

ENTREPRENEURSHIP IN FOOD MANAGEMENT

Objectives

- Understand the meaning of entrepreneurship and start ups
- Instill an awareness of the importance of food and market trends and environment, and be cognizant of current events and major players
- Affirm the value of creativity in entrepreneurship
- Learn the specific processes needed to develop and open a new food business – product and/or retail.
- Learn basic financial principles needed to open a new business.
- Understand unique attributes of food business financial styles and benchmarks
- Learn about buying or selling a food business and valuation techniques
- Learn methods of retail site selection and location analysis.
- Understand general steps to develop, manufacture and launch a food product
- Learn the systems requirements and other resources for proper operation.
- Know basic operational and financial control systems
- Be aware of industry important technology
- Know important legal regulations and laws
- Understand the manpower requirements to open a food business.
- Learn the value and requirements of a successful business plan and presentation.

The course is divided into four sections. **Section 1** is an understanding of entrepreneurship from business and personal perspectives. We discuss why the food business is so popular and, the challenges of opening and maintaining financial and personal success. It also relates the process to create and test ideas, and includes defining the market and methods to sell the product. **Section 2** is the quantitative

financial section – using a case study method we instill a general understanding of profit or loss and strategy for investment including industry financial benchmarks and forms of analysis. We define financial information and reporting that are unique to food businesses. It also covers analytical tools used to buy and sell a food business as well as to operate successfully. **Section 3** discusses operating a food business on a day to day basis by managing the 3 systems – product/resources, revenue/sales, and people. Here we review flow of product from sources through purchase, manufacture and use. We become familiar with new industry systems and technology. We summarize labor issues, challenges, government regulations and laws current and future. We show the importance of financial and operational controls. **Section 4** is the development of a business plan. Depending on class logistics it may include select or inclusive presentations.

The course format will be lecture and in class discussion. We will use case studies and group exercises as appropriate. It will be student responsibility to maintain an awareness of industry current events. They will be brought into class to amplify our discussions. Depending on scheduling, several accomplished food entrepreneur guest lecturers will be visit such as CEO of one of the hottest restaurant companies in America; Partner in Major Multi Concept Chain; senior exec from Whole Foods; and, Food Business Venture Capital Investor.

Readings

Peter Rainsford and David H. Bangs - *The Restaurant Start up Guide*

Danny Meyer – *Setting the Table*

The New York Times Wednesday Food Section, Food Navigator.com, Specialty Food News, Techonomic, Eater.com and other sites or blogs you may have an interest

Tom Peters – *The Pursuit of Wow*

Georgi Tsvetanov *Visual Finance*

Martin Lindstrom *Brandwashed*

Paco Underhill *Why We Buy*

Gerald Zaltman- *How the Customers Think*

Guy Kawasaki – *The Art of the Start*

Paul Barron *The Chipotle Effect*

Uniform System of Accounts For Restaurants

Mary Jane Byrd and Leon Megginson,

Small Business Management – An Entrepreneurs Guidebook

Calendar

Class 1 – Course Overview and Class Introductions – What is an entrepreneur? The Focus and perspective. Starting a food business - it looks easy. How much do you know? What is Success – financial and personal? Overview of the Food world

Assignment: Entrepreneur Critique – Due Class 4

Reading: Meyers, Kawasaki

Class 2 – Developing an Idea – the Hooks – the menu – the idea – the product. The 4 Products Mantra/The Mission Statement – Will it make \$\$ in today's world? Building in profit from inception

Reading: Meyers, Kawasaki, Rainsford

Class 3 – Food Trends and Marketing Ideas and Strategies – Targeting Markets

Readings: Zaltman, Underhill, Lindstrom, Peters

Class 4 - Feasibility – Will it find a market? Is it scalable or a cash business – Defining the goals – SWAT. How important is location/region?

Assignment due: Entrepreneur Critique

Reading: Zaltman, Underhill, Lindstrom

Class 5 – The Financial Plan – How and where to find money and how much to raise, What Corporate Structure for the Business. Overview of –P&L, Capital Budget— Sources and Uses, Return on Investment - Buying a business

Assignment: Creative Exercise by Groups – Due Class 9

Reading: Rainsford, Tsvetanov, Byrd

Class 6– The Financial Business Plan part 2 continues–P&L in depth, Introductions to Product and Retail Business Financials –Group Deductive Case Studies

Reading: Rainsford, Tsvetanov, Byrd

Class 7— Financial part 3 Group Deductive Cases, Group Inductive cases

Creative Exercise due

Assignment: Financial Business plan - Due Class 10

Reading: Rainsford, Tsvetanov, Byrd

Class 8 –Infrastructure of any business - Managing People

Reading: Byrd

Class 9 - Technology –Latest and Future

Class 10 - Cost and Operational Controls

Reading: Byrd

Class 11 – Legal Regulations and Laws – Business Plan Presentations

Guest Entrepreneur Shark Tanks

Class 12 Business Plan Presentations**TBD**

ASSIGNMENTS

Paper 1 - Entrepreneur Critique – For your first paper write a **critique** on the career of an **entrepreneur or social entrepreneur** of your choice. Everyone needs mentors. Please select someone whose career, in some way is of interest to you. Please utilize at least 3 of the following primary and secondary independent sources:

- a published biography,
- news or industry published articles concerning specific parts of his/her life,
- personal interviews with the person,
- Meetings with interested persons or stakeholders (employees, managers, area notables, etc).
- personal use evaluation of the entrepreneurs product(s) or service(s)

The paper must be 5 pages (handwritten is unacceptable), incorporating your opinions and ideas with the basic story or analysis of a seminal moment in the person's or company's history - the successes, failures, and hurdles. In addition you should include a section in the paper discussing what parts of the story have relevance to, or impact on you. ***Note – this is a critique not a report – your thoughts and insights are the object of the paper, not just a recitation of the person's story.***

All assignments are due at the end of the class noted on the course calendar. Late papers will be penalized one letter grade for each day late.

Paper 2 – Creativity Exercise

Creative abilities are present in all of us in different ways. Whether you think up a whole new product or business, or simply dream a better way of working with an existing idea, **a great entrepreneur may be a creator or a pragmatist or both.** We all have both skills but in different ratios. Below is an observation of Walt Disney:

Disney Creativity Strategy

"Walt Disney's ability to connect his innovative creativity with successful business strategy and popular appeal certainly qualifies him as a genius in the field of entertainment. In a way, Disney's chosen medium of expression, the animated film, characterizes the fundamental process of all genius: the ability to take something that exists in the imagination only and forge it into a physical existence that directly influences the experience of others in a positive way." Writes Robert Dilts, the author of books on creative thinking.

The Three Vital Roles

The Disney Creativity Strategy separates out three vital roles – dreamer, realist, and critic – involved in the process of generating creating ideas and translating them into reality. Specifically:

- **Dreamer:** Let your mind wander freely. Produce a visionary big picture with no boundaries, limitations or restraint. Ask yourself "**What do I and the customer really want, in an ideal world?**" Do not let reality come into your thoughts. This is daydreaming or brainstorming time. It will most likely engage your visual imagination. Establish the payoffs of the idea.
- **Realist:** This is about organizing ideas to put your plan into practice. What would need to happen to make it real? How could you do it? Think constructively. Devise an action plan and evaluate it to determine what is realistic. Ask Yourself "What will I do to make these plans a reality?" Establish time frames and milestones for progress. Make sure your plan can be initiated and maintained by the appropriate person or group.
- **Critic:** Test your plan; look for problems, difficulties and unintended consequences. Evaluate them. Ask yourself "What could go wrong?" Think of what is missing, what is surplus, what the spins-offs will be. Define the context in which your plan is workable and problematic.

Strike the Right Balance Between the Three Roles

More important than the individual roles was Disney's ability to strike the right balance between them. "Creativity as a total process involves the coordination of these three sub processes: dreamer, realist and critic. A dreamer without a realist cannot turn ideas into tangible expressions. A critic and a dreamer without a realist just become stuck in a perpetual conflict. The dreamer and a realist might create things, but they might not achieve a high degree of quality without a critic. The critic helps to evaluate and refined the products of creativity."

Walt Disney didn't just play the three roles in his head – he used them to counterbalance and direct the tendencies of his team. If he felt the team was too bogged down in detail, he would become the playful Dreamer; if they were in danger of getting lost in pie-in-the-sky fantasies, he switched roles to the Realist.

Keeping these thoughts in mind – form groups of 3 or 4 and visit a Whole Foods, Farmers Market, Specialty Store, Café, Bakery, etc. Select 1 product or experience and create something wholly new. Your adventurous idea might be in any part of the life of

the product or business from production, appearance, sale or use. Please consider the following about your choice:

You can choose a fresh whole or processed product. Example Topics:

- Olive or Nut Oils
- Avocados
- Dill
- Barilla Pasta
- Kool-Aid
- Chiles
- Capers
- Yogurt
- Teas

Or you can take a food concept like Chipotle, Shake Shack, Kroger, etc

- Topic coverage should include (as applicable):
 - Product name
 - Product definition
 - Some History of the item
 - Production
 - Quality characteristics
 - Brands or grades
 - Storage/shelf life
 - Uses
 - Gross purchasing specifications (market form, sources, Packaging, purchase unit . . .)
 - Typical cost

Then develop a business idea that includes:

- Description of idea
- Uniqueness of concept and why
- Potential markets served
- Competition/Comparables
- Strengths and Challenges

For this project you do not need to consider the financial aspects. This is an exercise in creativity.

Paper – 3 Financial Plan Exercise– Using case information provided to you during class, as well as available templates, this exercise is to develop a summary set of financial pro formas for a product or other food business. We will divide you in groups of 3. All submissions should be accompanied by a short narrative of assumptions for the major sales and costs. We will discuss this exercise more in class.

Business Plan – Either solo or with partner(s), prepare a business plan on a restaurant or food business of your choice. The form of the plan can follow the outline provided during class meetings. All exhibits should be as real and elaborate as you feel

necessary. It should become a useful tool if you choose to pursue your idea in the future. All plans will be returned to you.

MISCELLANEOUS INFORMATION

- **Steve Zagor** 212-847-0700 x402 or 917-734-4890
- ***e-mail: TBD***
- Office hours are by appointment.
- Grading as follows:

Business Plan	30%
Entrepreneur Review	15%
Creativity Exercise	15%
Financial Exercise	15%
Attendance & Participation	<u>25%</u>
Total	100%

Class decorum: The in-class time will be so riveting and spell binding that no one will give a fleeting thought to texting, online shopping, checking email or marking fitness levels. Just in case, laptops and phones are not permitted in class.

Participation Grades: This is based on attending classes, participating in class discussions, group exercise performance, and asking questions.