

**The Wharton School, University of Pennsylvania
MGMT 801 – Entrepreneurship**

Spring 2008 (Q3)

David Hsu

Assistant Professor of Management

Steinberg Hall – Dietrich Hall 2028

dhsu@wharton.upenn.edu

Office Hours: Tu/Th 9-10:30am & by appointment

I. OVERVIEW AND PROCEDURES

The purpose of this MBA course is to explore the many dimensions of entrepreneurship, venture creation and development. While most of the examples in class will be drawn from new venture formation, the principles also apply to new business development in corporate settings and to non-profit entrepreneurship. We will be concerned with content and process questions as well as with formulation and implementation issues that relate to conceptualizing, developing and managing successful new ventures.

The emphasis in this course is on applying and synthesizing concepts and techniques from the functional areas of strategic management, finance, accounting, managerial economics, marketing, operations management, and organizational behavior in the context of new venture development. The class serves as both a stand-alone one and as a preparatory course to those interested in writing and implementing a full scale business plan (the subject of the semester-long MGMT 806 class).

MGMT 801 will appeal to individuals who have a desire to become entrepreneurs at some stage of their career. Similarly, students who intend to work in the venture capital industry or in businesses interacting with entrepreneurial firms will benefit from the course.

You are expected to come to class well prepared to discuss the case studies and reading materials. Required readings are found in the bulk packet available through Wharton Reprographics (basement of SHDH). Class attendance and active class participation are essential to the learning goals in this course. I have found that laptop use distracts from the learning experience in class, and so ask that you refrain from using your computers when class is in session. To ensure that the class is highly interactive, I ask that you bring your name card to each and every class meeting. I will actively use the class webcafe website to post notes and manage the class.

II. INDIVIDUAL RESPONSES TO THE DAILY POLL

Before each class session, there will be a survey question posed in the “poll” section of webcafe. Everyone will be individually responsible for responding to the poll by 5AM the day of class. Answering the question will not take much time beyond your normal preparation for class. If you do not respond to the poll, I will assume you have not prepared for class and will not call on you. Your participation in the online questionnaire will count towards your class participation grade.

III. TERM PAPER OR MINI-BUSINESS PLAN

A final group term paper *OR* mini-business plan is required. The team size will be 5 people, and the final paper will be 25 pages in length. Please make use of the “discussion” section of webcafe to facilitate team formation. Teams can be formed across sections, but be mindful that I will be assigning team presentation slots at the end of the class. My allocation procedure will take into account the section distribution of the teammates (giving preference to the section with the majority of teammates), but will otherwise be random.

The term paper option involves tracing the past and likely future development of an entrepreneurial venture (a de novo venture or a new business unit of an existing firm) of the team’s choosing. I do not wish the paper to be primarily a history of the venture, though there will have to be some background discussion of the venture’s development. A term paper of this type will include the following components: (1) A brief overview of the venture’s founding and development over time, including the (evolving?) venture concept and value proposition; (2) a discussion of the key drivers of the venture’s past success or failure, including why you believe those drivers to be most salient; (3) a discussion of the main challenges for the founders/managers going forward; and (4) a discussion of the changes to the venture’s direction you would recommend, and how such changes would unlock value for the venture.

The mini business plan option involves developing an original venture idea, and will include the following areas: (1) specifying the venture concept and value proposition (and why the demand is not being met currently, or how you would generate demand for the offering); (2) an analysis of the market potential and competitive pressure for the offering; (3) financial prospects (a pro forma discovery driven plan) and statement of likely financial capital sources; and (4) analysis of the main challenges and risks associated with the offering, together with ways your team might address those challenges.

Regardless of which option your team pursues, there is one interim submission date (January 29 [class 4] by 5pm, uploaded to the appropriate webcafe folder). This submission is a three page statement of the topic of your term project/mini business plan, as well as an outline of your paper. 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.

Teams will present their projects in the final two sessions of the course. Further details will be announced in class.

While you are probably aware of the conventions of properly citing material and ideas, I believe a short note on the subject is worthwhile. Material reproduced verbatim should be enclosed in quotation marks, with proper attribution made to the source. Ideas and concepts even if not quoted verbatim should be attributed to the author/source, also via proper citation.

IV. COURSE GRADING

40% active class participation (including individual responses to the class poll prior to class)
5% three page team submission of term paper/mini bp topic & preliminary outline (due 5pm, Jan. 29)
45% term paper/mini business plan (due 10am, March 4)
10% term paper presentation (presented on one of the last two sessions of the class)

MGMT 801: Entrepreneurship

Session 1 (January 17):

Introduction & Course Overview; Issues in Team Building

Read:

- “The Questions Every Entrepreneur Must Answer” by A. Bhidé, *Harvard Business Review*, November-December 1996, pp. 120-130 (reprint 96603).
- “The New Venture Team” by J.A. Timmons, Chapter 8 in New Venture Creation, Irwin McGraw-Hill, 1999, pp. 277-287.

Study question: What are the most common pitfalls facing new start-up teams? How would you design new venture policies to prevent these pitfalls?

In class video: Startup.com (excerpts)

Session 2 (January 22):

Entrepreneurial Opportunities

Read: “R&R,” HBS Case 9-386-019.

Study question: Why was the TV Guide Trivia Game an entrepreneurial opportunity for Reiss?

Session 3 (January 24):

Generating and Evaluating Venture Ideas

Read:

- “Good Ideas and How to Generate Them” from B. Nalebuff and I. Ayres, Why Not?, Harvard Business School Press, Boston, 2003, pp. 13-42.
- “Creating New Market Space” by W.C. Kim and R. Mauborgne, *Harvard Business Review*, January-February 1999, pp. 83-93 (reprint 99105).

Individual assignment: (1) post two venture ideas on webcafe & (2) post feedback and/or extensions to two venture ideas (cannot be on your own venture idea).

Study questions:

1. How are entrepreneurial opportunities identified?
2. What are the criteria you would use to assess the viability of an entrepreneurial opportunity?
3. What leads to opportunity windows? Why do some people (and not others) identify the window?

We will conduct an in-class exercise on generating and evaluating venture ideas.

Session 4 (January 29):

Business Plans, Business Designs and Business Models

Read:

- “How to Write a Great Business Plan” by W.A. Sahlman, *Harvard Business Review*, July-August 1997, pp.98-108 (reprint 97409).
- “Zipcar: Refining the Business Model,” HBS Case 9-803-096.

Study question: What is Zipcar’s business model, and how has the model changed? What changes, if any, would you make to the business model?

Due today by 5pm: team formation and three page statement of term project/mini business plan uploaded to webcafe. Note: we regard the statement of projects to be binding!

Session 5 (January 31): Start-up Strategy/Judo Strategy

Read:

- “Mastering Balance: How to Meet and Beat a Stronger Opponent” by D. Yoffie and M. Kwak, *California Management Review*, Winter 2002, pp. 8-24.
- “Judo in Action” HBS 9-703-454.

Study question: How can new ventures compete against established firms, which have both more resources and an established reputation?

Session 6 (February 5): Optional Class – Current Events in Entrepreneurship

While class is optional, I will bring coffee to the classroom for anyone who would like to come and chat informally about any area of entrepreneurship. I will come with a few current event topics to get us started. Details TBA.

Session 7 (February 7): Discovery Driven Planning

Read:

- “Discovery Driven Planning” by R.G. McGrath and I.C. MacMillan, *Harvard Business Review*, July-August 1995.
- Market Watch on-line case, Wharton School.

Homework: Set up a discovery-driven plan for Market Watch

In-class exercise (bring your laptop computer—you will need access to Excel): Get together in study groups. Compare and extend the discovery driven plans you have constructed for Market Watch. Be prepared to possibly present your spreadsheet to the class.

Session 8 (February 12): Financing New Ventures

Read:

- Skim: “Introduction” to The Venture Capital Cycle by P. Gompers and J. Lerner, MIT Press, 1999, pp. 1-16.
- “Walnut Venture Associates (A),” HBS case 9-899-062, *pp. 1-11 only*.
- “Walnut Venture Associates (D),” HBS case 9-899-097.
- Refer to the following reference for any legal terms you are unfamiliar with in the Walnut (D) case: “Venture Capital” by Bagley and Dauchy, *The Entrepreneur’s Guide to Business Law*, 1998.

Study Questions:

1. Taking the perspective of Wagner, what areas of the business plan require more due diligence? How would you propose getting such information?
2. Put yourself in O’Connor’s shoes. What do you think the investors are trying to accomplish with the term sheet? What proposed terms do you find most troubling, and why?

Session 9 (February 14):

Managing Growth

Read:

- “Note on Building the Self-Sustaining Firm” by A. Bhidé, HBS Note 9-395-200.
- “Anasazi Exclusive Salon Products, Inc.,” HBS case 9-295-111.

Study Question: Do you agree with Anasazi’s new strategic plan to meet its milestones? Why or why not? What specific managerial action should be taken to implement the recommendations?

Note: We will be simulating a board meeting, as suggested by the case. Come prepared to play the role of entrepreneur AND of venture capitalist. I will randomly assign representatives to engage in the role play during class.

Session 10 (February 19):

Harvesting and/or Learning from Failure

Read:

- “The Harvest and Beyond” by J.A. Timmons, Chapter 18 in New Venture Creation, Irwin McGraw-Hill, 1999, pp. 573-580.
- “Nantucket Nectars,” HBS case 9-898-171.

Study Question: Should Nantucket Nectars undergo an IPO or sell a part of the company? If you recommend the latter, who should it sell to and why?

Note: we will simulate a meeting in which the founders of Nantucket Nectars hire you as an investment banker to advise the company on harvesting. Please come prepared to role play and discuss the pros and cons of each of the options outlined at the end of the case.

In-class video: Startup.com (excerpts)

Session 11 (February 21):
Entrepreneurship within Established Corporations

Read: “3M Optical Systems: Managing Corporate Entrepreneurship” HBS case 9-395-017.

Study Questions:

1. In what ways is entrepreneurship different in the context of an established firm relative to an independent start-up?
2. As Andy Wong in the 3M case, how would you handle the authorization for expenditure (AFE) for the relaunch of the privacy screen?
3. As Paul Gehler in the 3M case, would you approve the AFE if Wong sent it to you?

Session 12 (February 26):
Course Wrap-up

Read:

- “Vermeer (A): A Company is Born,” HBS 9-397-078
- “Vermeer (C): Negotiating the Future,” HBS 9-397-081

Study questions:

- As Charles Ferguson in the Vermeer (A) case, would you accept the venture capital offer? Why or why not?
- As the Vermeer management team in the Vermeer (C) case, would you agree to the Microsoft buyout? Why or why not?

Session 13 (February 28):
Class Cancelled – work on your final papers

Sessions 14 & 15 (March 4 and March 6):
Final Presentations

Details TBA

**FINAL PAPERS (FOR ALL TEAMS) ARE DUE TUESDAY, March 4 AT 10AM -
UPLOAD TO WEBCAFE & BRING ONE PRINTOUT TO CLASS. *LATE PAPERS WILL
NOT BE ACCEPTED!***