

The Wharton School of the University of Pennsylvania

MGMT 816: Building Human Assets in Entrepreneurial Ventures

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Class meets: Tuesday 3:00 PM – 6:00 PM
January 17 – March 6, 2012
Location TBD

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 challenges of maintaining the organization as rapid growth challenges the status quo.

The class will have three key components. First, each class will have conceptual and practical readings relevant to the topic of the class including a case illustrating key concepts and issues facing leaders of start-ups and fast-growing firms. Second, practical application and examples will be provided relevant to the topic. Lastly, every class will also feature a presentation by and conversation with an outside expert whose work is relevant to guiding or advising start-ups and fast-growing small firms.

Objectives:

At course completion, we should have:

- an understanding of how to conceptually and actually 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.

Each class will consist of a combination of lecture and discussion of the day's topic. On most days, I will use case analysis to explore the issues at hand. Preparation is essential. I expect you to read all of the assigned materials for each session in advance of the class. In class, you should be prepared to analyze the concepts from the case and the readings and to discuss any questions provided in the syllabus. If you cannot answer the questions, you are not prepared for class. I will use cold calling to ensure preparation and to establish an even level of participation throughout the course.

I expect you to participate actively in class to help your learning and that of your peers. A productive learning environment requires active engagement of all class members. Three factors determine good class participation. First, given thorough and careful preparation, you should be able to identify the relevant issues related to the case and/or readings. Second, you should be able to use that analysis to define a concise and logical position on the issues. Please avoid pure repetition of case facts. You should be able to show how a particular concept is illustrated in the case or suggest how the substantive problem presented in the case can be solved. Third, you should be able to analyze constructively the positions your classmates take. Quality, not quantity, will determine the effectiveness of your comments. "Airtime hogs" will not be rewarded.

Of course, the underlying condition for class participation is attendance. I expect you to attend all sessions. Specifically, according to the MBA office, there is no recruiting reason for which you should miss class. I will be taking attendance. Arriving late is disrespectful to your colleagues and, for attendance purposes, is treated as a distinct event from being present at the start of class. If you cannot come to class, you should notify the instructor by email in advance of the class. Finally, in order to facilitate lively, in-depth discussions and out of respect for each other, there are two simple ground rules regarding mobile devices and laptop

computers: 1) please remember to turn off your phone, Blackberry and/or other communication devices; and 2) no laptops open during class.

CASE DISCUSSIONS

In preparing cases for discussion in class, you should be ready to comment on (1) the case's background and context, (2) the key issues and problems, (3) a framework for analyzing the issues and problems, (4) the implications of the assigned readings for understanding the case, and (5) a course of action for designing and implementing solutions.

Course Materials

All course readings will be available in a bulk pack 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.

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 Paper (10% + 40% = 50%)

There are several options for the final paper. 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.

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 paper.

The final paper 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.
- Feasible. Given the current state of the organization (their resources, culture, politics, etc.) defend the feasibility of the implementation 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.

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 – Tuesday, January 17, 2012

Introduction: So you want to start a company?

Readings:

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

“The New Venture.”

“Managing human resources in small organizations: What do we know?” Melissa S. Cardon, Christopher E. Stevens, *Human Resource Management Review* 14 (2004) 295–323

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?

Readings:

The Risky Business of Hiring Stars, Boris Groysberg, Ashish Nanda and Nitán Nohria, *Harvard Business Review* May 2004

In Class Material and Discussion –

Recruiting Power Point, discuss interviewing and recruiting methods and strategies

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 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 – Tuesday, January 24, 2012

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?

Case: Jerry Saunders

1. Evaluate X-Cardia from the perspective of an investor or acquirer. What resources or capabilities does this firm have?
2. Is San Francisco Science a viable business opportunity? What concerns would you have regarding the future of this business?
3. Is Jerry Saunders a credible founder? What are his strengths and weaknesses?

Readings:

Are Leaders Portable, Boris Groysberg, Andrew McLean and Nitan Nohria, Harvard Business Review May 2006.

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

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

Speaker:

3rd Class – Tuesday, January 31, 2012

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?

Readings:

Managerial Problem Solving: A Congruence Approach

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

The Care and Feeding of High Potential Employees, SHRM Publications 2011/8/11, to be distributed on WebCafe

A Note on Valuation for Venture Capital – Reference no. 9B09N009 Authors: Rosenberg, T. Ivey Publishing (2009)

Case: RSSWorks Inc. – An Early Stage Investment

From a founder's perspective –

1. What are the key needs and wants at this stage of the company?
2. How will these key needs affect your attitude toward funders?
3. What terms and conditions will you be adamant about what will you be willing to negotiate?
4. What valuation will you put on the company?

Case: Stock Options at Virtua.Net.

1. How would you advise Kay, Suresh and Janet regarding compensation for a prospective CEO?
2. What would key areas of emphasis be for you?
3. What would be your greatest areas of concern and how would you recommend to resolve them?

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.

4th Class – Tuesday, February 7, 2012

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?

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.

Case: Marie Bohm and the Aspect Group, Richard Ivey School of Business, Case Study 9B05C017

1. What features of the Aspect Group’s organizational design contribute to the firm’s effectiveness? What features need to be changed to promote success?
2. As the Aspect Group grows, will the organization need to change? In what way?
3. Which partnering option should Bohm follow to grow? Why?

Case: Andrews Winery

1. Identify the key strategic shifts in the organization? What are the indications a change has occurred?
2. How did Bill Andrew’s adjust to these changes?
3. Were these adjustments effective and consistent with the culture he wanted to retain?

Speaker: .

5th Class – Tuesday, February 14, 2012

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?

Readings:

“Why Should Anyone be Led by You?” *Harvard Business Review*, September-October 2000, Robert Goffee and Gareth Jones

The Uncompromising Leader, Russel A. Wisensat, Michael Beer, Nathaniel Foote, Toias Fredberg, Flemming Norrgren, *Harvard Business Review*, July – August 2008.

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: Need Speaker

6th Class Tuesday, February 21, 2012

Managing the Performance

Most startups 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.

Reading:

TRAINING IN SMALL FIRMS: AN ANALYSIS OF WHEN SMALL FIRMS SHOULD EMPHASIZE
Neil Tocher; Christopher L Shook; William F Giles, Journal of Business and Entrepreneurship; Mar 2007

In Class Material and Discussion –

Performance Management Power Point, discuss methods and processes for providing ongoing and formal feedback.

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.

7th Class Tuesday, February 28, 2012

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.

Reading:

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

Three Approaches to Resolving Disputes.

In Class Material and Discussion –

Documentation Power Point, discuss methods and strategies for clear employee documentation – essentially, what should you keep in an employee file.

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.

8th Class Tuesday, March 6, 2011

Open