I Said, You Said: He’s the Entrepreneur

How two partners in a marriage view the entrepreneurial search fund journey.

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What you see and hear depends a good deal on where you are standing; it also depends on what sort of person you are.

-- C.S. Lewis

Justin Schulte (SOM ’19) had entered the Yale School of Management MBA program to discover how he could leave school on an entrepreneurial career track. Before arriving at Yale, Schulte had worked in Fortune 500-type organizations. While he enjoyed that experience and learned a great deal, he was ready to move in a direction where he could be his own boss, have more control over his life, and build some wealth for himself and his family.

Schulte eschewed the traditional job search during the second year of his Yale MBA program. Instead, he focused on launching a search fund — a vehicle where he could buy a business with approximately $2 million in EBITDA and immediately become the CEO of the acquired company. He discovered the search fund concept in his first year of the MBA program. After taking Entrepreneurship through Acquisition, a course that focused exclusively on the concept of young MBAs purchasing a business to operate, he was hooked. “I worked at large companies before Yale, and while it was a great learning experience and helped my confidence, I don’t want to go back to the corporate world. I want to be an entrepreneur and a leader. I like the idea of building and creating direct value for employees, investors, and my family,” explained Schulte.

After evaluating several search fund models, Schulte was most excited about being part of an accelerator, specifically Search Fund Accelerator (SFA).² He commented:

Doing a search fund is pretty risky; there’s a learning curve and plenty of unknowns as you try to find a business with limited time and resources. I thought one way to mitigate some risk was to be part of an accelerator. SFA offers a structured program to launch my search with tools, resources, infrastructure, and mentorship. I will hit the ground running — especially after the 3-week boot camp, which is an intensive catalyst program on all things related to search. I will also be part of a five-person cohort — five individuals each searching for their own company to acquire — so I will have a built-in peer group all working towards the same goal.
Schulte had studied the SFA’s early results carefully, paying close attention to the outcomes. He noted:

SFA has a great track record with their entrepreneurs. All of their first cohort bought companies, three of the four from the second cohort bought companies, and the last one is still searching. So nearly 100% of SFA’s searchers have purchased businesses.

Schulte, who had previously worked at Cummins Inc. in a variety of engineering and operations-related roles, was seeking an industrial services business with contractually recurring revenue, healthy EBITDA margins, and some industry growth pattern. “I feel most comfortable in the industrial services space. Between my previous work experience and the MBA program, I think I can lead a 50-person company with approximately $10 million in revenue and create some value through customer service, operations, and growth initiatives. I was really excited and could not wait to get going,” Schulte offered.

Schulte, married with three children, planned to relocate to SFA’s new office in New Orleans for his two-year search period in the accelerator. After identifying and purchasing a business, he would then relocate again to lead the acquired business. During the search, Schulte would earn a fairly typical post-MBA salary. Once he acquired a corporation, he would have the opportunity to own up to 25% of the equity in the purchased entity.

Timothy Bovard, SFA’s Founder & CEO, felt that Schulte and SFA were a good match. He noted, “I am delighted with Justin. He is a smart and talented young entrepreneur with excellent experience at Cummins. I am looking forward to seeing what business Justin will buy and watch him successfully grow it.”

When asked about his decision to attend Yale, Schulte smiled and replied:

Yale has been wonderful. I’ve learned and grown; it’s exposed me to opportunities, like search funds, that I didn’t even know existed. I’m very grateful to the faculty members and my classmates. I’ve been pushed and challenged in the very best way. Departing New Haven will be bittersweet. My family and I will be leaving behind many people who will be lifelong friends, but I’m ready for the next chapter, and look forward to the opportunity to lead and build an enterprise.

Of course, deciding to be an entrepreneur was not a decision that solely impacted Justin. His wife, Samantha, and his three children were all along for the journey too. Aspiring entrepreneurs sometimes failed to take full account of how their decisions would impact the entire family. Often, spouses or partners would seem to be watching the same movie, with very different interpretations and feelings about the identical show. Being an entrepreneur could mean long hours and high stress — and a close personal support network could bring in much-needed balance. For aspiring entrepreneurs to be successful and happy, the spouse or partner and children in their lives also needed to feel happy, fulfilled, and in a good place. If the entrepreneur’s personal life is stressful or in disarray, there would certainly be a negative spillover into the professional side. And on the flip side, if the spouse or partner and children are not happy, it could spell trouble for the entrepreneur’s business, or worse the family and the marriage.

How entrepreneurs and their families navigate the roller-coaster ride that is typical for an entrepreneur is a topic that is often not fully considered and explored when embarking on this journey. But this is a very relevant and important part of the entrepreneurial experience. Meg Cadoux Hirshberg explores the entrepreneur-spouse dynamic in her excellent — and at times funny, and at times painfully sad — autobiographical book, For Better or for Work. Her husband Gary Hirshberg is the founder of Stonyfield Farm, an organic yogurt company. Cadoux Hirshberg details that a spouse becomes a de facto member of the entrepreneurial enterprise and discusses how that role can be played successfully or not. Additionally,
Cadoux Hirshberg explains that no matter how passionate and confident an entrepreneur might be about the project, there are familial consequences, financial and emotional, to take into consideration. One takeaway from Cadoux-Hirshberg’s experience is that defining limits and boundaries can help make the situation less emotional and increase the probability of success.

What follows are written responses from Justin Schulte and his wife Samantha, who agreed to answer a set of identical questions on their views and perspectives about Justin’s career choice just before the Yale SOM graduation. These are the types of questions likely to come up for other entrepreneurs making a choice about their next steps, and how their decisions will play out with their own families. Some entrepreneurial couples have the foresight to explore these interesting, and potentially raw, conversations, and some do not. Aligning expectations and aspirations between partners in an entrepreneurial marriage can attenuate ambiguity and stress in an inherently nebulous and anxiety filled path.

For Justin and Samantha, it is interesting to see where their thoughts align and where they veer apart, what concerns they have about Justin’s career decision, how it will impact various family members, and how they each perceive risk and uncertainty.

**Spring 2019. Samantha’s Perspective:**

*How do you feel about the decision for you or your spouse to pursue an entrepreneurial career as compared to a more traditional job?*

When Justin began to look at MBA programs, I knew that his end goal was to never return to the corporate world. He had been miserable in his engineering role for a while because he felt like the impact that he had didn’t matter in such a large corporation.

His original goal was to start a small business in Addis Ababa, Ethiopia. I originally agreed to move our family to Africa, but as the reality set in, I got cold feet. My efforts to convince my husband about my convictions proved useless, especially after he spent his entire first year recruiting for positions in Africa. So, I agreed that an internship in Addis would be a great way to test it out without a long-term commitment. While in Addis, it became very evident that our family would not thrive there — our adopted son had a trauma reaction that we weren’t prepared for. It was heartbreaking to watch a five-year-old suffer so much.

One night, after four days without electricity, Justin and I sat down and mapped the goals that he had for his career. He had many goals, but his main goal was to impact people. After several nights of intense conversation, he began to mention something called entrepreneurship through acquisition (ETA). From the moment Justin started telling me about this career path, he sounded excited. And to me, it made the most sense for our family and matched well with his long-term goals.

I am relieved that we are not moving to Ethiopia after graduation. Staying in the United States is a much easier transition for our children and for myself. I am so very excited that Justin has found something that he feels matches his skill set, his interests, and his personality. It will be interesting to watch Justin have a career that he is passionate about. He became an engineer because he happens to be incredibly good with numbers, not because he really loved it. This time it will be interesting to see the difference in his attitude towards his work.
What concerns do you have about this decision?

I am worried about the unknowns that comes with this career path verses a traditional job. There isn’t a guarantee that he will find a company or have a successful exit from a company in the future. If Justin doesn’t, I’m worried how that will affect him and how that will spill over into our home life. I don’t know if I’ve ever seen Justin fail, so it worries me that this career path is riskier than the more traditional options.

Personal finances while he searches will be stressful. His post-graduation salary will be less than he made before coming to Yale SOM, plus we will have more debt (student loans) than we have ever had before. We were pretty much debt-free before coming to Yale, so this shift in our finances would be there even if he didn’t do ETA. The only difference is that his salary is lower than we expected after graduation, and no longer forgiven by the university and without a sign-on bonus. Justin assures me that financially, we will be fine, so I will continue to trust my husband.

How do you feel about not knowing what type of business you or your spouse will purchase?

I don’t mind not knowing what kind of business Justin will purchase. He’s looked around at different industries and businesses over the last year, and I’m always amazed to hear about these niche businesses that are doing well. Some of them have been businesses I didn’t even know there was a need for. It’s been interesting.

How do you feel about not knowing where you will be living when you buy a business?

When Justin started to explore ETA, he asked me to make a list of states where I would want to live. I listed 25 states, which I thought was generous. He laughed at me and explained that this wasn’t realistic in limiting a search this much. Now, he knows that I’m open to moving anywhere except the northeast, but that I have preferences about proximity to our families, diversity, and weather.

It is a little unnerving to know that I’m currently packing boxes and prepping for a move knowing that we will move again in about two years. For me, it’s hard to build community in a new place when you know you are leaving relatively soon.

How do you think this will impact the non-entrepreneur’s career?

I’ve come to terms with the idea of not going back to work. When Justin originally decided to attend SOM, I had a hard time with the idea of not working anymore. We talked about the possibility of me picking up a PRN position at the local hospital, but the benefit of having me home over the last two years has outweighed my desire to work. Our children have needed the stability of me being at home when Justin’s schedule has been less than predictable. With another move (then another in two years), the kids will likely need the same stability for quite some time. If, financially, we end up needing me to work, I will, but I assume we would adjust our lifestyle before we decided that it would be best for me to work again.

When Justin acquires a company, and we move to a more permanent home, we will revisit the idea of me continuing my career, but the thought of going back to work after being out of practice for so many years scares me a little. Once the children are all in school, I will likely fill my days with volunteer work and social impact projects.
How do you think this will impact your children?

Thankfully, our children have become quite flexible. Our upcoming move will mark the fourth state our eight-year-old has lived in (not including living in Addis Ababa, Ethiopia last summer) and her third elementary school. I hope that the ability to handle change will continue with them through adulthood.

I hope that Justin’s ETA career will provide him with more time to spend with the children. In his previous career, he often traveled (3-5 days each week). Our children LOVE having their daddy home for dinner and bedtime. We have talked with several people who have acquired companies, and this is a perk that they all have mentioned.

How have you supported your partner on this journey so far?

We have talked through career options every step of the way. I assume this will shift into prospective company discussions once he begins searching. I will continue to listen (even if I don’t understand every detail of the pros and cons) and attempt to help him navigate the options.

How do you think this decision will impact you financially?

During his search, our finances will be stretched thin. His annual salary with SFA is lower than his pre-MBA salary and with student loan debt, three children, and me not contributing to income — well, it will be hard. Justin has formed a budget that hopefully we will be able to stick with during the search period.

Long term, hopefully, the search route will be successful, and have a positive impact on our finances. We’ve discussed that at the end of the search period, there is a chance that he may not find a company.

How do you think this decision will impact your relationship with your spouse?

We just finished our undergrad degrees when we got married. In the past ten years, we have lived a lot of life together (two degrees, three children, one international adoption, and multiple moves). I feel like each adventure has made our relationship stronger. We have had to depend on each other more and work through some really hard decisions together. I don’t expect this decision to impact our relationship more than any of the other decisions we have made in the past.

I do hope that we can continue an open conversation throughout the process so that we stay on the same page. Unlike a traditional job, his career decisions will impact our family more so open communication will be important.

Where do you hope to be in 5 years?

My only hope is that we are finally are settled wherever Justin acquires a company. After our move in two years, I’m finally going to throw away the moving boxes!
Spring 2019. Justin’s Perspective:

How do you feel about the decision for you or your spouse to pursue an entrepreneurial career as compared to a more traditional job?

I don’t get excited about much, but I’m extremely excited about the possibility of operating a small business, magnitudes more than anything I’ve done in the past. I spent 7.5 years in a variety of roles at a large corporation and, despite “success” at each stop, I felt like I accomplished very little. Returning to a traditional job, especially after my wife and family made so many sacrifices coming to SOM, would feel like a failure and a squandered opportunity.

The primary reasons I returned to school were to better align my career with my personal mission and to create a more tangible individual impact. Originally, I thought this would be through entrepreneurship in Ethiopia, but when family priorities meant we would be staying in the United States, search was the only option I strongly considered. I want to lead and serve people, but I’m not particularly passionate about any specific industry or product, and I tend to be risk-averse, so typical MBA entrepreneurship paths didn’t appeal to me any more than a traditional role.

I’m also nervous about the decision. It’s unlike anything I’ve done in the past, so I’m not overly confident I’ll succeed. According to the Stanford data, failure to find a business or buying a bad business are real possibilities. Partnering with an accelerator and having advisors throughout the process help ease my mind a bit (although I still planned to raise a traditional fund if I didn’t get that opportunity).

What concerns do you have about this decision?

My primary concerns have to do with the unknown. Research, cases, internships, and speaking with searchers/entrepreneurs are all helpful, but until I “get in the arena,” there’s no way to be certain that I’ll be a great CEO. I’ve also never searched before, so generating deal flow, developing a rapport with owners, going through diligence (and all the legal/financial details of that process) are new to me. The learning curve will be steep, so I’m thankful that the constant investor consultations with SFA will mean I won’t have to figure everything out on my own. I’m also concerned that I may not even get an at-bat at CEO. Two years may pass without closing on a business. The runway with SFA can be extended if the first few deals fall through, but I doubt it can be extended indefinitely.

How do you feel about not knowing what type of business you or your spouse will purchase?

Not knowing the type of business is not high on my concerns list, assuming its fundamentals are sound. I’ve worked in blue- and white-collar areas of Cummins that ran the gamut from highly technical to fairly simple, so I trust my ability to understand the business details and processes quickly. What does give me a bit of anxiety is the inability to begin developing a detailed vision for what I want my future business to excel at since the needs of every business are different.

How do you feel about not knowing where you will be living when you buy a business?

The unknown here actually excites me. Maybe I’m overly optimistic. All the situations I’ve thought through, whether it’s a major city or a small town, I’ve only thought of the positives. The only worries I have are meeting some of my wife’s concerns. We both would love to end up in the Southeast or Midwest, with the Southwest a close third, but her preference is a bit stronger than mine. I know that she’ll be fine and learn to enjoy wherever we live, she’s open to anywhere, but if we find the perfect business in New York City, it’ll be a tough few months helping her come to terms with the move. It seems like second-tier
cities, like the ones I grew up in, are somewhat common for search acquisitions, which would be ideal, but I know we must be prepared for anything.

**How do you think this will impact the non-entrepreneur’s career?**

Given my wife’s occupation, her career will not be impacted too severely. She’s a respiratory therapist and worked in hospitals before the move to New Haven, so she can find a similar job just about anywhere. She goes back and forth between wanting to go back to a hospital, stay home with the kids, or find something different. She’s sharp and a great employee, so I’m sure she’ll be fine whatever she decides.

**How do you think this will impact your children?**

When we lived in Louisville, Kentucky (where we’re both from, and nearly all our relatives live), the kids spent a lot of time with our extended family. Being away from grandparents and cousins was initially tough for them but ultimately, I think it’s been good for us as a family. Our routines are easier, and we’re forced to rely on each other a bit more. There’s also less drama and no conflicting rules, which was sometimes the case when their grandparents were frequently babysitting.

I doubt the next two moves will be much different than the last one. Kids in general are incredibly resilient, and we’ve been blessed with three that are wise for their age. They ask good questions and appreciate honest answers (at least about the critical stuff; minor stuff is another story). Assuming we buy a business in the next two years, our oldest will just be nearing the end of elementary school. If we were relocating halfway through the high school years, I’d be more concerned.

As far as the work-life balance impacting them, I’ve never had a professional role that didn’t require a lot of time and effort. I’m sure small business entrepreneurship will be just as taxing, but relative to other post-MBA career paths, I’d like to think it’s more flexible and can mold around a healthy family life.

**How have you supported your partner on this journey so far?**

I’d be interested to hear her thoughts on how I’ve done. I want to think I’ve helped her understand exactly what I’ll be doing and what it means for our family. I encourage her to read a lot of the same books, articles, and papers that I do, with mixed results. Search was all I talked about for months — I’m sure she was sick of hearing about it, but it gave her a solid understanding. I could always be better at listening to her advice and concerns, but we make decisions jointly, and this decision was no different.

**How do you think this decision will impact you financially?**

I’m not certain. I’ve tried to apply a low weight to personal financial considerations when evaluating career paths. My marginal utility above a certain salary or wealth level is probably well below the average MBA’s. I know there’s the potential for a very lucrative outcome a decade or so from now, possibly sooner, but it’s far from guaranteed. I think banking on that outcome is a poor reason to choose to search. My wife and I have spoken briefly about that situation, but it’s not our focus. In the near term, the slightly below-market salary during the search phase coupled with three kids and plenty of student loans to repay will put some added financial stress on our family, but we’ve always done a good job of budgeting, and making it work. The time we’ve spent in the developing world has made us aware that our worst-case financial scenario is still perfect.
How do you think this decision will impact your relationship with your spouse?

Up to this point, all the most difficult transitions we’ve gone through have strengthened our relationship; I think this will be similar. Our 10th wedding anniversary is coming up in August; we’ve dated since high school, so we don’t really know adulthood apart from each other. I think we’ve kind of become extensions of each other that think very differently. It’s great having another brain to help think through decisions from different angles, even though it often makes decisions more complicated.

Where do you hope to be in 5 years?

I hope to be in the CEO position at a small, growing business with a few years’ experience under my belt. At that point, I hope to have a solid grasp on the right levers to pull to move the business forward and will have established a healthy company culture and implemented necessary processes. The kids will be 7, 11, and 13, and it will be nice to have roots in a community and be involved with their activities. At that point, the next 3 to 5 years should be a bit more predictable unless the business thesis appears to be shifting.

What major challenges do you anticipate?

SFA’s current searchers have assured me that I’ll be taught to search well and get up to speed quickly, so I don’t anticipate the process of sourcing deals being as challenging as convincing an owner to put their life’s work in my hands. I imagine there will be a lot of false starts and deals that fall through due to (understandable) emotions or an owner’s change of heart. The ups and downs of getting excited about a potential target and the family getting excited about a potential location, just for it to dissolve. Well, I’m sure that would be a challenge.

Wherever I land, early in the operations role, I anticipate a LOT of challenges. I imagine earning the respect and trust of employees will be challenging as a young leader. Hopefully, the early mistakes I make while I get my footing will be outweighed by positive changes and won’t damage my standing with the team. The inevitable first employee I need to part ways with is something I’m already thinking about (I’m re-reading the first chapter of Fire Someone Today). The many decisions that come with the leadership position, cash management, process implementation, customer outreach, capital allocation, infrastructure changes, hiring… there are many, many challenges.
Endnotes

1 Eugene F. Williams, Jr., Lecturer in the Practice of Management.


3 Based on written responses from Samantha Schulte on May 13, 2019.

4 Based on written responses from Justin Schulte on May 13, 2019.
Exhibit 1: Justin Schulte CV

WILLIAM “JUSTIN” SCHULTE

EDUCATION

YALE SCHOOL OF MANAGEMENT
Master of Business Administration (MBA)
• GMAP, 740 (96th percentile)
• Club Involvement: Christians in Business (co-lead), Africa Business Club (co-lead), Private Equity, Entrepreneurship
• Recipient of Judith Bernstein Memorial Fund and Borg Fellowship

UNIVERSITY OF LOUISVILLE
Master of Engineering (MEng), Mechanical Engineering, summa cum laude
Bachelor of Science (BS), Mechanical Engineering, summa cum laude
• Dean’s Scholar (GPA 3.92/4.0)
• Led “5:16” Campus Ministry; Member of Tau Beta Pi Honor Society; various mission work with Highview Baptist Church; organized intramural sports teams

PROFESSIONAL EXPERIENCE
GOSPEL & GRAIN (NGO supporting at-risk children in Ethiopia)
Addis Ababa, Ethiopia
Business Development Intern 2018
• Achieved a gross operating margin over 24%, anticipated net margin over 13% for feasibility study on Balsena (Ethiopian spice mixtures) business to provide sustainable income to NGO
• Researched market/industry, hired labor, procured raw materials, and oversaw operations to produce over 900 lbs of 7 Balsena products—accomplished in less than 2 months for under $3K (excluding start-up costs)

CUMMINS INC – SALES AND SERVICE
Six Sigma Black Belt
Louisville, KY
2014 – 2017
• Led a 6-member cross-functional team in developing Power Generation business processes for Cummins East Region (largest market in North America) – at time of departure, on plan to increase yearly service gross profit by $4M+
• Trained and launched new field service software, decreasing paperwork processing time by 10% at local service branches
• Coordinated field service fleet needs for territory (ordering, transferring, up-fit of $15M+ in vehicle assets)

CUMMINS INC – ENGINE BUSINESS (Engineering Development Program)
Senior Customer Application: Engineer
Columbus, IN
2014
• Conducted installation quality assurance testing on key customers’ highest volume line of industrial equipment, verifying full functionality of a pre-production engine 2 months ahead of schedule

Quality Engineering Manager, Columbus Mid-Range Engine Plant
2013 – 2014
• Managed hourly quality team and automated recurring morning tasks, reducing daily waste by 45 minutes per employee
• Identified root cause and resolved recurring defects (ex. cylinder head debris leak reduction from 2 daily to 1 weekly, saving ~$100K yearly)

System Performance Engineer
2011 – 2013
• Developed an 8% efficiency improvement on a government project engine by optimizing waste heat recovery system
• Authored 1st Cummins Engineering Practice on calibrating waste heat recovery models

Design Engineer
2010 – 2011
• Designed, analyzed, and procured air handling system on a prototype government demonstration engine, achieving 15% lower pressure drop than any previous production engine in the Heavy-Duty market
• Mentored for new college hire and intern (selected by director of department 9 months in to 18-month rotation)

ADDITIONAL INFORMATION
• Board Member for Gospel & Grain (at-risk children’s center in Addis Ababa, Ethiopia) – 70% growth in children supported since joining board 1.5 years ago
• Other Interest: Community group leader for “Young Married Couples Class” at Highview Baptist Church (Louisville, KY); Service project organization (Habitat for Humanity, Highview Homeless, Loving Louisville); International adoption advocacy; Organizing recreational sports teams, Weightlifting, Frisbee