur-teachers can only ask questions. The teacher is literally forbidden to make a declarative statement during class. You are on video all the time, and if you slip up, you will see it on the screen in the teacher's meeting. We are committed to only ask questions so the students have to make all the decisions. That's the best way to prepare them for the real world.

The second thing—the really important role of the teacher—is to provide a hero. Students come in and we make them three promises: learn to learn; learn to make money; and learn to live a life of meaning. No matter who the students are, many come because they want to get rich. Most of us have been very successful so they think we know the secrets. But of course, the real secrets are hard work and perseverance.

It's the 100-hour work weeks that deliver the lessons.

**Kaizen:** Your courses fall into three categories—Integrative courses, Tools courses, and Life of Meaning courses. What's the purpose of the courses in each category?

**Sandefer:** Integrative courses are the most complex. You have to stand between Sales and



Sandefer with MBA students

Operations and make very complex decisions as you move through opportunity analysis, launch, growth, harvest. You move through the Entrepreneurial Journey course just like an entrepreneur moves through the life cycle of a business. Just like a beginning entrepreneur, you're thrown in the deep end with no help. And this starts immediately, the first day of class.

The Tools courses focus on one function like Sales, Operations, or Finance. We teach you not only the tools, but how to use them to make decisions about messy problems. And we teach tools in the same way entrepreneurs learn them, which is very different than the way courses are taught in most business schools. For example, we combine accounting and finance into a course called Cash and Valuation. It moves from the simplest of problems, like selling one glass of lemonade at a time, all the way to dealing with multi-stage leveraged buyouts.

The third type of course is called Life of Meaning. It's about finding your "calling" in life.

**Kaizen:** Other MBA programs may have courses in business ethics, business history, business writing, political economy, and so on. You don't include them or they get folded in?

**Sandefer:** We don't have a business ethics class and this is one I feel pretty strongly about. Business Ethics, even at HBS was taught as "Thou shalt do this, because corporations should do this." It was not human, personal morality and choices. It was ethics from afar. I found that to be ineffective. It just didn't get to the heart and soul of me making hard decisions. So Life of Meaning is all about us putting students in really difficult life situations and arming them with the tools to make the right choices to lead a productive and meaningful life.

**Kaizen:** It sounds as if you are doing business ethics, but it is reconceptualized.

**Sandefer:** Yeah. In Life of Meaning we put the students in these incredible dilemmas and the students say "But there is no right answer." And we say, "That's what a dilemma is." The phone rings, you promised your daughter you would go to the dance recital and you've been promising for weeks—but that's your biggest customer on the phone. And then whatever decision they make, it escalates. "Well, I have to go to the dance recital." Oh, did we mention that it's your *only* customer and 130 people are going to lose their jobs? Did we mention that you're in Appalachia, so there are no other jobs? So there's no "Well, I'll go to the other factory." Oh, did we mention that this is the third dance recital that you missed? That you are a widower? Did we say dance recital? We meant wedding. And so all of these dilemmas, whatever you choose, they ratchet up.

**Kaizen:** You mentioned the student-teacher contracts that are used for evaluating the professors. What are the general terms there?

**Sandefer:** Each student has what most people would call a syllabus, but we call a covenant—that is, both sides say "I will show up on time. I will be prepared. I will participate." And we each sign them in a big ceremony. Each professor signs one with each student, and it is a handshake, a look in the eye, game-on. There's a lot of symbolism around here that you are involved in. They are ruthlessly enforced—I mean in a kind way. But I can't remember the last time we had a student be late for a class.

**Kaizen:** When you developed your program at UT, the lowest rated professor was out. Do you continue that practice?

## At Acton, you learn to make decisions by making decisions.

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## High School Entrepreneur Day



First place winners (top) and runner-ups (bottom) in the business plan contest

In April, Rockford College held another High School Entrepreneur Day, co-sponsored by CEE and the EBA department. About 100 high school students attended. The event featured presentations by Rockford College professors, a panel of community business leaders, case studies and other exercises that emphasized teamwork, problem solving, and competitive activities, along with prizes. CEE provided gift bags filled with materials related to entrepreneurship.

**Sandfer:** Yeah. We get evaluations every week. Every comment is public; every rating is public. Every class is rated. And we all read all of them. These are every week, so there's noise; there's venting; there's emotion. After you've done it long enough, you can pick out where there is a real recurring problem. And at the end of the semester, there's a final form, that 0 – 5 rating and I think if you are below a 4.2 and you are the lowest rated one, you have to sit out and basically get to the end of the line and get back in. That applies to everybody. There are semesters in years where everybody is above a 4.2, so it doesn't apply.

**Kaizen:** The typical MBA is two years. Yours is a compressed, one-year program.

**Sandfer:** Acton was one of the first schools in the country to offer a one-year MBA. But now, because of the success of our My Entrepreneurial Journey in delivering real world challenges to students all over the world, we're about to make another leap.

We're going to compress the program to make it even more intense, but you'll be able to do the first half of Acton from anywhere in the world, while you work. Then you'll come to Austin for a grueling five months in the classroom. And the first half isn't like an online program where you sit in front of a computer screen—it's like being an apprentice, being sent on a quest with real problems to solve, to earn the right to come to Austin. And all along the way, you'll have a successful entrepreneur as a guide, to inspire you and hold you accountable.

**Kaizen:** The Acton name. What's the significance?

**Sandfer:** "Absolute power has the power to corrupt absolutely" is a good reminder for our students.

**Kaizen:** You have been critical of the current higher education system. What are your major criticisms there? Is it a cost issue? Do you think

## SANDEFER, CONTINUED

undergraduate education—easily \$100,000—is not worth the cost?

**Sandfer:** You know, I've evolved on that in the last couple of years after thinking about it a lot. My root objection is that most universities—particularly research universities—are not being honest with their customers. I see their customers as being students and taxpayers—that's who's paying the bill—and funders, if you want to throw funders in. When you study the school's mission, it is really a factory to create more scholars. And when you look at the way they are set up—they will take a lot of undergrads in and flunk a lot of them early—so they don't have to spend much time teaching until they get to upper division undergraduate courses. They will pick the most intellectual students and recruit them for graduate school and encourage them to become academic scholars.

The problem is that we now have an oversupply of scholars, with six new PhD's for every new chaired professorship.

I'm a big fan of productive research. After all, I'm an engineer. But far too few of these PhD's turn out to do any research that advances science or creates new technologies.

I think it's wrong for university administrators and tenured professors to mislead students, parents, and taxpayers by telling them that they care about undergraduate teaching when much of the effort is being poured into creating PhD's who can't get a job when they graduate. It's dishonest and it has to stop.

**Kaizen:** Private liberal arts colleges try to solve exactly those problems. So, your target is research institutions with large student-teacher ratios?

**Sandfer:** Right.

**Kaizen:** Are the large universities starting to rethink themselves? I mean state governments are cutting back; people are aware of the technological revolutions, online universities, and so on. Do you think they'll reform themselves?

**Sandfer:** That's a great question. I'm actually encouraged. I think the ones that are being threatened with extinction will. I don't know if they can or not, because I think there is a serious governance-financial issue. But they certainly are thinking about it and I've been really encouraged.

Stanford—the things I see Stanford doing—I think they will be the Google of universities.

**Kaizen:** To come back to the Acton MBA in particular. If I'm a young person making a decision, should I take \$50,000 a year, which is your going cost, and go through the Acton

program? Or should I just pick up some business skills courses that I need in community college so I can jump into my business? What advice would you give to a young person?

**Sandefer:** 90% of students ask me, “Should I get an MBA at Acton or Harvard or anywhere?” My answer is, “No.” If you’ve got a way to do it in the school of hard knocks, and you can go pick up the skills at a community college, and you’ve got an entrepreneur who will be your mentor, and you know what you want to do, then I’d say no. 90% of the time I say no.

I think our program is for someone who is a real high achiever and who really wants to go places fast. We can take ten years of pattern recognition at the school of “hard knocks” and compress it into a year. When our students come out and you ask them, they are incredibly satisfied, and one of the things they’ll say often is: “Look, I learned 100 things that will save me \$100,000 each. They are mistakes I won’t make now.” So the trick to that is you have to be playing at a game where you can be making \$100,000 mistakes.

**Kaizen:** What’s on the horizon for you?

**Sandefer:** I want to figure out what the new educational model is going to look like. I think the educational world is about to be turned upside-down—in a very good way.

**Kaizen:** Let’s come back to the Life of Meaning and your life, in particular. When you look back on your business career, is there anything that stands out as an especially satisfying accomplishment?

**Sandefer:** You know, probably that I was lucky enough—I’m convinced now that there are different archetypes of people that have different sets of business schools. And there are different archetypes of opportunities. One of the ways we think about the archetypes—there are several ways—but at Acton it is “bootstrap tortoises” and “asset foxes” and “MBA hares.”

A bootstrap tortoise is someone who builds a business one customer at a time—Gates and Microsoft or anybody who starts in a garage, basically. An asset fox is someone who traded baseball cards as a kid. They are a trader of assets. Warren Buffet, a venture firm, real estate, oil and gas. The MBA hare chases the hottest fad—dot com kind of group.

I have all of the characteristics of an asset fox. I’m contrarian—I don’t really care what people think. I’m good at sensing markets and summing things up very quickly. I was lucky to end up in an asset fox business. You know, some-

how I got to that pretty quickly. So I think that match of archetypes has been—however that happened—was a really fortunate thing for me.

**Kaizen:** Looking back over your career, is there anything that you found yourself struggling with, something that is actually challenging for you?

**Sandefer:** Yeah. The biggest struggle for me is that I do not have the patience to develop people. So my preference is to get a bunch of very smart, very committed people in a room and let’s go get it done. That has held me back; it continues to hold me back. And I’ve got lots of people who work for us who go out and do great things but I think I’ve missed a lot of opportunities. To slow down and invest in people over the long haul—maybe take someone who has gifts, but they are more hidden. And I’m really struggling personally now with: “Do I want to make that change?” It’s a deep personality change in lots of ways. Or do I want to continue to, in that sense, skim and select the people who are already predisposed to be that way?

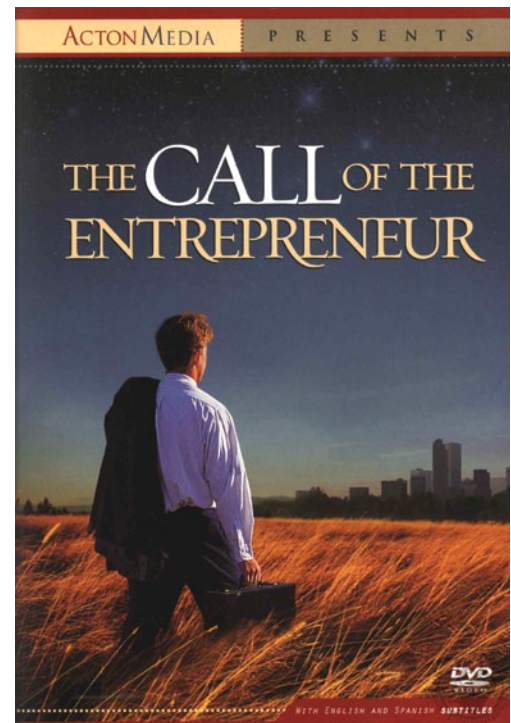
**Kaizen:** There is a large set of skills entrepreneurs have to either have or acquire: the willingness to take risks, perseverance, being able to fall on your face and get up again, and so on. Is there anything that strikes you as the most important trait that entrepreneurs have to have?

**Sandefer:** Well, I think persistence is number one.

I think the rarest one they have to have—and this comes from my friend Amar Bhidé. It’s his idea, though I’ve written about it, of a tolerance for ambiguity. What Amar says is that entrepreneurs can look at a hill and say, “That’s the hill. That’s where we’re going. Let’s take off.” And so you can rally people to that hill, you know, all of

the vectors line up in that direction. But a real entrepreneur, the first step they take, will say to themselves: “You know what? That’s probably not the right hill.” Now, they’re not lying. Because at this moment the data suggests that’s the hill and they’re saying that out loud. And they know they can’t say aloud, “No, that’s probably not the hill,” because people won’t follow them. But they also know their information is imperfect and their judgment is imperfect and they just want to move further ahead to get a better view. And for most people, he said, that feels like a lie; they can’t keep both those concepts in their head. But entrepreneurs can. Entrepreneurs will both charge ahead and be immediately skeptical and looking for data suggesting you need to change.

## Entrepreneurs will both charge ahead and be immediately skeptical.



**Kaizen:** The two traits you’ve identified—persistence and toleration for ambiguity—how do young people cultivate those in themselves?

**Sandefer:** I don’t know. The biggest mystery to me right now is if incarceration and diplomas aren’t going to be our primary form of motivation for education in the future, then what is? There has to be something better.

What motivates people to develop this sense of persistence, the deep difficulty to really learn something? You know the game-based adaptive stuff can do it for skills, because it’s kind of fun and you can build up. But this is where I think the “guide” relationships, as we use that word, and the running partner relationships of face-to-face people within relationships are important. We go back to the master-apprentice system that worked so well in the US in the 19<sup>th</sup> century. And I think we have the technology now to do that, if we can convince people that they need to do it—and make it easy for them, make it really easy to be a guide or a master, not hard.

**Kaizen:** The tolerance of ambiguity—it’s more of a cognitive trait. So how should a young person, teachers, or parents cultivate that?

**Sandefer:** If we say that entrepreneurs tend to be independent learners and we want to kind of create independent learners in both elementary students and entrepreneurs, then I think it’s learning to fail early, cheaply, and often. I mean, it’s ... it’s *really* getting knocked down. I noticed our two boys, who are just wonderful and they do ju-jitsu and it’s just a really tough sport. And I wasn’t tough as a kid. I mean, I didn’t like getting hit, you know.

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## SANDEFER, CONTINUED

They get hit and get a bloody nose and they're like, "Cool, blood." It's because, really, the fear of being hit is a lot worse than being hit.

**Kaizen:** That's true.

**Sandefer:** Getting hit ... it hurts. But it hurts for that long (snaps fingers) and it's better; you get a bruise or you can even knock out a tooth. So I think in protecting children from not being "hit" in life, you know, not being knocked down, we're doing them a disservice. This whole idea of free-range kids ... .

**Kaizen:** Love that book.

**Sandefer:** Yeah, I love the book. You train kids not to get into cars with people and not do stupid things, but if we coddle them too much to not make mistakes, they'll never develop the tolerance for ambiguity, because it is basically pride in many ways. It's fear or pride or a combination of the two—"I don't want to do something, I'll look foolish. I don't want to promise something to people and have it turn out to be wrong." People forgive you. If you honestly make a mistake, people will forgive you.

**Kaizen:** Last thought. Is there a piece of advice that you would give to younger people as they are launching themselves, perhaps entrepreneurially?

**Sandefer:** There are two things ... well, three things. The first one is never take advice from 52-year-old guys, because most of them want to relive their life through you and that's not the right thing. So I really try not to give advice. I think ... I wish someone had told me when I was that age: "You're worried about being successful. You're worried about things working out—do you have what it takes?" And they are worried about all of the wrong things. Because if they will go out and work hard and look for their gifts, then that part's going to work out.



Sandefer at an Acton graduation ceremony in 2010

So instead—there're three questions I just keep coming back to. As part of Acton, we send students out and they do these Stars and Stepping Stones interviews. You have to do ten interviews, two hours each, of someone you think you want to become in life. It's probably one of the most powerful things we do. Three of them have to be between your age and 40, three between 40 and 60, and at least three over 60. All of the students come back and they tell us the same thing in different words—The people over 60 say there's three questions you're going ask when you're my age: "Did I contribute something meaningful—is there something I did that mattered?" "Was I a good person?" and "Who did I love and who loved me?" If I were starting again, I wish I had those three questions on the wall, because I'll make lots of mistakes.

*This interview was conducted for Kaizen by Stephen Hicks. For more information about Jeff Sandefer and the Acton MBA in Entrepreneurship, please visit the Acton MBA's website: <http://www.actonmba.org>.*

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