

The Wharton School, University of Pennsylvania  
**MGMT 801 – ENTREPRENEURSHIP (0.5 CU)\***  
Fall 2018 Q1 & Q2

## **COURSE OVERVIEW**

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.

## **TIME & LOCATION**

Tuesdays & Thursdays

9am-10:30am & 10:30am -12pm

Q1 Room: Jon M Huntsman Hall 370

Q2 Room: Jon M Huntsman Hall F50

## **INSTRUCTOR**

Jacqueline 'Jax' Kirtley

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Office Hours arranged by individual appointment

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\* Please note that this syllabus is subject to change with prior announcements.

## COURSE ORGANIZATION & REQUIREMENTS

### DELIVERABLES & GRADING

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 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.

### Individual paper

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 you will 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.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. 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.

### Team Project

You will ultimately produce 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.

*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 the following week.
- *Hypothesis Draft* (5%): Each team will provide an outline of key hypotheses and how to test them.
- *Mini-pitch* (5%): Each team will do a mini-pitch (3 minutes, first 4 slides) and receive feedback.
- *Final report* (25%): Each team will produce a 10 slide “pitch deck”. 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.

## COURSE GRADING

- 45% Active Class Participation & Reaction Assignments
- 15% Individual Idea Paper
- 40% Team Project Pitch Deck and Presentation

## 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

## SECRETS, DISCLOSURE, AND 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 questions about this policy, do not hesitate to ask.

## MGMT 801 FALL 2018 Q1 –SCHEDULE OVERVIEW

Session	Date	Topic	Assignment Due
1	Aug 28 <sup>th</sup>	Introduction Case: Apple's Core	
2	Aug 30 <sup>th</sup>	The Startup Game <i>In Class Simulation</i>	
3	Sept 4 <sup>th</sup>	Power & Money, Money & Power	<i>Exploration Paper Due</i>
4	Sept 6 <sup>th</sup>	Entrepreneurial Strategy: Choosing Customers	
5	Sept 11 <sup>th</sup>	Entrepreneurial Strategy: Creating Hypotheses	<i>[Team] Outline Due</i>
6	Sept 13 <sup>th</sup>	Entrepreneurial Strategy: Testing Hypotheses	
7	Sept 18 <sup>th</sup>	Testing Lab	
8	Sept 20 <sup>th</sup>	Pitching	<i>[Team] Hypo Draft Due</i>
9	Sept 25 <sup>th</sup>	Financing	
	Sept 27 <sup>th</sup>	<i>Team Day - No Class</i>	
10	Oct 2 <sup>nd</sup>	Mini-pitching	<i>[Team] Mini-pitch Due</i>
	Oct 4 <sup>th</sup>	<i>No Class: Fall Break</i>	
11	Oct 9 <sup>th</sup>	Guest Speaker	
12	Oct 11 <sup>th</sup>	Growth	
13	Oct 16 <sup>th</sup>	Exit and Harvest	<i>[Team] Final Project Due</i>

## MGMT 801 FALL 2018 Q2 – SCHEDULE OVERVIEW

Session	Date	Topic	Assignment Due
1	Oct 18 <sup>th</sup>	Introduction Case: Apple's Core	
2	Oct 23 <sup>rd</sup>	The Startup Game <i>In Class Simulation</i>	
3	Oct 25 <sup>th</sup>	Power & Money, Money & Power	<i>Exploration Paper Due</i>
4	Oct 30 <sup>th</sup>	Entrepreneurial Strategy: Choosing Customers	
5	Nov 1 <sup>st</sup>	Entrepreneurial Strategy: Creating Hypotheses	<i>[Team] Outline Due</i>
6	Nov 6 <sup>th</sup>	Entrepreneurial Strategy: Testing Hypotheses	
7	Nov 8 <sup>th</sup>	Testing Lab	
8	Nov 13 <sup>th</sup>	Pitching	<i>[Team] Hypo Draft Due</i>
9	Nov 15 <sup>th</sup>	Financing	
	<i>Nov 20<sup>th</sup></i>	<i>Team Day - No Class</i>	
	<i>Nov 22<sup>nd</sup></i>	<i>No Class: Fall Break</i>	
10	Nov 27 <sup>th</sup>	Mini-pitching	<i>[Team] Mini-pitch Due</i>
11	Nov 29 <sup>th</sup>	Guest Speaker	
12	Dec 4 <sup>th</sup>	Growth	
13	Dec 6 <sup>th</sup>	Exit and Harvest	<i>[Team] Final Project Due</i>

## MGMT 801 FALL 2018 Q1 & Q2 – DETAIL OF CLASS SESSIONS & READINGS

### Session# 1 Introduction Case: Apple's Core

*Case:*

- Apple's Core, HBS case 9-809-063

*Study Questions:*

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

### Session# 2 The Startup Game

*In class Simulation*

Simulation prep materials will be sent to you before class session. Read the instructions carefully. Know your role, but keep it to yourself. If you are a founder, please make sure that you have coordinated with your co-founder.

### Session# 3 Power & Money, Money & Power

*Case:*

- Evan Williams, HBS case 9-809-088

*Optional Reading:*

- "A Note on the Legal and Tax Implications of Founders' Equity Splits" by Noam Wasserman and Lauren Barley, HBS Note 809110

*Study Questions:*

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

### Session# 4 Entrepreneurial Strategy: Choosing Customers

*Read:*

- "Choosing Your Customer" by Scott Stern and Josh Gans, Chapter 4 of Entrepreneurial Strategy. [posted on Canvas]

*Study Questions:*

What customers should you target first? How do they relate to your long term customers?

### Session# 5 Entrepreneurial Strategy: Creating Hypotheses

*Read:*

- "The Hypothesis Driven Startup" (pg 1-5) Thomas R. Eisenmann, Eric Ries, Sarah Dillard, HBS Note 812095
- "Chapter 6. Creating Reverse Financials and the Assumption Checklist" by Rita Gunther McGrath; Ian C. MacMillan, HBS Chapter 3072BC-PDF-ENG
- Download and glance at the DDP for Digital Desk – Bring a laptop to class for this activity

*Study Questions:*

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

## Session# 6 Entrepreneurial Strategy: Testing Hypotheses

### Case:

- Rent the Runway, HBS case 812077

### Read:

- “The Hypothesis Driven Startup” (pages 6-26) by Thomas R. Eisenmann, Eric Ries, Sarah Dillard, HBS Note 812095.

### Study Questions:

What activities are, or could be, involved in hypothesis testing? When are they truly hypothesis testing?

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?

## Session# 7 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.

## Session# 8 Pitching

### Read:

- DocSend Fundraising Research (on Canvas)

## Session# 9 Financing

### Case:

- Punchtab, Inc., HBS case 812033

### Read:

- “Pre-Money Post-Money” Online Tutorial/Exercise

### Study Questions:

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?

### Recommended Optional Reading

- 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 if you want to look up the terms you don’t understand in PunchTab in Chapters 4, 5, & 6.

### **Session# 11 Mini-Pitching**

The mini-pitch will consist of a five minute pitch using a four slide deck: overview, problem, solution, and technology/magic. More information on these slides is available in the first part of the YouTube video on pitching investors: <https://www.youtube.com/watch?v=Y2ZnZVWdGQQ>

It is okay for these slides to be a work-in-progress, you are mostly getting feedback to improve the pitch, so don't worry if it is not complete. You can choose to pitch your team in only one class, or you can pitch in every class where there is at least one team member in order to get more feedback.

Sign ups will be available on Canvas

### **Session# 12 Guest Speaker**

Speaker to be announced in class.

### **Session# 13 Growth**

*Case:*

Crunch, HBS case 9-899-233.

*Read:*

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

*Study Questions:*

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

### **Session# 14 Exit & Harvest**

*Read:*

- “Harvest Time: Reaping What You've Sown” (pages 1-13, skim the rest) HBS Press

*Study Questions:*

What metrics do you look at to calculate the minimum price you would accept to sell your startup? How do you decide when to exit?