

MGMT 801: ENTREPRENEURSHIP (0.5 CU)

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Fall 2015 Q1 and Q2

The Wharton School of the University of Pennsylvania

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Mon, Wed. 10:30-12, 1:30-3 & 3-4:30

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I. OVERVIEW AND PROCEDURES

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.

II. GRADING

45% Active class participation & either Polls or Looking Glass

15% Individual exercise

40% Team project

Active Class Participation (45%) 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.*

Class participation grade is also affected by any class that you miss beyond one absence. To ensure that the class is highly interactive, each student is asked to bring his/her name plate to each and every class meeting.

***You have a CHOICE between two class experiences: Looking Glass or “standard” 801
Both options count as part of class participation***

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| <p><u>Looking Glass</u> is a new simulation, which provides a realistic simulation of the startup experience. I designed it with input from lawyers, successful entrepreneurs, venture capitalists, and a range of other experts. You will be placed on teams with other people from Management 801 (and potentially other schools). Looking Glass will run for around 3 weeks, and, during that time, you will be expected to log into the simulation at least three times a week, a process which should take 15-20 minutes each time. Note that this is the minimum level of participation, you may find yourself spending more time. More details will be provided in class.</p> | <p><u>Standard 801</u> If you choose not to participate in Looking Glass, you will be expected to answer a series of short reaction surveys which will be posed in the “assessments” section of Canvas before marked class sessions. The survey typically requires you to make a decision based on the readings [e.g. “Mr. Smith should/should not pursue the X opportunity”] and indicate, in bullet point form, the main reasons for your choice. Questions are generally quite short. You are responsible for responding to the poll no later than 8:00 AM the day of class.</p> |
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Some notes about Looking Glass Looking Glass is a unique (and hopefully fun) experience, but it isn’t for everyone. Please consider the following:

- Most school assignments have clearly defined assignments and deliverables. In Looking Glass, as in entrepreneurship, you will need to figure out what you want to do and when you need to do it. If you do not deal well with ambiguity, or it causes you inordinate stress, Looking Glass may not be for you.
- Looking Glass takes more time than Standard 801.
- Looking Glass is team based, but is also entirely virtual. You will not be able to meet your team members outside of class, and you may not know who they are. Thus, organizing and motivating your team is critical.

Individual Paper (15%) The individual paper is for everyone. Unless stated otherwise, submissions are due no later than 5:00 PM the day of class.

- You may be asked to present your answers to the class.
- This is an individual assignment, though you may later choose to develop your concept in a business plan as part of the Team Project.

The goal of the paper is to expose yourself to a wider range of venture ideas, and by extension, expand your network at Penn, and beyond. The individual paper is a 2-page assignment in which the goal is to outline the basics of a venture idea or opportunity. The catch is that it must be an opportunity that you identify from a new contact or source, rather than a prior idea, or one from brainstorming or talking with only fellow Wharton students. Potential sources:

1. Individuals in academic programs at Penn outside of Wharton. Consider visiting open houses or seminars at other departments (for example, http://www.grasp.upenn.edu/seminars_events, <http://www.lrsm.upenn.edu/>)
2. A university technology transfer office. Penn has an extensive site (<http://www.ctt.upenn.edu/index.php?category=49>) but you can use other universities

People in your selected industry of interest. Consider interviewing a couple individuals to find potential problems that might be solvable, or user innovations that might be exploitable, as discussed in class.

You need not develop the idea completely, nor do you need to perform any in-depth market or feasibility analysis. Your assignment should outline the basics of the idea, how you discovered it, and what your next steps would be to assess the idea further. Please make the paper two pages, double spaced, 12-point font.

Team Project (40%) You will ultimately produce a 2-5 page executive summary and an annotated 10-12 slide pitch deck. We will discuss details in class. The team size will be 4-7 people. As you form the team keep in mind that the most effective submissions are often a result of a joint effort using the diverse skills of all team members.

The Pitch Deck: The purpose of the pitch deck is to give you an opportunity to develop your original venture idea in a realistic way. The evaluation criteria are as follows:

- *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.
- *Go to Market Plan:* Discuss how you will sell and deliver products. Simply stating “buy Google ads” is not enough – think about issues like customer acquisition costs and channels.
- *Financial prospects:* Present a pro-forma financial plan and statement of likely financial capital sources. Use either a bottom-up (start with the LTV and CAC of a single customer and scale from there) or Discovery-Driven Plan.
- *Operations:* How are you going to build your product and service? How will you scale it?
- *Hypotheses Testing.* Analyze key challenges and risks associated with the offering, together with ways your team might address those challenges. Identify 1-3 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. Conduct at least some minimal hypothesis test using an MVP.

Resources: For those writing business plans, you may want to look at the samples on Canvas.

Deliverables: Timely delivery of the following submission is required.

- *Outline (5%):* Each team should post a 2-3 page outline on Canvas. It should include a statement of the topic of your mini business plan, as well as an outline. We regard this submission as a binding statement of your term project. Please make sure that names of all team members are on the submission. We will set up appointments to discuss the outline.
- *Hypothesis Draft (5%):* Each team will provide an outline of key hypotheses and how to test them. This will be used during the Testing Lab.
- *Final report (30%):* Each team will produce a 10 slide “pitch deck” that will go along with the final report. It will present the final report material in the format most used to actually pitch materials.

- *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 report.*

III. Academic Honesty

Academic Honesty: **Under no circumstances should you pass off the work of another as your own.** That means that you must cite sources, and, if quoting a source, properly indicate which material is quoted and which is original work – never just copy and paste material from a source into a paper. Failure to properly attribute work will result in, at a minimum, a failing grade for an assignment

IV. Secrets and Disclosure

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. Unfortunately, the instructor cannot sign any non-disclosure agreements related to this course. Some classes may be recorded for students who cannot make it. If you have any questions about this policy, do not hesitate to ask.

Management 801: Course Outline in a Glance (Prof Mollick)

Schedule May Change. Most Up-to-Date Schedule in on Canvas

Fall 2015, Quarter 1

| No. | Day | Date | Topic | Assignment Due |
|-----|-------|-------|---------------------------------------|--------------------------|
| 1 | Wed. | 8/26 | Intro & Overview | |
| 2 | Mon. | 8/31 | The Startup Game | |
| 3 | Wed. | 9/2 | Power and Money* | Choose your 801 |
| LG | Thur. | 9/3 | Looking Glass Begins | Evening intro session |
| 4 | Wed | 9/9 | Like a Boss: Building Your Company * | Exploration Paper Due |
| --- | Mon. | 9/14 | No class | [Team] Outline Due |
| 5 | Wed. | 9/16 | Getting Started: Creating Hypotheses* | |
| 6 | Mon. | 9/21 | Taking Action: Testing Hypotheses | |
| --- | Wed. | 9/23 | No class | |
| 7 | Mon. | 9/28 | Financing* | [Team] Hypo Draft Due |
| 8 | Wed. | 9/30 | Looking Glass Debrief | |
| 9 | Mon. | 10/5 | Testing Lab | |
| 10 | Wed. | 10/7 | Sales and Marketing* | |
| 11 | Mon. | 10/12 | Managing Growth* | |
| 12 | Mon | 10/14 | Exit and Harvest* | [Team] Final Project Due |

Purple means Looking Glass only

* Daily poll on these days for students opting out of Looking Glass, poll closes 8am on the day of class.

Fall 2015, Quarter 2*Schedule May Change. Most Up-to-Date Schedule in on Canvas*

| No. | Day | Date | Topic | Assignment Due |
|-----|------|-------|--|---------------------------------|
| 1 | Mon. | 10/19 | Intro & Overview | |
| 2 | Wed. | 10/21 | The Startup Game* | |
| 3 | Mon. | 10/26 | Power and Money* | Choose your 801 |
| LG | Tue. | 10/27 | Looking Glass Begins | Evening intro session |
| 4 | Wed. | 10/28 | Like a Boss: Building Your Company * | Exploration Paper Due |
| 5 | Mon. | 11/2 | Getting Started: Creating Hypotheses* | [Team] Outline Due |
| 6 | Wed. | 11/4 | Taking Action: Testing Hypotheses | |
| 7 | Mon. | 11/9 | Financing | |
| 8 | Wed. | 11/11 | Testing Lab | |
| 9 | Mon. | 11/16 | Sales and Marketing* | [Team] Hypo Draft Due |
| 10 | Wed. | 11/18 | Looking Glass Debrief | |
| -- | Mon. | 11/23 | <i>Team Day – no class</i> | |
| 11 | Mon. | 11/30 | Business Models | |
| 12 | Wed. | 12/2 | Managing Growth* | |
| 13 | Mon | 12/7 | Exit and Harvest* | [Team] Final Project Due |

Purple means Looking Glass only

* Daily poll on these days for students opting out of Looking Glass, poll closes 8am on the day of class.

Management 801: Required Course Readings

You can find optional readings expanding on these materials at my website at <http://www.startupinnovation.org/resources-and-readings/>.

Introduction

Readings

1. *Case study*: Apple's Core, HBS case 9-809-063

Study questions about "Apple's Core":

- Is this a good founding team?
- What should Wozniak do now?

The Startup Game

Readings

2. "Business Model Analysis for Entrepreneurs" by Tom Eisenmann, HBS Note 9-812-906. *Important Note: We will not be discussing this reading directly in class today. It serves as critical background for the final project, but you need not have read it before this session of class starts. However, as you think about your business plan, refer to page 16 of Business Model Analysis for Entrepreneurs.*

Interactive:

3. Prep the Startup Game. Make sure you have read the instructions for The Startup Game. If you are a founder, please make sure that you have coordinated with your co-founder.

Power and Money, Money and Power

Readings

4. *Case study*: Evan Williams, HBS case 9-809-088
5. *[Optional, but may save you hundreds of thousands of dollars]* "A Note on the Legal and Tax Implications of Founders' Equity Splits" by Noam Wasserman and Lauren Barley, HBS Note 809110

Study questions for Evan Williams:

- How has Evan Williams gotten himself into this mess?
- What should he do now?

Like a Boss: Building your company

Readings

6. "Zero Defect Hiring," available here: http://www.inc.com/magazine/19980301/889_Printer_Friendly.html

7. Browse: *Whartonite Seeks Code Monkey*, try not to wince:
<http://whartoniteseekscodemonkey.tumblr.com/>
8. “Organizational Blueprints for Success in High-Tech Start-Ups: Lessons from the Stanford Project on Emerging Companies,” James N. Baron and Michael T. Hannan, *California Management Review*, Spring 2002.

Study question for this class

- How do you find the right technical hires and avoid being listed on Whartonite Seeks Code Monkey?
- What makes some blueprints more attractive than others? What is the role of the entrepreneur in establishing blueprints?
- 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?

Getting Started: Creating Hypotheses

Readings

9. “The Hypothesis Driven Startup” (pages 1-5) by Thomas R. Eisenmann, Eric Ries, Sarah Dillard, HBS Note 812095.
10. “Chapter 6. Creating Reverse Financials and the Assumption Checklist” by Rita Gunther McGrath; Ian C. MacMillan, HBS Chapter 3072BC-PDF-ENG
11. Download and glance at the DDP for Digital Desk

Study questions for Getting Started:

- Examine the DDP for Digital Desk. Which assumptions are most critical? How do you know?

Taking Action: Hypothesis Testing

Readings

12. *Case Study: Rent the Runway*, HBS case 812077
13. “The Hypothesis Driven Startup” (pages 6-26) by Thomas R. Eisenmann, Eric Ries, Sarah Dillard, HBS Note 812095.
14. My “Five Very Fast Ways to Better Understand a New Product or Market”

Study questions for Rent the Runway and Lean Startups:

- When is “lean” methodology appropriate? When is it a bad idea?
- Think about the timeline of actions undertaken by Rent the Runway’s cofounders. Do you agree with the decision to pursue each action? Which actions were important in validating business model hypotheses and refining the concept? Can you suggest different actions that the cofounders should have taken?

Financing

Readings

15. *Case study*: PunchTab, Inc. HBS Case 9-812-033
16. "Pre-Money Post-Money" Online Tutorial/Exercise
17. [Optional] *Venture Deals* by Brad Feld and Jason Mendelson. This is optional, and you do not have to read the whole book (though it is really good), but you should look up the terms you don't understand in PunchTab in Chapters 4, 5, & 6.

Study questions about PunchTab case:

- Do you think it makes sense to do a seed round of financing? Why or why not?
- What are the relevant differences between angels and venture capital investors that Ranjith Kumaran should consider when raising money for his venture? Who would be the best partner for him in the short term? Who would be the best partner in the long term?
- How is a convertible note different from a traditional "priced" financing? Should Kumaran care whether the investors offer him one option or another?

Sales and Marketing

18. PunchTab Pitch Deck 9-812-172
19. DocSend Fundraising Research (on Canvas)

Testing Lab

The Testing Lab will give you a chance to explore a testing methodology. You will be told how to sign up for a particular testing approach, and any pre-readings required for that approach, in class.

Business Models (Q2 Only)

Readings

20. *Case study*: "Zipcar: Refining the Business Model" HBS Case 9-803-096.
21. "Note on Business Model Analysis for the Entrepreneur," HBS 9-802-048.
Important: This reading is different than the similarly titled "Business Model Analysis for Entrepreneurs" that you were assigned earlier in the class

Study questions about Zipcar case:

- What are the biggest potential selling points for Chase to push as she tries to raise capital? What is the potential size of the market for Zipcar?

- What are the key assumptions underlying the May, 2000 Zipcar business model? Or, to put it another way, which elements of the May 2000 plan would you want to monitor most closely during early roll-out in order to ensure that the business could be profitable? You may find it useful to sketch out a conceptual fishbone diagram of the business model, as explained in the “Note on Business Model Analysis.”
- Given the data in Table 8b, what actions would you suggest?

Managing Growth

22. *Case study:* Crunch, HBS case 9-899-233.

23. “Scaling a Startup: People and Organizational Issues” 812100-PDF-ENG

Study questions about the Crunch case:

- Should Crunch buy SportsLife?
- What are the biggest challenges facing Crunch?

Exit and Harvest

24. *Case study:* Nantucket Nectars: The Exit, HBS case 9-810-041.

Study questions about the Nantucket Nectars case:

- If you are Tom and Tom, what is the minimum price you expect for Nantucket Nectars?
- If you were advising Tom and Tom, what would you tell them to do?