

***The Wharton School
The University of Pennsylvania***

Management 230:
ENTREPRENEURSHIP

Course Syllabus
Fall 2008

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Day, Time: TR, 3:00-4:30pm
Classroom: JMHH F45

I. OVERVIEW AND PROCEDURES

“You miss 100% of the shots you never take” (Wayne Gretsky)

MGMT 230 is the entry level course in Entrepreneurial Management and is a prerequisite to all other courses in the Wharton entrepreneurship curriculum. It is an integrative course—one that combines material introduced to you in core courses and applies it to the evaluation and design of new ventures. Accordingly, the course is only open to students who meet the following course prerequisites: completion of at least one course each in marketing, management, OPIM, accounting and finance.

The purpose of this course is to explore the many dimensions of new venture creation and growth and to foster innovation and new business formations in independent and corporate settings. We will be concerned with content and process questions as well as with formulation and implementation issues that relate to conceptualizing, developing and managing successful new ventures.

The course may appeal to individuals who have a strong desire to become entrepreneurs, as well as to those who consider joining start-up companies as employees (as an alternative to considering jobs in consulting, investment banking, or established firms). Similarly, students who intend to work in the venture capital industry or in professional businesses supporting entrepreneurial firms will benefit from the course.

In this course, a **new venture** is defined as a start-up business with a high growth potential that distinguishes itself from existing companies through innovation – for example, through an innovative product or service, an innovative production process, a new business model, or a new market. You are expected to “stretch yourself” and identify currently unmet or inefficiently met customer needs that your start-up addresses. Your business concept should require careful analysis and definition of, among other things, customer needs, product and service offerings, markets and strategy, marketing, operations, financials and financing. In addition, your new venture should have the potential for wealth creation beyond a “normal” salary for its founders.

The **four main learning objectives** of the course are:

- (1) *“Experience the process”*: identify and pursue a business opportunity in either an independent or corporate setting with a team of motivated peers.
- (2) *“Analyze the problems”*: ponder some fundamental issues related to venturing and learn to assess the risks, challenges and rewards involved in the venturing process.
- (3) *“Bridge the gap between theory and practice”*: learn to transform ideas into action, learn from your peers and role models on how to be both thoughtful and effective.
- (4) *“Write a plan”*: develop a business plan for a new venture.

The emphasis in this course is on applying and synthesizing concepts and techniques from the functional areas of accounting, finance, managerial economics, marketing, operations management, and organization behavior in the context of new venture development. Further important pedagogical objectives of the course are:

- (1) To acquire the knowledge and spirit for venturing.
- (2) To sharpen your ability to spot and evaluate opportunities for a new venture.
- (3) To think creatively and to solve problems in highly unstructured situations.
- (4) To examine the totality of a business proposal rather than concentrate only on its functional aspects.
- (5) To enjoy the advantages of peer-group review and feed-back during the planning phases of a venture.

You will be challenged to shift from being a receiver of ideas, facts, concepts and techniques, to a style of generating ideas, identifying problems, analyzing and evaluating alternatives, and formulating workable action plans, thus putting theoretical knowledge into practice.

You will get this hands-on experience in the following ways:

- Through the formation and ongoing work of a venture team that will develop a comprehensive Business Development Plan for a selected start-up. Teams are expected to utilize whatever tools or analytical approaches are appropriate for their venture.
- Through the lectures which are designed to familiarize you with the many dimensions of entrepreneurship and new venture development. In most classes, we will devote some time to lecturing on specialized topics, which are listed in the enclosed syllabus. The syllabus is only an outline and several of the details will be announced in class. *The order of topics may be rearranged to accommodate guest speakers.*
- In some class meetings, venture teams will present a summary of a particular section of their business plan analysis to the class. The class will then comment on the presentations.

By the end of the course you should be well equipped to: (i) write an effective and professional first class business plan; (ii) to assess pro's and con's of the entrepreneurial process, and its significance to you; (iii) build your confidence and intuition about the entrepreneurial process of converting dreams and aspirations into reality.

The contribution of this course to your management development (i.e., what you can expect to learn or how much you will learn) as well as the usefulness of the course in your ensuing professional career depends, to a large extent, on the following:

- The commitment of your team to the selected venture idea.
- The level of effort you and other members of your team put into turning the idea into a business.
- The cohesiveness of your team (i.e., how well you work together).
- And the overall atmosphere in the class.

Attendance

Class attendance is very important in this course. Especially in an area like entrepreneurship, learning occurs through interaction. You are expected to come to class well prepared to discuss the case studies and reading materials. Respect for your colleagues' comments will be expected at all times.

It is important that you arrive on time so that we may start class promptly. Arriving late to class is very disruptive and discourteous to the class.

To ensure that the class is highly interactive, each student is asked to bring his/her name plate to each and every class meeting.

Please note that I have a "no excuses" policy regarding absences—I trust you to use your own judgment about your reasons for missing class and whether you can afford to do so. I will deduct 1 point (up to 5) for every absence beyond 2 missed classes. Use these "free" absences as you like (job interview, illness, personal matters, religious holidays). You may choose any day for a free absence except a day in which your team presents or when there is an evaluation activity.

Any class that you miss beyond the two unexcused absence will impact your class participation grade.

II. READINGS

Required readings are found in the bulk packet available through Wharton Reprographics (basement of SHDH).

III. THE VENTURE TEAMS

Course participants are required to form new venture teams of **four** students whose talents, skills and knowledge (in the ideal case) are complementary. We will talk about how to form teams in class. ***Extensive group work outside of class is an essential part of this course.*** Other factors crucial to your team's functioning are the management and coordination of group effort by appropriate means (telephone, e-mail, sub-group meetings, etc.). Each team will produce an original and comprehensive Business Development Plan (BDP) as its major final product and will make periodical presentations of its progress in class.

The first task of each venture team is to select a venture concept. To do so, you are expected to "think big and start small" and identify currently unmet or inefficiently met customer needs that your start-up addresses. Your business concept should require careful examination and definition of, among other things, customer needs (what problem are you solving? for whom?), product and service offering, (how will you solve it? what is your perceived value proposition?), markets and financials (bottom up, how do you envision profiting from this concept?). In addition, your new venture should have the potential for wealth creation beyond the prospect of providing a "normal" salary for its founders.

If you are in doubt whether the nature and/or scale of the venture concept that you would like to develop meets with the requirements you are welcome to discuss it with the instructor.

The final output of the team effort will be a written Business Development Plan.

* Note: real-estate, retail businesses (e.g., restaurants) and certain service businesses (such as management consulting services), will not be permitted for this course. If in doubt, please check with the instructor.

Student should conduct their work with integrity and honesty as per the university honor code. If your business development plan has been the subject of class projects in other classes, please tell me that and how the work performed for this class will be original. The content and organization of the BDP will be discussed in class.

Project-related FAQ:

Q: What if I do not have a brilliant idea?

A: First, don't despair. Whether any idea is brilliant or not will only become clear over time. Second, there are many more ideas for businesses than can possibly be realized. If you set aside a few minutes each day for thinking about this issue, or if you engage in regular brainstorming with your friends, you'll get plenty of ideas. Third, if you really do not come up with anything in time for the course, join another team. You will still get to enjoy the pleasure and pain of starting up a business.

Q: What if after working on the venture idea for a few weeks your team realizes that the idea is not quite as brilliant as you had originally thought?

A: First, regarding the brilliance of an idea, see (1). In most cases, more analysis and research than is possible in this course will be required to determine the ultimate feasibility, and quality of the opportunity. Nonetheless, the project will give you a good idea of what it takes to turn an idea into a successful business venture. Second, the selection process among venture ideas that takes place at the beginning of the course usually assures that ideas which appear less promising are filtered out, and more appealing ideas are pursued. Third, it is understood that your initial venture concept may change, sometimes substantially, by the time it is researched and further developed. Fourth, very few venture projects actually turn out to be clear "dogs." However, should you find out thorough analysis that your business is really infeasible or economically unattractive; this would be a respectable course outcome. At least now you know what will not work, which is a great insight that will spare you time, talent and treasure in the future.

IV. TEAM REQUIREMENTS: PRESENTATIONS AND WRITTEN SUBMISSIONS

As stated above, each student will be a member of a team involved in developing and presenting a comprehensive Business Development Plan (BDP) for a new venture. The content and organization of the BDP will be discussed in class. The following presentations and submissions are expected:

A. Venturing Ideas: Informal Presentations

Due Date: Tuesday, September 16, 2008

Description: In a maximum 5-minute presentation, class participants will be given an opportunity to introduce themselves and share with other students their venture ideas. The objective is to attract three other students to join your team. PowerPoint presentations are NOT advised for this presentation – you will get no more than 5 minutes including set up. At the end of the presentation, write a memorable short venture name and your e-mail address on the board.

B. Team Formation

Due Date: Tuesday, September 23, 2008

Description: Teams of 4 have been formed and contact information for all team members has been posted on WebCafe.

By choosing a venture concept you make an irreversible decision for the term. You should therefore make sure that all team members are deeply committed and dedicated to exploring the selected idea.

Submission Requirement: Each team should post the following information on WebCafe.

- The name of the proposed venture
- Names, telephone #, e-mail addresses, background and experiences of the venture team.
- To prevent confusion and 'brain drain' situations, each student will send an email to the champion verifying s/he is joining that team (CC instructor / TA on this message).

C. Venture Concept Submission

Due Date: Tuesday, September 30, 2008

Description: Each venture team will be working on a business. The team is asked to submit a brief description of the venture concept that should include:

- A brief explanation of the unfulfilled need that will be satisfied, (what problem are you solving? For whom?)
- A brief description of the product/service concept (how will you solve the problem? what is the value proposition?)
- A brief description of the business and revenue models (i.e. how will you create and capture value)
- A brief rundown of the key concerns or risks

Submission Requirement: The submission should be up to three pages (double-spaced, 12 point, times new roman font, with 1 inch margins). Each team should post their submission on WebCafe. The teams should also submit a printed and stapled write-up.

D. Company, Market & Strategy Sections Submission

Due Date: Tuesday, October 28, 2008

Description: The purpose of this submission is twofold. First, it should demonstrate the progress the team has made on some of the most critical parts of the business plan. Topics to be covered in these sections are described in the section below (under 'Company, Product and Services', and 'Markets & Strategy').

Second, the team will receive detailed feedback on this submission. The interim feedback will be graded for your benefit only, as the grade will not be recorded. It is intended to help you to achieve excellence.

Submission Requirement: The submission should be up to ten pages (double-spaced, 12 point, times new roman font, with 1 inch margins). Each team should post their submission on WebCafe. The teams should also submit a printed and stapled write-up.

D. BDP Submission

Due Date: Tuesday, December 2, 2008 **no later than noon (12:00pm)!**

Description: The final products of each team are the Business Development Plan (BDP) and the final presentation of the proposed venture.

Submission Requirements:

- A soft copy should be posted on WebCafe.
- A hard copy to be dropped off at SH-DH 2020.
- Late submissions will NOT be accepted. No excuses.
- BDP Format Requirements: double-spaced, Font: Times Roman; Size: 12 or larger, all margins are 1", stapled, pages numbered sequentially.
- While there are no minimum length requirements, the final BDP must not exceed 25 double spaced pages including all tables, charts, and appendices.

NOTE: Format requirements will be strictly enforced. Any and all deviations from the above requirements are subject to discretionary grade penalty.

E. Peer Evaluation Form

Due Date: Tuesday, December 2, 2008 **no later than noon (12:00pm)!**

Description: A portion of your individual final grade will depend on a weighted peer review of effort by your venture team colleagues. You are asked to rate the contribution of each of the team members by assigning a percentage score to each member (see form below).

F. BDP Presentation

Due Date: Tuesday & Thursday, December 2 & 4, 2008

Description: Teams will make a formal presentation of the final BDP, which will be followed by a short discussion.

Submission Requirements:

- Please note that teams are responsible for arranging all AV equipment needed for their presentation.
- The maximum length of your presentation is 15 minutes (SET UP TIME INCLUDED), while the ensuing discussion will last no longer than 10 minutes. We have to keep a tight and disciplined schedule in order to accommodate all teams in a fair and equal manner.

V. GRADING

The following weights determine the final course grade:

30% are based on individual class participation.

15% of your grade will be based on individual assignments.

40% of your grade will be based directly on the grade given to the team as a group.

15% are based on your contribution to the team (conceptualization, development, and presentation of BDP).

The instructor will take great care to grade as fairly as possible and will NOT discuss grades at the end of the course.

Class Participation (30%)

Much of the learning in the class will come as you consider and discuss with others the ideas, concepts, and theories presented in the class. Your preparation of the readings and cases for each class will contribute substantially to what you and your classmates learn.

In order to encourage you to make good contributions to the discussion, your participation will contribute 30% to your grade. Three factors determine good class participation. First, given thorough and careful preparation, you should be able to identify the important managerial issues as related to either the case or readings (i.e., thoughtfully apply assigned reading, past and present, to the current class discussion). Second, you should be able to use that analysis to define a concise and coherent position on and approach to the managerial issue under discussion. Third, you should be able to constructively analyze the positions your classmates take (demonstrating your listening skills as well as your own analytical skills). Of course, you should also incorporate your own experience and lessons from your work experience as they relate to the concepts in the class.

After each class session, I will evaluate your class participation. I will grade your participation on the following 4-point scale:

- (0) Not in class
- (1) In class, but participation is minimal
- (2) Demonstrates good understanding of case issues
- (4) Significant contribution to class

A significant contribution to class discussion may be a comment that ties relevant current events or personal experience to the discussion and moves the discussion forward (not simply a description of the event).

Individual Assignments (2 x 7.5% =15%)

The purpose of the exercises is to encourage review of course material and strengthen understanding. The first assignment is an exercise in venture capital investment which builds on the Walnut case. The second exercise is an application of the Discovery Driven Planning methodology in the context of the Market Watch case. Grading is a Pass / Fail.

- Assignments should be posted on WebCafé, no later than 7AM of the day of the session (e.g., the Discovery Driven Planning exercise should be posted prior to 7AM on November 7th).
- Submission of both assignments is mandatory. Late work will not be accepted.
- These are individual assignments and would be graded accordingly.

Team Project: Business Development Plan (55%)

The overall quality and cohesiveness of the Business Development Plan will determine the final team grade. You will get a weighted mark for your BDP. The final BDP will make up 55% of the final grade; including an overall-team component (40%) and an individual contribution component (15%). The following criteria will be used in marking your final BDP submission:

A. Executive Summary (10%)

Clear, exciting and effective as a stand-alone overview of the venture.

B. Company, Products and Services (15%)

Description of unfulfilled need that will be satisfied (or of the future market that will be created); your product/service concept, including estimated size of market targeted by your product/service; an overview of how you will create and deliver value (e.g., features, benefits, technologies, current stage of development, proprietary position, distribution channels); and a brief rundown of the key obstacles to success (and how you will address them).

C. Markets and Strategy (20%)

Description of market opportunities: detailed descriptions of your business and revenue models, customer and competitor analyses, industry and competitive analysis. State and justify your overall business strategy and your competitive advantage. Explain how and why you will “make it happen”. Apply analytical techniques.

D. Marketing and Operations (10%)

Plans for production/delivery of product or services, product costs, operating complexity, required resources, and a marketing/sales strategy.

E. Management and Organization (5%)

Backgrounds of key individuals, ability to execute strategy, personnel needs, Type of business, summaries of staffing requirements; organizational chart.

F. Financial Section (15%)

Presented in summary form and follow GAAP). Complete analyses of financial plan, financing plan and evaluation (quarterly for years 1 to 2, annually for years 3 to 5). Apply analytical techniques.

G. Offering (5%)

Proposal/terms to investors. Indicate how much wanted, for what use, and when it is needed. Elaborate on ROI, the proposed structure of the deal, and possible exit strategies.

H. Milestone Events and Key Risks (10%)

Present realistic schedule of events, their anticipated timing and interrelationships between the major events necessary to launch and grow the venture. Identify and discuss critical events and their impact on your plan. Outline your contingency plan.

I. Viability, Brevity and Clarity (10%)

Is the plan written with minimal redundancy? Is it cohesive? Concise? Does it flow logically? Do the facts lead to the conclusion? Is the plan credible? Believable?

Formal Presentation

The quality of class presentations is important. This includes organization, logical flow, keeping the presentation within specified time limits, clarity of the presentation. Finally, the ability to understand inquiries and appropriately respond to inquiries with substantive answers is highly important.

Team and individual performance will be measured in determining the final grade of each student. A portion of your individual final grade will depend on a weighted peer review of effort by your venture team colleagues.

You will be asked to rate the contribution of each of the team members by assigning a percentage score to each member. Therefore, individual grades are likely to vary within each team.

TEAM MEMBER EVALUATION FORM (to be submitted on the last day of class)	
Team Name:	
Your Name:	
Social Security Number:	
Team Member's Name	% Effort (scale 1-100%)
<i>DO NOT RATE YOURSELF.</i>	

VI. Intellectual Property

In this class you are entirely responsible for protecting your own intellectual property. If there is any part of your business idea that you would not like to disclose, then you should simply not disclose it. Obviously, any material not disclosed cannot be evaluated for grading. If you prefer not to use webcafe, then you are welcome to hand me hardcopies. Unfortunately, the instructor cannot sign any non-disclosure agreements related to this course. If you have any questions about this policy, do not hesitate to ask.

Management 230 Course Outline in a Glance – Fall 2008, Prof. Dushnitsky

Session			Topic	Submissions
Nu.	Day	Date		
1	Thu.	9.4.08	Introduction & Course Overview	
2	Tue.	9.9.08	Generating & Identifying Ideas [1]	
3	Thu.	9.11.08	Generating & Identifying Ideas [2]	
4	Tue.	9.16.08	Students Presentations	<i>Presentations of Ideas</i>
5	Thu.	9.18.08	Issues in Team Building	
6	Tue.	9.23.08	Differentiating Your Products or Services	<i>Form teams; Post each member's contact</i>
7	Thu.	9.25.08	Crafting & Assessing Business Models	
8	Tue.	9.30.08	Financing New Ventures: Foundations	<i>Venture Concept & Value Statement</i>
9	Thu.	10.2.08	Financing NV: Investment Criteria	
10	Tue.	10.7.08	Financing NV: The Deal	<i>Individual Assignment #1</i>
11	Thu.	10.9.08	<i>Work in Teams / No Class</i>	
12	Tue.	10.14.08	F a l l B r e a k	
13	Thu.	10.16.08	The Business Plan: Structure & Content	
14	Tue.	10.21.08	Strategy for Startups: IP Strategies	
15	Thu.	10.23.08	<i>Work in Teams / No Class</i>	
16	Tue.	10.28.08	<i>Linking Theory to Practice: Venture Capitalist</i>	<i>Company, Market & Strategy Sections</i>
17	Thu.	10.30.08	Strategy for Startups: Judo Strategies	
18	Tue.	11.4.08	Discovery Driven Planning	<i>Individual Assignment #2</i>
19	Thu.	11.6.08	Managing Growth	
20	Tue.	11.11.08	Managing Growth Through Franchising	
21	Thu.	11.13.08	<i>Linking Theory to Practice: Entrepreneur</i>	
22	Tue.	11.18.08	Harvesting	
23	Thu.	11.20.08	<i>Work in Teams / Consult Instructor</i>	
24	Tue.	11.25.08	<i>Work in Teams / Consult Instructor</i>	
25	Thu.	11.27.08	T h a n k s g i v i n g B r e a k	
	Tue.	12.2.08	BP are due at SH-DH 2020 by noon (12:00pm)	<i>Completed Business Plan</i>
26	Tue.	12.2.08	Presentations	
27	Thu.	12.4.08	Presentations	

Management 230 – Fall 2008, Prof. Gary Dushnitsky

Session 1: Introduction & Course Overview

1. “The Questions Every Entrepreneur Must Answer” by. A. Bhidé, *Harvard Business Review*, November-December 1996, pp. 120-130 (reprint 96603).
2. “What it Takes to Start a Startup” by. B. O’Reilly, *Fortune*, June 7, 1999, pp. 135-140.

Sessions 2 - 3: Generating & Evaluating Venture Ideas

3. “Good Ideas and How to Generate Them” from B. Nalebuff and I. Ayres, *Why Not?*, Harvard Business School Press, Boston, 2003, pp. 13-42.
4. “Online Extra: Intellectual Ventures,” *BusinessWeek*, July 3, 2006.

Session 5: Issues in Team Building

5. “The New Venture Team” by J.A. Timmons, Chapter 8 in *New Venture Creation*, Irwin McGraw-Hill, 1999, pp. 277-287.

Session 6: Differentiating Your Product or Service

6. R.G. McGrath and I. MacMillan, *The Entrepreneurial Mindset*, HBS Press, 2000
 - a. Chapter 3 “Building Blockbuster Products and Services”, pp. 23-48
 - b. Chapter 4 “Redifferentiating Products and Services”, pp. 49-78.

Session 7: Crafting and Assessing Business & Revenue Models

7. *Case study*: “Zipcar: Refining the Business Model” HBS Case 9-803-096.

Sessions 8-9: Financing New Ventures

8. “Introduction” to *The Venture Capital Cycle* by P. Gompers and J. Lerner, MIT Press, 1999, pp. 1-16.
9. *Case study*: Walnut Venture Associates (A), HBS case 9-899-062.

Session 10: Financing New Ventures: The Deal

10. *Case study*: Walnut Venture Associates (D), HBS case 9-899-097.
11. “Aspects of Financial Contracting in Venture Capital” by W. Sahlman. *Journal of Applied Corporate Finance*, Summer 1998.

Session 13: The Business Plan: Structure, Content, and Change

12. “How to Write a Great Business Plan” by W.A. Sahlman, *Harvard Business Review*, July-August 1997, (reprint 97409).
13. “How do Entrepreneurs craft Strategies that Work?” by Amar Bhidé HBR March-April 1994

Session 14: Intellectual Property Strategies

14. *Intellectual Property and Strategy*, HBS Note 9-704-493.
15. “Profiting from Technological Innovation,” by David Teece, In M. L. Tushman & W. L. Moore (Eds.), *Readings in the management of innovation* (2nd ed.). Cambridge, MA: Ballinger Publishing Company. **Read only 621-630.**
16. The Paradox of Disclosure (*to be posted on WebCafe*)
17. Venture vs. Vulture, *Get It Started*, Wharton Entrepreneurial Programs (<http://www.wep.wharton.upenn.edu/newsletter/summer04/venture.html>)

Session 17: Judo Strategy

18. *Case study*: “Judo in Action” HBS 9-703-454.
19. “Upstarts Spread in the Ink Wars,” *BusinessWeek*, Oct. 28, 2005.

Session 18: Discovery Driven Planning

- 20. “Discovery Driven Planning” by R.G. McGrath and I.C. MacMillan, Harvard Business Review, July-August 1995.
- 21. “Milestones for Successful Venture Planning” by Z. Block and I.C. MacMillan, Harvard Business Review, September-October 1985.

Session 19: Managing Growth

- 22. *Case study:* Crunch, HBS case 9-899-233.
- 23. “Note on Building the Self-Sustaining Firm” by A. Bhidé, HBS Note 9-395-200.

Session 20: Franchising/Managing Fast Growth

- 24. “A Note on Franchising,” HBS Note 9-297-108.

Session 22: Harvesting

- 25. *Case study:* Nantucket Nectars, HBS case 9-898-171.
- 26. “The Harvest and Beyond” by J.A. Timmons, Chapter 18 in *New Venture Creation*, Irwin McGraw-Hill, 1999, pp. 573-580.