

New Business Ventures

Syllabus - MBA Wharton - Jan-Feb 2023

Henning Piezunka

Henning Piezunka (Instructor)

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WHY SHOULD YOU TAKE THIS COURSE?

You will learn how to transform an idea into a business.

Many Wharton students become part of a new business venture or some entrepreneurial endeavour at some point in their careers. This can be in a variety of ways: you may start a venture, join one as an early employee or invest in a venture as a business angel or a venture capitalist. You might also engage in venture-like endeavours. For example, as a manager, you might be responsible for a newly created business unit. Simply said, students, become entrepreneurial in all kinds of ways.

The class is *introductory* as you will learn about the actions required to build a new business venture. For example, generating and developing ideas, recruiting and managing a team, and finding and engaging investors.

The class is *practical* as we go beyond learning about these concepts in the classroom. You will have the opportunity to put some of them into practice – for example, making a presentation to investors. Doing so may take you out of your comfort zone – but it is a great learning experience.

The class is *foundational* as you will learn to think like an entrepreneur. You need to understand where new ideas come from; how inferior actors can successfully compete against superior actors; why growth may be crucial for survival – and endanger it at the same time. In that sense – *this class is not just about being an entrepreneur, but about being entrepreneurial.*

The class is *integrative*. We will sometimes go beyond the field of entrepreneurship to learn about how entrepreneurs think. The late James March pointed out “*Business school is a training ground with a relatively narrow focus. The life they [i.e., the students] lead has a much broader focus.*” We will try to bring in some of that breadth to develop our entrepreneurial mindsets and to understand the challenges you will face in your entrepreneurial journey.

The class is *contextual* as you will learn about the entrepreneurial ecosystem. You will learn about some of the key players in the industry, for example, famous entrepreneurs, venture capitalists, and accelerators. You will also learn where the conversation about entrepreneurship takes place, so you learn about blogs, podcasts, and other sources. That way the class constitutes an entry point for you to become part of the conversation about entrepreneurship.

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WHO IS THIS CLASS FOR?

Students with different career interests have taken New Business Ventures and have found it to be helpful. This is in part because all kinds of careers require you to be entrepreneurial. The following examples are neither mutually exclusive nor collectively exhaustive, but they provide an idea of whom the class is for.

- **Founders of New Business Ventures.** This course is well suited to you if you want to start – or have already started - a new venture. You might have an idea that you want to turn into a venture right now, you may plan to create a venture later in your career, or may be in the middle of doing so. The class focuses on commercial ventures, but most learnings also apply to social ventures as well.
- **Early Employees in New Business Ventures.** Instead of starting a new business, you might join an early-stage venture. Early employees often play a key role in building new businesses. Examples are Sheryl Sandberg at Facebook or Eric Schmitt at Google who have both played crucial roles in transforming these ventures' ideas into successful businesses – and have benefitted tremendously from doing so. This course will prepare you for taking on such a role.
- **Venture Capitalists.** You will find this course helpful if you wish to become involved in new business ventures as an investor. While there is plenty of money available when it comes to financing new ventures, not all money is “smart”. Understanding what makes new business ventures successful puts you into a position to choose the right ventures to invest in – and to help make them successful.
- **Executives in Business Development.** Established companies endeavour to learn from new ventures. As with new business ventures these companies strive to (and often need to) conquer new markets and identify new business models. While ventures and corporations are often seen as two opposing ends of a continuum, corporations can be surprisingly venture-like. Large corporations might be surprisingly entrepreneurial (e.g., BMW, Google, Lego) and often they operate side by side with ventures, for example by operating as corporate venture capitalists or running internal incubators.
- **Consultants.** Consultants often face similar challenges as do ventures. A small team of high potentials is asked to make some major changes happen. The class introduces various basic concepts such as business models, lean entrepreneurship, or scaling. Understanding such concepts is crucial to understanding the kind of adjustments needed in a given situation and how to drive the required change.

Given the focus on being entrepreneurial – not just on being an entrepreneur, the class is also helpful for corporate entrepreneurs, employees, executives in family businesses, private equity managers, corporate venture capitalists etc.

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CLASS ETIQUETTE

Students who have taken NBV have described the classroom experience as “intense but rewarding”. They stated that “the professor keeps everyone on their toes”. To ensure such an experience, we observe certain etiquette in the classroom. We discuss these in detail in the first class, but here are some basics.

No mobile phones or laptops: No mobile phones or laptops in the classroom. Research shows that such devices reduce your own learning as well as the learning of other students as they get distracted (think passive smoking). If you need to check your mobile phone in a session of an urgent matter, please coordinate with the instructor beforehand.

Cold Calling: Cold calling helps to involve everyone in a fertile discussion. So, there is plenty of cold calling. If for some reason you are not comfortable being cold called, please coordinate with the instructor.

Punctuality: Be punctual.

Policy on children in the classroom. To the best of my knowledge, Wharton does not have a formal policy on children in the classroom. I thus adopted the following approach¹.

- (1) All babies (bottle-feeding, nursing ...) are welcome in class as often as is necessary.
- (2) For older children, I understand that unforeseen disruptions in childcare often place parents in the position of having to miss class to stay at home. You are welcome to bring your child to class to cover gaps in care. This is not meant to be a long-term solution.
- (3) I ask that all students work together to create a welcoming environment that is respectful of all forms of diversity, including diversity in parenting status.
- (4) In all cases, when your children come to class, please sit close to the door. This will allow you to step outside in case your child needs special attention.
- (5) I maintain the same standards and expectations for all students. However, please contact me if you are having difficulty with school-parenting balance.

¹ This approach was pioneered by Florian Ederer and Kevin Williams, and I copy their policy almost verbatim.

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GRADING

65 % of the grade: Participation and Homework

- *Class Participation:* Your class participation will be graded based on the quality (not the quantity) of your comments. Quality comments are rigorous, insightful, and delivered succinctly at appropriate times. Delivering quality comments requires careful preparation of class material for the day - in other words, you must work hard for every session!
- *Surveys:* You will need to complete a *preparation survey* and a *review survey* for every class. These surveys may sometimes seem a bit like “school”, but you will learn a great deal from them. The surveys are constrained in length. *Preparation surveys are due 2 hours before the focal session starts. Review surveys for the focal class are due 2 hours before your next class starts.* A very simple trick to improve your performance on the surveys is to look at the review survey before the session. It is like having access to the exam questions before the exam.

35 % of the grade: New Business Ventures Lab (NBV Lab)

The New Business Ventures Lab (NBV Lab) is where you will take your first steps in transforming an idea into a business. This is a team assignment. The assignment of students to teams is done in class.

Final Presentation

Your team will need to present your venture in session 10 and 11 of the class.

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CLASS OUTLINE

Session I: Ideas [January 17th, 2023]

The goal of this session is to help you to come up with a good idea. Please think about and answer the following questions; it will help you and our discussion in the session a lot.

Preparation Survey

- What is something you believe to be true that most people believe to be false? As you formulate your answer, please pick something that is business related in the widest sense. It may be a contrarian thought if you think Elvis Presley is still alive, but that is not the kind of topic I would like to discuss.
- What is something that has been important to you that I would *not* find on your CV (e.g., a hobby or an experience), and can you think of a business idea inspired by that? For an example, see <https://ecorner.stanford.edu/clips/illiquid-assets-are-like-baseball-cards/>.
- What is an idea / a business where you have “an unfair competitive advantage”?
- What is a high-margin business that does *not* seem well defended? In other ways, could you do the same and profit from similar kinds of margins?
- What is a business you could build today – but that could not have been built five years ago. In other words, there must have been some economic, societal, political, or technological change that has created a business opportunity?
- What is a business opportunity that your current employer could pursue, but does not pursue– where you see the promise?
- What is a business idea of which you are fairly certain it would become a small success?
- What is a business idea of which you are fairly certain it would fail, but if it succeeded it would be a large success?
- What is a product / service / business model you have seen in one context that you believe could also succeed in another context?

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_3eLKEQvOPHBPpvo no later than 12 hours before this session begins.

Review Survey

- What were your main learnings from today’s class?
- After the preparation survey and the class – what is the idea, you feel most passionate about. In other words – what is the idea you are most willing to spend time on? To describe the idea, please use the structure of the 2-sentence summary tool. If you need a reminder of the 2 sentence summary, you can find it on henningpiezunka.com/handouts.

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_0971nyhOymbdl78 within 24 hours after this class has ended.

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Session 2: Business Model [January 19th, 2023]

Once entrepreneurs identify a promising opportunity, they must envision and create a business model to exploit it. However, this process may also occur the other way around: entrepreneurs may find a business model that is novel – and implementing it might constitute a business opportunity. In today's session, we learn *what a business model is and how to develop one*.

Case: GenapSys

Preparation Survey

- Please let me know which of the three business models you suggest Genapsys goes for?
- The case provides a very helpful background for our discussion in class – but it is not evident what one can learn from just reading the case itself. I am, however, very curious about what you got out of it. Could you share with me what you learnt from the case? Please do not feel the need to make something up to sound smart. So, please just share what you learnt.

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_9n6vjySATcXor66 no later than 12 hours before this session begins.

Review Survey

- Please draw the business model canvas for one company / product you find interesting. Please pick a business unit or a product, not a corporation. There is no point in drawing the business model for corporations like General Electric or Apple. So, you either pick a business unit of a corporation or a product. You can download a template of the business model canvas on henningpiezunka.com/handouts.
- Please draw the business model canvas for the idea you are most passionate about.
- For the idea, you are most passionate about, please elaborate to what degree desirability, feasibility, and viability are concerns? Please start with a 1-2 sentence summary of the idea so that I am reminded of it and can better understand your answer. If you need a reminder of the 2 sentence summary, you can find it on henningpiezunka.com/handouts.

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_eDRWsgdjBjxEqiy within 24 hours after this class has ended.

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Session 3: Lean Entrepreneurship [January 24th, 2023]

In this session, we introduce the concept of *lean entrepreneurship*. Lean entrepreneurship allows companies to explore, test, and adjust an idea without making massive investments. We discuss the process that companies need to establish to become more effective and efficient in their pursuit of new ideas. Specifically, we examine the process of how firms test the hypotheses that underlie their business. In the session we take the following steps:

- Translation of business model into hypotheses
- Specification of hypotheses tests
- Collecting data
- Learning from the collected data
- Evidence-based adjustment of the business model

Following this approach allows establishing a cost-effective process to reach product-market fit – putting them in the position to scale up successfully.

Case: Rent the Runway

Preparation Survey

- I have always been impressed with the founders' willingness to test their ideas. Standing on campus and testing ones' early-stage ideas is potentially embarrassing. Do you feel you are able to engage in such a potentially embarrassing task when testing/getting feedback on an early-stage idea of yours? Can you think of occasions in the past where you choose (not) to do that?
- When you start a new business (or any activity for that matter) success is typically not immediate. A key question is whether / how long one keeps going trying to get it to work – or stops it and focuses on something else. The trade-off is evident: To stop / to give up may imply one misses out on something with great potential, but to keep going may imply to waste an enormous amount of time and resources.
Oddly enough, there are plenty of sayings that would guide you in either direction “When you are in a hole, stop digging”, but there is also “When the going gets tough, put one foot in front of the other and just keep going. Don't give up.” So, how do you decide when you start a new business (or any activity for that matter) and success is not immediate – whether you should keep going and try - or stop?
- The founder of Rent-the-Runway tests their idea before investing massive resources. Doing massively reduces the risks associated with starting their business. Please outline the limits of this approach to test your ideas, when can it not be deployed, how and why it may fail you?
- Imagine you test your idea successfully (on a small scale) – but it still does not scale. Why could that be? I am interested in your conceptual thinking, but please also back it up with examples where you can.

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_9Hqx6MIdZwxzQTY no later than 12 hours before the class.

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Review Survey

- For the idea you are most passionate about, please outline the main hypotheses / assumptions. In other words, what are the things that are most important to be true – and you are most afraid of they are not true. Please start with 2 sentence summary of the idea. If you need a reminder of the 2-sentence summary, you can find it on henningpiezunka.com/handouts.
- How do you test the assumptions outlined above?

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_881101rqj3VymGO within 24 hours after this class has ended.

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Session 4: Team [January 26th, 2023]

One of the most important and probably hardest challenges for new business ventures is building a strong team. Research has argued that a great leader's success is often due to the team they build. However, it is hard to develop a great team. New business ventures have trouble attracting and selecting the right employees. We examine *how to build a great venture team*.

Case: none

Preparation Survey

- How is hiring employees in an early-stage venture potentially different from recruiting in an established company? What are the challenges particular to new business ventures?
- For the idea you are most passionate about, please outline the kind of positions you need to have to transform that into a business.
- Please describe the approach you pursue to build up a pool of candidates for that position.
- Please describe the approach you deploy to select the right candidate from the pool of candidates.
- Please share the recruitment interview questions you find most effective. Please draw on your experience (questions you have used, question you have been asked).

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_71hczERF24p6u no later than 12 hours before your section's session of the class.

Review Survey

- What were the key take-aways for you from the class on teams?
- In the class we have discussed the approach of fishing and hunting – and have discussed a few ideas on how to fish and how to hunt. Please share with me some situations in which you have successfully fished or hunted – and how so.

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_b48XNgEU0pfCHEq within 24 hours after this class has ended.

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Session 5: Organizing [January 31st, 2023]

What does it mean to organize? Yes, of course, it is important to organize – but what does this imply? We examine the key decisions you need to take when you organize a venture. What are the facts that (should) shape the organization of a new venture? We examine *how to organize a new business venture*.

Once you have established your venture it will be crucial to scale. Internally you need to find ways to scale your operations. Externally you may need to discover new kinds of markets, new types of customers, and new types of products to foster your venture's growth. We examine *how you scale your venture*. An important motivation behind scaling can be to eventually enable an exit. We discuss *how to manage such an exit*.

Preparation Survey

- Organizing is always difficult. What are the specific challenges that start-ups face in your opinion?
- How do you plan to address the challenges you outlined above?

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_9FespY6TTLkNIS6 no later than 24 hours before the class starts.

Review Survey

- What are your key take-aways for you from the class on organizing?

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_6jdCRcuAjqegjSe within 24 hours after this class has ended.

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Session 6: Partnerships & Business Development [February 2nd, 2023]

New business ventures have few resources. For example, they lack manufacturing capacities and distribution channels. To gain access to such resources, these ventures often form collaborations. While collaborations often help the venture, they can equally well be the venture's downfall. In today's class, we examine *how new ventures can build and benefit from a network as they identify, assess, and interact with partners who can provide resources.*

Case: case in class

Preparation Survey

none. You are welcome.

Review Survey

- What did you learn in the session about partnerships and business development?
- What did you learn beyond that?

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_80lvXAwarwx8flQ within 24 hours after this class has ended.

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Session 7: Investors [February 7th, 2023]

Investors play a key role in the success (and failure) of new business ventures. Their impact goes far beyond providing funds to these new businesses. We approach the topic of investors from two perspectives: we look at the relationship between investors and ventures from the investors' perspective as well as from the ventures' perspective. We thus discuss *how ventures can successfully engage investors and how investors can create value in ventures.*

Case: No case. You are welcome.

Preparation Survey

- Imagine a friend wins the lottery and offers to give you money for your venture. Would you accept this money or try to raise money from a professional venture capitalist?
- Why?

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_0ceksxV8zb98Uaq no later than 24 hours before the class starts.

Review Survey

- Imagine you choose an investor for your venture. What do you look for?

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_417pXf9tgK4S3UG within 24 hours after this class has ended.

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Session 8: Board [February 9th, 2023]

While boards can be a great resource for ventures, they frequently become a source of conflict. The board and executives are meant to help each other but often end up fighting. Such battles have the potential to derail a venture. We examine *how to structure the interaction with the board*.

Case: Pixability - Bettina's Board Walk (2014)

Preparation Survey

- On the case: What are Bettina's goals for this board meeting?
- On the case: What is your impression of Bettina and her ability to manage the board?
- What differences would you expect to find between the interaction of a CEO with his/her board of directors in a young venture and CEO-board interactions in an established corporation?
- What "features" should a board member of a start-up have? In other words what are criteria you attend to when picking a board member for a start-up?
- The CEO and the board (members) have different kinds of interactions. For example, one negotiates the CEO's salary, one discusses strategy, one seeks feedback etc. Do you think having these different kinds of interactions in parallel can result in conflict? If so, how should you manage such conflict? I am interested in your conceptual thinking, but please also back it up with examples where you can. These examples do not have to stem from interactions with boards, but can be from any relationships where you have different types of co-existing interactions.

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_bwwcaoGNoTwEK8e no later than 24 hours before the class.

Review Survey

- What were the key take-aways for you from the class?
- For the idea you feel most passionate about, please think of a few board members that you think would be ideal for your start-up and for which you have at least a small chance of getting them. You can provide an abstract description, but if you want me to take a look you can of course share their LinkedIn profile with me.

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_1LH30kXoGtFXj4W within 24 hours after this class has ended.

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Session 9: Scaling [February 14th]

Once you have established your venture it will be crucial to scale. Internally you need to find ways to scale your operations. Externally you may need to discover new kinds of markets, new types of customers, and new types of products to foster your venture's growth. We examine *how you scale your venture*. An important motivation behind scaling can be to eventually enable an exit. We discuss *how to manage such an exit*.

Preparation Survey

- Scaling is always difficult. What are the specific challenges that start-ups face in your opinion?
- What are/were challenges in scaling a business you are familiar with – and what approaches have you seen fail and succeed in coping with these challenges?

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_08nKUM83Ra9NxIk no later than 24 hours before the class starts.

Review Survey

- What were the key take-aways for you from the class on organizing and scaling?

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_9zybB8Y50h5TYG2 within 24 hours after this class has ended.

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Session 10 & 11: Lab – Venture Pitch (LONG) [February 16th & 21st]

For more information, see the section on grading in the syllabus.

You will also get an email from me on how to present.

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Session 12: Your Entrepreneurial Career [February 23rd]

In the class, we have discussed how you can design, position, and manage a new business venture. In the last class, we examine how you can use the lessons from the class in your personal entrepreneurial career.

Case: case in class

Preparation Survey

- What is a problem you would like to help solve as part of your career?
- Do you think founding a business and becoming an entrepreneur is the best way to solve that problem?

Please complete https://insead.eu.qualtrics.com/jfe/form/SV_a9vp6jQ3OjuR298 no later than 24 hours before the class starts.

Review Questions:

You are done. Congratulations!

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ABOUT THE INSTRUCTOR



Henning Piezunka is an Associate Professor of Entrepreneurship at INSEAD. He is visiting professor at Wharton from 2022 to 2024. He is an award-winning researcher and teacher. He obtained a Diplom Kaufmann from the University of Mannheim (Germany), a Master of Science from the London School of Economics (UK), and a PhD from Stanford University (US). His research focuses on collaboration, competition, and crowdsourcing and has been published in top academic journals (e.g., the Proceedings of the National Academy of Sciences, Administrative Science Quarterly, Organization Science, Strategic Management Journal, and Academy of Management Journal).

Before entering academia, he co-founded a company in 1998 and was the founder-CEO before selling it in January 2016. By 2016 Henning's company employed more than 30 people and served customers in more than 80 countries. He sold his shares in his company in 2016.

Henning's teaching focus is on the class "New Business Ventures". He teaches the class for MBAs as well as for Executive MBAs. Henning has received outstanding teaching ratings, has been on the INSEAD Dean's list for excellence in MBA teaching, and has won the INSEAD best teacher award four times.

Henning is and looks older than in the picture above.