

**The Wharton School
University of Pennsylvania**

MGMT 801: Entrepreneurship (0.5 cu)

Prof. Ethan Mollick

Fall 2011

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Tues, Thurs. 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. READINGS

All of the readings are available in the Coursepack through Study.net and Wharton Reprographics. However, *Crossing the Chasm* by Geoffrey Moore, a really important book for MBAs, charges more to reproduce the pages assigned for reading than the \$12 the book actually costs on Amazon. The reading is therefore not in the Coursepack. Please buy the book, or check it out of the library.

III. GRADING

35% Daily 'poll' & active class participation
15% Individual exercise
50% Team project

Daily ‘Poll’ & Active Class Participation (35%) 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.* Tardiness disrupts case discussions and devalues the effort of everyone else who does show up on time. Class participation grade is also affected by any class that you miss beyond one absence. I ask that if you must use a laptop during class, that you disable your wireless internet connection. To ensure that the class is highly interactive, each student is asked to bring his/her name plate to each and every class meeting.

A survey question will be posed in the “assessments” section of WebCafe before each class session. 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. Answering the question will not take much time beyond your normal preparation for class. You are responsible for responding to the poll no later than 8:00 AM the day of class.

- WebCafe tracks / credits your responses. AVOID SUBMITTING ANSWERS VIA E-MAIL.
- Keep a record of your response and bring it with you to class.

Individual Paper (15%) . Students should post completed work to their personal WebCafe folder (under ‘Individual Exercise & Papers’ folder).

- The submissions are due no later than 5:00 PM the day of class. No late work.
- 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 as well.
3. 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 (50%) A mini-business plan **OR** WEP FAQ contribution per is required. The team size will be 5 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.

Mini Business Plan: The purpose of the mini business plan 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.
- *Financial prospects:* Present a pro-forma discovery driven plan and statement of likely financial capital sources. If appropriate, consider how equity would be divided.
- *Risks, Uncertainties, and Hypotheses Testing.* Analyze key challenges and risks associated with the offering, together with ways your team might address those challenges. You may want to consider a discovery-driven or lean approach to your business plan – what hypotheses or assumptions are important to your business? How can you test them? A DDP-style Milestones/Assumptions chart is one way to address this, but you can use other approaches as well.
- *Research:* Where possible, don't just make guesses about your market, your margins, or how you might implement a business plan – talk to potential suppliers, survey customers, or engage in other research efforts that might give you insight into how your plan will work in the real world.

Resources: For those writing business plans, you may want to look at the samples on WebCafe, and the following articles:

- [How to Write a Great Business Plan & EZGuard Business Plan](#)

WEP FAQ: Entrepreneurship requires you to make a series of rapid decisions on complex issues, any one of which might have a critical impact on the future of your new venture. Contributing the WEP FAQ provides an opportunity to work through just such an issue in the context of class, while simultaneously helping other members of the Wharton entrepreneurial community. The WEP FAQ is a resource with MBA student-contributed guides to tough but practical entrepreneurial questions, such as:

- “What do I need to do to decide how to organize and incorporate a business?”
- “How do I develop pricing plans for a new product?”
- “When should I patent and how do I do it?”

If you choose the WEP FAQ option, you will be required to select a question from a list of options, or generate your own question that I will approve. You will write out a paper laying out the both the practical and strategic answers to the question, with reference to material from class. You should speak to at least 2 outside experts on the subject¹, and use other documented sources in your answer. The results would be posted online, initially for only the Wharton community, though the work may be opened to the public in the future. The project will be evaluated on the following criteria:

- *Data:* Evidence that you have put your skills at gathering data to work in a creative, non-superficial way. Your ability to marshal really interesting information is one of the skills future employers really value – I will be evaluating your work from this perspective. I will also be looking for citations of sources for important data you use.
- *Specificity:* In your recommendations, you should seek to lay out specific options for potential entrepreneurs, and evaluate their pros and cons. Don't be afraid to take a position – that is what will make your report interesting!
- *Class concepts:* Answering a WEP FAQ question is more than an exercise in facts, it should help readers understand how the choice they are facing is related to strategy.

¹ Studies show that having and using social networks have a positive impact on individual and venture success. For your outside sources, consider trying to use your existing networks on contacts to reach out the right people, rather than relying on Wharton faculty.

Deliverables: Regardless of which option your team pursues, timely delivery of the following submission is required.

- **Outline (5%):** Each team should post a 2-3 page outline on WebCafe. It should include a statement of the topic of your mini business plan/FAQ answer, 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.
- **Final report (45%):** Each team should post on WebCafe a business plan/FAQ answer no longer than 20 pages (double-spaced, 12 point, Times New Roman font with 1 inch margins), excluding exhibits. The grading criteria are detailed above.
- **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.*

| TEAM MEMBER EVALUATION FORM | |
|------------------------------|-------------------------|
| Team Name: | |
| Your Name: | |
| Team Member's Name | % Effort (scale 1-100%) |
| | |
| | |
| | |
| <i>DO NOT RATE YOURSELF.</i> | |

- **Academic standards:** **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. INTELLECTUAL PROPERTY

Please read this section, since different intellectual property rules apply in the case of WEP FAQ contributions. Generally, in this class you are entirely responsible for protecting your own intellectual property. If there is any part of your business idea that you would not like to disclose, then you should simply not disclose it. Unfortunately, the instructor cannot sign any non-disclosure agreements related to this course. If you have any questions about this policy, do not hesitate to ask. If you chose to contribute to the WEP FAQ as your final project, you must agree to submit your final project under the Creative Commons Attribution-Nonderivative-Share Alike 3.0 United States license. (more on the license here:

<http://creativecommons.org/licenses/by-nc-sa/3.0/us/>)

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

Fall 2011, Quarter 1

| Nu. | Day | Date | Topic | Assignment Due |
|------------|------------|-------------|--|--------------------------------|
| 1 | Thur. | 9/8 | Intro & Overview | |
| 2 | Tue. | 9/13 | The Startup Game* | <i>Startup Game (in class)</i> |
| 3 | Thur. | 9/15 | Generating Ideas* | |
| 4 | Tue. | 9/20 | Power and Money* | Exploration Paper Due |
| 5 | Thur. | 9/22 | Like a Boss: Hiring and Firing* | |
| 6 | Tue. | 9/27 | Building for the Future* | |
| - | Thur. | 9/29 | <i>Team Work Day</i> | Team Outline Due |
| 7 | Tue. | 10/4 | Financing | |
| 8 | Thur. | 10/6 | Planning and the Lean Startup * | |
| 9 | Tue. | 10/13 | Business Models* | |
| 10 | Thur. | 10/18 | Sales and Marketing* | |
| 11 | Tue. | 10/20 | Managing Growth* | |
| 12 | Tue. | 10/25 | Exit and Harvest* | Final Project Due |

* Daily poll on these days, poll closes 8am on the day of class.

Fall 2011, Quarter 2

| Nu. | Day | Date | Topic | Assignment Due |
|------------|------------|-------------|--|--------------------------------|
| 1 | Thur. | 10/27 | Intro & Overview | |
| 2 | Tue. | 11/1 | The Startup Game* | <i>Startup Game (in class)</i> |
| 3 | Thur. | 11/3 | Generating Ideas* | |
| 4 | Tue. | 11/8 | Power and Money* | Exploration Paper Due |
| 5 | Thur. | 11/10 | Like a Boss: Hiring and Firing* | |
| 6 | Tue. | 11/15 | Building for the Future* | Team Outline Due |
| 7 | Thur. | 11/17 | Financing | |
| 8 | Tue. | 11/22 | Planning and the Lean Startup * | |
| 9 | Thur. | 11/28 | Business Models* | |
| 10 | Tue. | 12/1 | Sales and Marketing* | |
| 11 | Thur. | 12/6 | Managing Growth* | |
| 12 | Tue. | 12/8 | Exit and Harvest* | |
| | | | | Final Project Due |

* Daily poll on these days, poll closes 8am on the day of class.

Management 801: Required Course Readings

Please note that the following are required readings. You can find optional readings expanding on these materials at my website at

<http://www.startupinnovation.org/resources-and-readings/>.

Introduction

Readings

1. “The Questions Every Entrepreneur Must Answer” by A. Bhidé, *Harvard Business Review*, November-December 1996, pp. 120-130 (reprint 96603).
2. *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

3. “How to Write a Great Business Plan” by W.A. Sahlman, *Harvard Business Review*, July-August 1997, pp.98-108 (reprint 97409) and the short Q&A “Updating a Classic” <http://hbswk.hbs.edu/item/5993.html>.
Note: We will not be discussing this in class; it will serve as background to the final project, so you need not have read it before class starts.

Details for this class:

- 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.

Generating & Evaluating Venture Ideas

Readings:

4. “Good Ideas and How to Generate Them” from B. Nalebuff and I. Ayres, *Why Not?*, Harvard Business School Press, Boston, 2003, pp. 13-42.
5. “Identifying Venture Opportunities” Stanford E-323
6. “The accidental entrepreneur: the emergent and collective process of user entrepreneurship” Sonali K. Shah and Mary Tripsas, *Strategic Entrepreneurship Journal*, November, 2007. [Skim the Introduction, Descriptive Data, and Model of the Entrepreneurship Process]

Study questions for this class:

- Think about when you have been most creative or innovative. What were the circumstances that enabled you to feel that way?

- Which of the approaches outlined in “Good Ideas and How to Generate Them” seemed most useful? Which seemed most problematic?

Power and Money, Money and Power

Readings

7. *Case study*: Evan Williams, HBS case 9-809-088
8. “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: Hiring and Firing

Readings

1. Firing simulation packet
2. “Zero Defect Hiring,” available here:
http://www.inc.com/magazine/19980301/889_Printer_Friendly.html
3. Browse: *Whartonite Seeks Code Monkey*, try not to wince:
<http://whartoniteseekscodemonkey.tumblr.com/>
4. “Note on Firing” Stanford E-299
5. “Why It’s So Hard to Be Fair,” Joel Brockner, *HBR*, 2006

Study question for this class

- How do you find the right technical hires and avoid being listed on Whartonite Seeks Code Monkey?
- How does process fairness apply to startups?

Prepare for the firing simulation

Building for the Future

Readings

6. “The New Venture Team” by J.A. Timmons, Chapter 8 in *New Venture Creation*, Irwin McGraw-Hill, 1999, pp. 277-287.
7. “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 questions for teams and new hires:

- 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?

Financing

Readings

8. *Case study*: Walnut Venture Associates (A), HBS case 9-899-062.
9. *Case study*: Walnut Venture Associates (D), HBS case 9-899-097.
10. Y-Combinator "Series AA Termsheet" available here:
<http://ycombinator.com/seriesaa.html>
11. "Pre-Money Post-Money" Online Tutorial/Exercise
12. "Venture Capital" by Bagley and Dauchy, *The Entrepreneur's Guide to Business Law*, 1998 [to look up terms from the Walnut Venture Associates case]

Study questions about Walnut case:

- Put yourself in Wagner's shoes for Walnut "A:"
 - What aspects of the potential deal require the most due diligence?
 - Are there any potential deal-breakers?
- Put yourself in O'Conner's shoes, when you are evaluating Walnut "D"
 - What might trouble you about the terms? Use the Bagley and Dauchy reading to look up terms you don't know.
 - How do the terms compare to those in the Y-Combinator Memorandum?
 - Why do you think WVA is insisting on these terms?

Planning and the Lean Startup

Readings

13. "Discovery Driven Planning" by R.G. McGrath and I.C. MacMillan, *Harvard Business Review*, July-August 1995.
14. *The Four Steps to the Epiphany*, Chapters 1-2, by Stephen Blank, 2006

Study questions about planning and lean startups:

- Please download the DDP exercise spreadsheet from the course materials folder of Webcafe. Please bring your laptops to class, as we will go over the spreadsheet in more detail. For now, read the tab labeled "Digital Desk Story" and look at the Table One, in the tab labeled "Reverse Income Statement." If you are advising the business, which of the assumptions (numbered in green in Column D) seems most critical to explore, and why?
- For what sorts of businesses are lean startups appropriate? When should you avoid lean startup approaches?

Business Models

Readings

15. *Case study*: "Zipcar: Refining the Business Model" HBS Case 9-803-096.
16. "Note on Business Model Analysis for the Entrepreneur," HBS 9-802-048.

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?

Sales and Marketing

17. *Crossing the Chasm* by Geoffrey Moore, pp 1-64
(Please note: This is an essential book for MBAs, and only about \$12 new on Amazon (much less used). The copyright costs to reproduce this section of the book is more than the book itself. Please buy it or check it out of the library)
18. *Case Study*: Office Tiger, HBS 9-804-109 (Focus on pages 1-11, and the Exhibits)

Study questions about the OfficeTiger case:

- Why did OfficeTiger get off to a slower start than originally planned? Why did it take so long to find its early customers?
- Who were OfficeTiger's earliest customers, and why did they buy the product? How would you use the concepts from Moore's book to describe the initial sales process?

Managing Growth

19. *Case study*: Crunch, HBS case 9-899-233.
20. "Note on Building the Self-Sustaining Firm" by A. Bhidé, HBS Note 9-395-200.

Study questions about the Crunch case:

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

Exit and Harvest

21. *Case study*: Nantucket Nectars, HBS case 9-898-171.
22. "The Harvest and Beyond" by J.A. Timmons, Chapter 18 in *New Venture Creation*, Irwin McGraw-Hill, 1999, pp. 573-580.

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?