



**The Wharton School  
University of Pennsylvania**

**MGMT 801: Entrepreneurship (0.5 cu)**  
Spring 2014  
Tues, Thurs; 9-10:30, 10:30-12 & 12-1:30

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***COURSE DESCRIPTION***

You may want to start a new venture. You may find yourself starting a new venture in the future. You may find yourself working for an entrepreneur, funding entrepreneurs, or having to work with them. Or you may simply want to be more entrepreneurial in your own career. The purpose of Management 801 is to be helpful to you under any of these circumstances with a whirlwind tour of the many dimensions of new venture creation and growth. We will be concerned with issues that relate to conceptualizing, developing and managing successful new ventures. As the entry level course in Entrepreneurial Management, MGMT 801 serves a gateway for the other courses to help you further pursue your interests and develop expertise in a particular domain, e.g. venture capital investment, through the many course offerings at the Wharton Entrepreneurial Programs.

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. The class sessions are designed to familiarize you with the many dimensions of entrepreneurship and new venture development. While most of the examples in class will be drawn from new venture formation, the principles also apply to entrepreneurship in corporate settings and to non-profit entrepreneurship.

Those interested in writing and implementing a comprehensive business plan should enroll in MGMT 806, a semester-long class that emphasizes venture implementation. It is open to students who have completed MGMT 801.

## ***COURSE REQUIREMENTS***

### **Attendance, Preparation and Participation**

Attendance in this class is mandatory. Regular attendance and participation are essential to succeed in the course. Participation in class discussions and group exercises is encouraged – it will contribute to your experience in the class and to your grade.

To succeed in this class, you need to have completed the assignments for each class session, and thought about what they mean and how they fit into the overall picture for the class. Your performance will be assessed based on these expectations.

### **Readings**

All class readings are available in the Coursepack through Study.net and Wharton Reprographics.

### **Grading**

Your final grade will consist of the following elements:

<b>Class participation</b>	<b>25%</b>
<b>Individual assignments</b>	<b>40%</b>
1. “How do startups quantify effective performance?”	(10%)
2. “Generating Ideas: Sparking a new idea or opportunity”	(10%)
3. “Evaluating Ideas: Objectivity and subjectivity”	(10%)
4. “The fast pitch”	(10%)
<b>Team project</b>	<b>35%</b>
A. “The modern day business plan”	(25%)
B. “The investor pitch”	(10%)

There is a zero tolerance policy for academic dishonesty. ***Cheating, plagiarism, or turning in another’s work as your own will result in a failing grade for the class.***

## **Class Participation (25%)**

You are expected to come to class well prepared to discuss the case studies and reading materials. Class attendance is very important in this course. Especially in an area like entrepreneurship, learning occurs through interaction, and accordingly, respect for your colleagues' comments will be expected at all times. *Do not come late to class.* Tardiness disrupts case discussions and devalues the effort of everyone else who does show up on time. Class participation grade is also affected by any class that you miss beyond one absence.

## **Individual Assignments (40%)**

Details of each of the individual assignments will be announced in class.

- The submissions are due no later than 5:00 PM the day of class. No late work will be accepted.
- You may be asked to present your answers to the class.
- Each of these assignments is to be completed individually, though you may later choose to develop any of these concepts as part of the Team Project.

## **Final Team Project (35%)**

The team project is an opportunity to apply the knowledge and insights gained from this course to analyze real-life entrepreneurial issues. Each team will be asked to develop an original venture idea of the team's choosing and perform an analysis of the idea drawing from course concepts.

Each team will present their project to the class, in the form of an investor pitch presentation. Teams will sign up for a presentation timeslot on Canvas. More details of the presentations will be announced in class.

### ***Evaluation criteria***

*Value Proposition:* Specify the venture concept and value proposition (e.g., why the demand is not being met currently, or how you would generate demand for the offering).

*Market & Competition:* Analyze the market potential and competitive pressure for your entrepreneurial venture. Ask why others have not fully taken advantage of the opportunity.

*Financial prospects:* Present a pro-forma financial plan and statement of likely financial capital sources. If appropriate, consider how equity would be divided.

*Risks, Uncertainties, and Hypotheses Testing.* Analyze key challenges and risks associated with the offering, together with ways your team might address those challenges. Identify key assumptions in your business: assumptions that are critical to your business, and have high levels

of uncertainty. Pick at least one of these and develop a falsifiable hypothesis, and a way to test it using MVPs, Customer Discovery, or another approach. Consider the risk of false positives, false negatives, and sequencing of tests.

*Research.* Where possible, don't make guesses about your market, your margins, or how you might implement a business plan – talk to potential suppliers, survey customers, or engage in other research efforts that might give you insight into how your plan will work in the real world.

### ***Project Team Formation***

The team size will be 4-6 people. You may form teams with students from different sections; however, keep in mind that you must **all** be present on the day of your final team presentation in the section for which you have scheduled your final team presentation timeslot.

As you form the team, also keep in mind that the most effective submissions are often a result of a joint effort using the diverse skills of all team members.

### ***Peer evaluation***

The 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. *The peer evaluation form is due along with the final paper.*

### ***Intellectual Property***

The philosophy of the class is that you are far more likely to be helped than hurt by talking about your idea with everyone who will listen. Chris Dixon gives an argument about why this is so here: <http://cdixon.org/2009/08/22/why-you-shouldnt-keep-your-startup-idea-secret/>. In any case, you are entirely responsible for protecting your own intellectual property, though intellectual property theft has never been a problem in Management 801. If there is any part of your business idea that you would not like to disclose, then you should simply not disclose it, or select a different business idea. If you have any questions about this policy, do not hesitate to ask.

## ***COURSE OUTLINE***

Please note that all the listed readings are required. Throughout the class, optional readings may be provided to expand on these materials.

Session	Date	Topic	Readings	Details for this session
1	Thurs, Jan 16	Introduction & Overview		
2	Tues, Jan 18	The Startup Simulation	<p>- “How to Write a Great Business Plan” by W.A. Sahlman, <i>Harvard Business Review</i>, July-August 1997, pp.98-108</p> <p><i>Important Note: We will not be discussing this reading directly in class. This serves as useful background for the final project, so you need not have read it before this session of class starts. However, as you think about your final project, refer to page 16 of Business Model Analysis for Entrepreneurs.</i></p>	<p><i>In-class simulation</i></p> <p>- Make sure you have read the instructions for The Startup Game.</p> <p>- If you are a founder, please make sure that you have coordinated with your co-founder.</p>
	Thurs, Jan 23, Tues, Jan 28, Thurs, Jan 30	Focused Recruiting Period (FRP) – <b>* No Class Session *</b>		
3	Tues, Feb 4	Generating Ideas; Evaluating Venture Ideas and Business Models	<p>- “Identifying Venture Opportunities” Stanford E-323</p> <p>- “Note on Business Model Analysis for the Entrepreneur,” HBS 9-</p>	<p><b>** Individual Assignment #1 Due **</b></p> <p>Be prepared to discuss the</p>

			802-048.	<p>following question:</p> <ul style="list-style-type: none"> <li>- Think about when you have been most creative or innovative. What were the circumstances that enabled you to feel that way?</li> </ul>
4	Thurs, Feb 6	<p>Start-up Issues at the Outset:</p> <p>Power and Money Among Founders; Organization Culture in a Startup Environment</p>	<ul style="list-style-type: none"> <li>- <i>Case study: Apple's Core</i>, HBS case 9-809-063</li> <li>- "A Note on the Legal and Tax Implications of Founders' Equity Splits" by Noam Wasserman and Lauren Barley, HBS Note 809110</li> <li>- "Organizational Blueprints for Success in High-Tech Start-Ups: Lessons from the Stanford Project on Emerging Companies," James N. Baron and Michael T. Hannan, <i>California Management Review</i>, Spring 2002.</li> </ul>	<p>Be prepared to discuss questions about "Apple's Core":</p> <ul style="list-style-type: none"> <li>- Is this a good founding team?</li> <li>- What should Wozniak do now?</li> </ul> <p>Be prepared to discuss the following questions about startup culture:</p> <ul style="list-style-type: none"> <li>- What makes some blueprints more attractive than others? What is the role of the entrepreneur in establishing blueprints?</li> <li>- What were the organizational blueprints of the companies you worked for prior to the MBA? What worked and what didn't work for you about these cultures?</li> </ul>
5	Tues, Feb 11	Building the Important	- Firing simulation packet	<i>In-class simulation</i>

		<p>Founding Team Components:</p> <p>Quality of the Management Team; Hiring and Firing in a Startup Environment</p>	<p>- <i>Whartonite Seeks Code Monkey</i>, try not to wince:  <a href="http://whartoniteseekscodemonkey.tumblr.com/">http://whartoniteseekscodemonkey.tumblr.com/</a></p>	<p>Be prepared to discuss the following questions:</p> <ul style="list-style-type: none"> <li>- How do you find the right technical hires and avoid being listed on Whartonite Seeks Code Monkey?</li> <li>- How does process fairness apply to startups?</li> </ul>
6	Thurs, Feb 13	Lean Startups and Hypothesis Testing	<p>- <i>Case Study: Rent the Runway</i>, HBS case 812077</p> <p>- “The Hypothesis Driven Startup” by Thomas R. Eisenmann, Eric Ries, Sarah Dillard, HBS Note 812095.</p>	<p><b>** Individual Assignment #2 Due **</b></p> <p>Be prepared to discuss the following questions:</p> <ul style="list-style-type: none"> <li>- Think about the timeline of actions undertaken by Rent the Runway’s cofounders. Do you agree with the decision to pursue each action?</li> <li>- Which actions were important in validating business model hypotheses and refining the concept? Can you suggest different actions that the cofounders should have taken?</li> </ul>
7	Tues, Feb 18	Financing; Profit Leverage	<p>- <i>Case study: Walnut Venture Associates (A)</i>, pp. 1-11 only; <i>HBS case 9-899-062</i>.</p>	<p>Be prepared to discuss the following questions:</p> <ul style="list-style-type: none"> <li>- Put yourself in</li> </ul>

			<p>- <i>Case study: Walnut Venture Associates (D)</i>, HBS case 9-899-097.</p>	<p>Wagner's shoes for Walnut "A." What aspects of the potential deal require the most due diligence? Are there any potential deal-breakers?</p> <p>- Put yourself in O'Conner's shoes, when you are evaluating Walnut "D": What might trouble you about the terms?</p>
8	Thurs, Feb 20	Sales & Marketing	<p>- <i>Crossing the Chasm</i> by Geoffrey Moore, pp. 1-62</p> <p>- <i>Case study: Office Tiger</i>, HBS 9-804-109 (Focus on pages 1-11, and the Exhibits)</p> <p>- Elsbach, "<i>How to Pitch a Brilliant Idea</i>", HBR reprint R0309</p>	<p><b>** Individual Assignment #3 Due **</b></p> <p>Be prepared to discuss the following questions:</p> <p>- Why did OfficeTiger get off to a slower start than originally planned? Why did it take so long to find its early customers?</p> <p>- Who were OfficeTiger's earliest customers, and why did they buy the product? How would you use the concepts from Moore's book to describe the initial sales process?</p>
9	Tues, Feb 25	Managing Growth & Scaling the Business	<p>- <i>Case study: Crunch</i>, HBS case 9-899-233.</p> <p>- "Note on Building the Self-Sustaining Firm"</p>	<p>Be prepared to discuss the following questions:</p> <p>- Should Crunch buy</p>

			by A. Bhide, HBS Note 9-395-200.	SportsLife? - What are the biggest challenges facing Crunch?
10	Thurs, Feb 27	Exit Strategies & Harvesting	<ul style="list-style-type: none"> <li>- <i>Case study</i>: Nantucket Nectars: The Exit, HBS case 9-810-041.</li> <li>- “The Harvest and Beyond” by J.A. Timmons, Chapter 18 in <i>New Venture Creation</i>, Irwin McGraw-Hill, 1999, pp. 573-580.</li> </ul>	<p><b>** Individual Assignment #4 Due **</b></p> <p>Be prepared to discuss the following questions:</p> <ul style="list-style-type: none"> <li>- If you are Tom and Tom, what is the minimum price you except for Nantucket Nectars?</li> <li>- If you were advising Tom and Tom, what would you tell them to do?</li> </ul>
11	Tues, Mar 4	Final Team Presentations		<b>** Final Team Project Due **</b>
12	Thurs, Mar 6	Final Team Presentations; Course Wrap-up		