The Wharton School of the University of Pennsylvania

MGMT 816: Building Human Assets in Entrepreneurial Ventures

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Class meets: Wed 3:00 PM – 6:00 PM
January 13 – March 3, 2010
JMHH, F45

Course Overview and Objectives

The success of entrepreneurial endeavors depends, even more so than in larger more bureaucratic organizations, on the ability to locate and manage talent effectively. Specifically, on the need to find the right people and keep them engaged in working on the organization's goals. We focus in this course on leading, building, and maintaining human assets in start-up and small, growing operations.

Building human assets is particularly relevant in the entrepreneurial context because it is critical for entrepreneurial firms to acquire the resources and establish the organizational capabilities that both facilitate growth and promote short-term and long-term stability. Maintaining those assets is a special challenge in the changing context of start-ups and fast-growing organizations because they lack the more stable and predictable systems for internal development and advancement associated with larger firms as well as the deeper pockets that provide sophisticated employee benefits and other perks.

We first examine these issues when firms are founded, examining how early decisions by founders can facilitate or inhibit growth. Second, we look at the next phase of the growing firm's lifecycle, where founders are building the backbone of talent. Here, the key is how to shape the culture and human resource practices that will define the young firm. Finally, we look at the challenges of maintaining the organization as rapid growth challenges the status quo.

In addition to conceptual and practical readings, every class will feature a case illustrating key concepts and issues facing leaders of start-ups and fast-growing firms. **Every class will also feature a presentation by and conversation with an outside expert whose work is based on guiding or advising start-ups and fast-growing small firms.**

Objectives:

At course completion, we should have:

- an understanding of how to manage human capital given the constraints and opportunities of an entrepreneurial endeavor;
- a familiarity with how to structure an organization to prepare for and facilitate growth;
- tools for dealing with conflicts and threats to the organization within growing firms;

- an understanding of how to assess the value of the human capital of entrepreneurial firms; and
- the ability to apply these concepts to real world situations

Class Format and Preparation

The majority of the learning in the course will take place through preparing for and engaging in the class discussions. Please come to class prepared to discuss the readings and to think analytically about the discussion of your classmates. In addition to case discussions and interactions with outside experts, we will also use some simulations and other exercises to practice the lessons presented in class.

Course Materials

All course readings will be available in a bulkpack from Wharton Reprographics. The readings include cases and additional readings to support the concepts in the class discussion. There will also be several handouts distributed throughout the class.

Optional Materials:
If you are interested in pursuing concepts in greater depth, the following sources may be of interest.

1) Constance E. Bagley and Craig E. Dauchy, *The Entrepreneur's Guide to Business Law*. West Educational Publishing, 1998.

2) James N. Baron and David M. Kreps, *Strategic Human Resources: Frameworks for General Managers*. New York: John Wiley & Sons, 1999.

Grading and Evaluation:

Class Participation (40%)

All class meetings involve active discussion based on cases and readings. Your participation in class discussion will be evaluated on your contribution to the discussion. Regular participation is expected and there will be some cold-calling. Your contribution will be evaluated primarily on the quality of your participation and comments. Quality comments possess one or more of the following properties: 1) a thoughtful application of assigned reading (past and present) to the current discussion; 2) a contribution to moving the discussion and analysis forward; 3) an extension or exploration of the comments of your classmates (demonstrating your listening skills as well as your own analytical skills); 4) a critique involving outside evidence or logic; and/or 5) a citation of relevant current events or personal experience to the discussion that moves the discussion forward.

Final Project (10% + 40% = 50%)

There are several options for the final project. The goal of this assignment is to provide you with an opportunity to apply the course material out of the classroom and to analyze an actual management problem in an entrepreneurial context.

The final project must be focused on an entrepreneurial organization, but there is flexibility in how you approach the assignment.

Some suggested approaches:

1. Analyze and extend current practices;
   Analyze the current human resource and leadership practices at a rapidly growing or young organization and provide suggestions to align their strategy and HR practices.

2. Analyze the impact of a key strategic decision – forward looking
   Acting in the role of consultant, conduct an analysis of how a key strategic decision within an organization might impact the employees and provide recommendations that will help your client in implementing the strategic decision.

3. Analyze the impact of a key strategic decision – backward looking
   Acting in the role of consultant, conduct an analysis of how a key strategic decision that has been implemented within an organization impacted the employees. Examine the consequences of the decision, assess the outcome of the decision, and provide recommendations for how the implementation could have been improved.

Deliverables:

Outline (10%): Each team should post on webCafe a 1-2 page outline of their project. The outline should (1) briefly describe the company or organization of analysis, (2) briefly describe the approach to the final paper, and (3) identify the key concepts that will be applied to the company or organization of interest.

Final Paper (40%): Each team should post on webCafe a report no longer than 10-15 pages (double spaced, 12 point, times new roman font with 1 inch margins), excluding exhibits. The final paper will be evaluated on the following:

- Interpretation. In the practices, events, or outcomes under study, demonstrate an understanding of what is important, why it is important, and how the organization arrived at the current situation. Appropriately apply class concepts to the phenomena under study.
- Specificity. In your analysis and recommendations, be very specific about what actions a manager should implement. Justify and defend your recommendations.
- Implementability. Given the current state of the organization (their resources, culture, politics, etc.) defend the implementability of your suggestions. Identify potential issues with your recommendations.

- Originality. Be creative with your analysis and recommendations. Identify potentially unexpected ways to implement your suggestions, and potentially unexpected consequences of implementing the suggestions.

This assignment may be completed individually or in small groups (2-3 members). Please discuss your ideas with me before you invest your time in the project.

Peer Evaluation (10%)

You will rate your classmates (not yourself) on a 1-10 scale at the end of the course to measure their overall contributions to the class in terms of creating value in class discussions and professionalism of conduct. A template will be available on webCafe.

Initial Goal Statement and Background

The initial assignment is a brief statement discussing your goals for this course and your background in entrepreneurial activities. You should discuss why you are taking this course and what you hope to extract from this course. Please also describe your personal experience as it relates to leadership and entrepreneurial activity. Please note if you would not be willing to discuss your experiences with the class. Note that this is an ungraded assignment which will help me tailor the class to your goals.

Readings and Weekly Plan:

1st class – Wednesday January 13, 2010

Introduction: So you want to start a company?

Case: Jerry Saunders

Readings: "The New Venture."

"Built to Flip vs. Built to Last" by Jim Collins, *Fast Company*, March 2000, Issue 32.

Finding and Acquiring Talent: How do we find the people to help run a new organization? More generally, how do we think about which competencies we should need to bring in as employees, which we should outsource, and which we might be able to secure in other ways?

Case: Mark Pitts – This is about making the hiring decision

Study Questions:

1. How well do Pitts' credentials and accomplishments fit the Peoplestreet job description?
2. What do you learn from his resume?
3. What questions would you want to ask Mark in the interview in order to decide whether or not he is right for the job?

"The Job No CEO should Delegate", Larry Bossidy, Harvard Business School Publishing 2001

The Venture Guide, Develop, Build and Finance Your Entrepreneurial Venture, the top Ten Recruiting Pitfalls of Entrepreneurial Companies, Alan Kaplan 2001

Speaker: Alan Kaplan, Founder Kaplan and Associates

Kaplan & Associates, Inc., the premier executive search firm headquartered in the Mid-Atlantic region. Their mission is to help organizations achieve their long-term business objectives by ensuring that they can identify and attract the finest executive talent.

2nd Class - Wednesday January 20, 2010

Assessing Companies/Assessing Talent: How do we assess the human capital of an organization when doing a valuation, thinking about a merger or integration partner? How do you decide who to keep and who to let go?

Case: Cisco Systems: Acquiring and Retaining Talent in Hypercompetitive Markets, from Charles A. O'Reilly III and Jeffrey Pfeffer, *Hidden Value: How Great Companies Achieve Extraordinary Results with Ordinary People*, Harvard Business School Press, 2000, pp. 49-74.
Study Questions:

1. Is Cisco really a technology company or something else?
2. What are the key techniques that Cisco uses to find businesses to acquire – what are they looking for?
3. What is the worst-case scenario for Cisco's approach?

Reading: Managerial Problem Solving: A Congruence Approach

Peter Cappelli, "A Market-Driven Approach to Retaining Talent," *Harvard Business Review*, January-February 2000, pp. 103-111.

Are Leaders Portable, Boris Growsberg, Andrew McLEan and Nitan Nohris, Harvard Business Review May 2006

The Risky Business of Hiring Stars, Boris Growsberg, Ashish Nanda and Nitan Nohris, Harvard Business Review May 2004

Speaker: Stephen Beckman, North American Regional Director, Pharmaxis.

Pharmaxis is on the cusp of bringing innovative medicines to millions of people worldwide, touching and improving their lives as it does so. Pharmaxis is a specialty pharmaceutical company involved in the research, development and commercialization of new therapies for undertreated respiratory diseases.

3rd Class – Wednesday January 27, 2010

Compensating/Rewarding the Players

Creating Incentives and Rewarding the Right Behavior: Few things are as important or as distinctive to a start-up firm as compensation. In the absence of formal rules and procedures and extensive supervision, the incentives associated with compensation has to carry a great deal of the burden to get employees to perform in start-up firms. How can we get this right?

Case: Stock Options at Virtua.Net.

Eyes on the Wrong Prize: Leadership Lapses that Fueled Wall Street's Fall, September 17, 2008, Knowledge at Wharton. (To be distributed on Webcafe)

How Star Women Build Portable Skills, Boris Groysbergm Harvard Business Review, February 2008.

Speaker: Michael Feinberg, Co-founder KIPP, The Knowledge Is Power Program-

> KIPP is on a mission to provide underserved children with the knowledge, skills, and character necessary for success in all levels of pre-kindergarten through 12 public education, college, and the competitive world beyond.

4th Class – Wednesday February 3, 2010

Shaping and Managing the Culture of the Organization

The Role of Organizational Culture: Culture is important in all organizations, and the most important moments for shaping organizational culture are right at the beginning. For better or worse, the initial decisions made by founders play a crucial role in determining what the culture will be, whether it will serve the needs of the organization and help it thrive or lead to dysfunctional behavior. What are those initial decisions, and how do they play out to form culture in start-ups?

Case: Andrews Winery

Readings:"The Role of the Founder in Creating Organizational Culture," by Edgar H. Schein, Organizational Dynamics, Summer 1983.

"Organizational Blueprints for Success in High-Tech Start-Ups: Lessons from the Stanford Project on Emerging Companies," by James N. Baron and Michael T. Hannan, *California Management Review*, Fall 2002. 44(30):8-36.

The Best Restaurant in Asia, online article, Human Resource Executive Online, May 26, 2008, Peter Cappelli, LRP Publications.

Walking the Walk: Putting Social Responsibility into Action at the White Dog Café, Diane Phillips and Jason Keith Phillips, Richard Ivey School of Business, University of Western Ontario.

Speaker: Marcella Butler

Leads People Operations and Finance for Google's Product Organization. She has also led global staffing for Google, and her prior experience includes roles as COO of a hedge fund, and in banking, consulting and executive search.

5th Class – Wednesday February 10, 2010

Designing and Structuring the Organization

The initial decisions that founders make about the structure of the company are crucial for survival. The complication in making those decisions is that too much structure, or the wrong type of structure, can cripple a growing company. But no structure (perhaps the most common outcome) makes it difficult to get anything done. What are the appropriate structures for entrepreneurial firms – what constitutes too much structure in a start-up vs. too little?

Case: Shinhan Financial Group, Harvard Business Review

Group Assignments – Deciding what to decide, page 16 of case.

Case: Cypress Semiconductor (A): Vision, Values, and Killer Software, Stanford HR-8A

Study Questions:

1. How would you describe T.J. Rodgers approach to achieving results?
2. Are his policies and practices at Cypress aligned with the strategy? Are they a source of competitive advantage? Why or why not?
3. How is the culture being developed and maintained?
4. At the end of the case (in 1994), T.J. Rodgers is wondering whether he should make any changes. What are your recommendations?

Speaker: Jerry Sorkin, Founder and President TunisaUSA

Jerry spearheaded the company's development as a pioneer in developing cultural/historical tours to Tunisia. His experience in both Tunisia and Turkey dates back over a decade and a half, with his frequent visits underscored by an educational background specializing in modern Middle East studies.

6th Class Wednesday – February 17, 2010

Managing the Performance

Most start ups and young organizations face a "do more with less" environment. At the end of the day, how do you measure and reward the contribution of employees? Through clearly articulating goals, you achieve the ability for focus both the organization and its employees on specific priorities which drive success. Creating, implementing, and measuring key performance criteria keeps the organization aligned.

Readings: "How Entrepreneurs Craft Strategies that Work."
"Organization Structure and Management Systems," (chapter 6) in Contemporary Strategy Analysis, 5th Edition by Robert M. Grant. 2005. Blackwell Publishing.

Assessing Training and Development

Often start up and young organizations begin with no more than enthusiasm and an idea. Everyone is expected to do the best they can with the resources provided to them. At some point during the evolution, specialization needs to occur. With this specialization comes the need for more training and development. There are many aspects to development from formal classroom training and education, to online skills development, to basic on the job training. Each has a place, purpose, cost, and ultimate contribution to the organization. Through appropriate selection of training you can effectively develop employees to meet the ever changing needs of the organization.

Case: Big Spaceship: Ready to Go Big

Speaker: Daniel P. O'Meara

> Dan is partner and vice chair of the Montgomery, McCracken, Walker & Rhoads, LLP Labor and Employment Department. He has been a practicing attorney for nearly twenty years, with extensive experience in employment litigation, labor relations and preventive human resource practices.

7th Class Wednesday – February 24, 2010

Managing Inevitable Conflicts in Startups

Conflict is unavoidable. How we choose to manage the conflict can ultimately determine the success of the organization. As organizations mature, the roles and expectations of founder's and employees change. Developing a plan to work through these issues in advance will make the transition more effective. Ultimately, all issues may not be able to be resolved and a contingency plan may be required.

Case: Keeping Google "Googley"

Managing Conflict in Organizations, Martin Davidson, Darden Business Publishing, University of Virginia.

Case: Power Graphics, Program on Negotiation, Harvard Law School

Reading: Three Approaches to Resolving Disputes.

Speaker: Mazie Colen

> Mazie Minehart Colen is a speaker, trainer and executive coach known for her enthusiasm for helping individuals and organizations make lasting change. Mazie has worked in Training, Organizational Development, Human Resources, Executive Coaching and Communications both inside corporations and as a consultant to corporations since 1992.

8th Class Wednesday – March 3, 2009
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