

MGMT 230: ENTREPRENEURSHIP (0.5 cu)

SPRING 2020 Q4

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INSTRUCTOR

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Office Hours arranged by appointment

TIME & LOCATION

Tuesdays & Thursdays
10:30am -12pm in ~~SHDH 1201~~
& 1:30 - 3pm in ~~JMHH 665~~

Links to online class sessions will be posted on Canvas

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 230 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.

In this course, you are asked to get out of the habit of being a receiver of ideas, facts, concepts and techniques, and get into the habit of generating ideas, identifying problems, analyzing and evaluating alternatives, and formulating workable action plans, thus putting textbook knowledge into practice. Students will get this hands-on experience through the formation and ongoing work of venture teams that will design a plan for a start-up company. Teams are expected to utilize the tools and analytical approaches discussed in class to their venture, through lectures and class discussions that are designed to familiarize students with the many dimensions of entrepreneurship and new venture initiation. Class format varies throughout the course: in some class sessions, there will be a lecture on specific topics; other sessions will consist of case discussions of a topic or a discussion of the business concepts that students are developing; guest speakers also lead and participate in some class sessions.

Those interested in writing and implementing a comprehensive business plan should enroll in MGMT 231: Venture Implementation, a semester-long class that emphasizes implementing your startup. It is open to students who have completed MGMT 230.

COURSE GRADING

- 45% Class Participation & Discussion Boards
- 15% Individual Idea Paper
- 40% Team Project Pitch Deck and Presentation

All work should reflect a high level of effort and quality, and assignments that meet these expectations will be graded as “acceptable.” Assignments that exceed expectations by demonstrating an insightful analysis of key issues, an exceptional understanding and application of course concepts, and thoughtful answers and recommendations will be graded up. Assignments that are superficial, fail to accurately apply course concepts, and demonstrate a lack of care and effort will be graded down. Questions about assignment grades must be made within one week of release of scores.

CLASSROOM EXPECTATIONS

- Class starts and ends on time. Name tents must be displayed. A seating chart will be filled out by the students in the first class session and will then be used for the entirety of the course.
- Phones must be turned off and put away after checking into the Wharton Attendance Tool. If a student must keep a phone on by reason of a personal emergency, the student must inform the instructor before class begins. The use of laptops and tablets is only allowed for class activities.

CLASS PARTICIPATION & DISCUSSION BOARDS

Students are expected to attend class regularly and to be well prepared to participate by having read and prepared the readings. Full attendance credit will be awarded to students who come to class on time and regularly. Full participation credit will be awarded for consistently offering insightful and well-informed comments and contributing to each session. If you must leave town for a personal or family emergency, please notify the instructor to make proper arrangements for missed sessions.

Each class session will have a Discussion created on Canvas. Students who did not have an opportunity to speak during the class session, for whatever reason, or have additional comments they want to contribute can add to a continuing conversation there. Discussion threads will be open for at least two days after the class session, but will then be closed to new comments.

INDIVIDUAL IDEA 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 – this cannot be an idea that you held prior to this course and should not come from brainstorming or talking only with fellow MGMT 230 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. However, your idea should be complete in that it presents both a story of value creation and value capture. Your assignment should outline the basics of the idea, how you discovered it, and what your next steps would be to further develop the idea into a viable entrepreneurial firm.

The paper should be two pages, double spaced, 12-point font. Please note that while grading is not specifically focused on readability or grammar, how your text is structured affects the grader's ability to clearly understand your points.

Submissions are due before 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. Details of the deck will be discussed in class. Teams will self-organize around a set of ideas pitched by students during a scheduled time in class. Teams will be 4-7 people.

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. Conduct at least some minimal hypothesis test.

DELIVERABLES: Timely delivery of the following submission is required. Please make sure that names of all team members are every submission.

- *Opportunity Analysis* (10%): Each team should post a 5 page description on Canvas. While it is true that entrepreneurial success is 90% persistence, execution, and hustle, it is crucial to consider the nature and value of the opportunity that you choose to pursue. To do this, you need to understand the industry that you plan to enter in intimate detail. For this assignment, you will need to discuss (at least): (1) the size of your market niche and key trends therein; (2) competitors, substitutes, threat of new entrants, and the nature of competition; (3) the opportunity that you're going after and why it hasn't been addressed; (4) the nature and sustainability of your competitive advantage. The best submissions for this assignment will include archival research as well as interviews with industry insiders and potential customers. My evaluation will focus on the quality, not the quantity, of the data you've gathered. We will set up appointments to discuss the outline the following week.
- *Mini-pitch* (5%): Each team will do a mini-pitch (3 minutes, first 4 slides) and receive feedback. Mini-pitches will be recorded audio over a PowerPoint presentation.
- *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. Teams will also write a 1-2 page note to be submitted with their deck in which they will comment on the evolution of the venture and any concerns that have surfaced about its potential for success.
- *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.

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 what material is quoted and what 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 230: ENTREPRENEURSHIP SPRING 2020 Q4 COURSE SCHEDULE

OVERVIEW OF CALENDAR

Session	Date	Topic	Assignment Due
1	Mar 24	Introduction	
2	Mar 26	Power & Money	
3	Mar 31	Entrepreneurial Strategy	<i>Individual Idea Assignment Due</i>
4	Apr 2	Hypothesis Driven Entrepreneurship	
5	Apr 7	Field Methods for Understanding Your Customers	<i>[Team] Opportunity Analysis Due</i>
6	Apr 9	Pitching	
7	Apr 14	Financing	
8	Apr 16	Guest Speaker	
9	Apr 21	Growth & Scaling	<i>[Team] Mini-pitch Due</i>
10	Apr 23	Exit & Harvest	
11	Apr 28	Course Wrap Up	<i>[Team] Final Project Due</i>

CLASS SESSIONS DETAIL

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 POWER & MONEY

CASE:

- Evan Williams, HBS case 9-809-088

STUDY QUESTIONS:

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

SESSION 3 ENTREPRENEURIAL STRATEGY

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 4 HYPOTHESES DRIVEN ENTREPRENEURSHIP

READ:

- “The Hypothesis Driven Startup” 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?

SESSION 5 FIELD METHODS FOR UNDERSTANDING YOUR CUSTOMERS

CASE:

- Rent the Runway, HBS case 812077

READ:

- “Five Very Fast Ways to Better Understand a New Product or Market” by Ethan Mollick [posted on Canvas]

STUDY QUESTIONS:

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 6 PITCHING

READ:

- DocSend Fundraising Research [posted on Canvas]

STUDY QUESTIONS:

What are the most important elements of a pitch?

SESSION 7 FINANCING

READ:

- *Venture Deals (3rd edition)* by Brad Feld and Jason Mendelson. Chapters 4, 5, & 6.

STUDY QUESTIONS:

What is the relationship between the amount of money invested and the valuation of a firm? What effect do non-economic terms on how the firm is run day-to-day?

SESSION 8 GUEST SPEAKER

Speaker to be announced.

SESSION 9 GROWTH & SCALING

READ:

- “Start-Ups That Last: How to Scale Your Business” by Ranjay Gulati & Alicia DeSantola, HBR March 2016

STUDY QUESTIONS:

Why can't entrepreneurial firms successfully grow using the same activities and structures they started from? What are the characteristics that make a just-born firm different from a young firm?

SESSION 10 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 you would accept to sell your startup? How do you decide when to exit?

SESSION 11 COURSE WRAP-UP