

Management B8518 – Section 001
Introduction to Venturing
Fall 2014
331 Uris
Wednesday 12:30 – 3:45 PM

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Course Description

Interest in entrepreneurship has skyrocketed. Much of the growth in our modern economy now comes from scalable startups. The availability of cheap building blocks has created an explosion of digital startups. Social entrepreneurs are employing entrepreneurial thinking to address major social and environmental issues. Beyond startups, established companies seek out new opportunities to sustain growth and competitive advantage. In short, entrepreneurs are needed and wanted in all industries and sectors.

What does it take to launch a successful entrepreneurial venture? How does it happen? How can we transform an idea and a blank piece of paper into an operating business with customers, cash flow and profits? And importantly, what are the pleasures and challenges of an entrepreneurial career?

The mission of Introduction to Venturing is to expose students to the joys and frustrations of an entrepreneurial career, and for those brave enough, prepare them to start and nurture their own businesses. It strives to develop skills in opportunity identification and evaluation as well as an understanding of the steps and competencies required to launch a new business. The class is based mostly on case discussion, enhanced by a combination of lectures, readings, guest speakers and student presentations of their team entrepreneurial projects. The class is appropriate for anyone with a strong interest in new ventures (including social ventures). It is useful not only for the potential entrepreneur, but also for those interested in the financing of new ventures or in broader general management (as the start-up demands general management in an intensified way).

At the highest level, you should come away from the class with solid answers to the following questions:

- What are the characteristics of a successful entrepreneur?
- What is the nature of an entrepreneurial career?
- Where do ideas come from?
- How do you distinguish ideas from real opportunities?

- What is the right strategy for managing entrepreneurial projects?
- What are the characteristics of a winning business model?
- How does the entrepreneur manage risk?
- Is an entrepreneurial career right for you?

You should also develop skills in the following areas:

- Using the business model canvas and hypothesis development to identify and refine the core elements of your business.
- Using the customer development process to solicit the earliest possible customer feedback to your value proposition and the compelling (or not) nature of your business idea.
- Calculating breakeven, cash flow, and key financial metrics.
- Knowing how to identify early customers to gain and embrace their feedback.
- Understanding the different sources of financing and when each one is appropriate.
- Determining the value of new businesses at various stages of development.
- Understanding deal process and negotiation.
- Protecting your intellectual property.
- Learning how to pitch your idea.
- Knowing when and how to exit.

We will also touch on some special topics, including:

- Buying a business
- Crisis management
- Family business
- International entrepreneurship.

How This Course Differs From Other Entrepreneurship Courses at CBS

This course touches on many topics that are explored in more detail in other course offerings. As its title suggests, it is an appropriate “introduction” to the subject and covers a wide range of topics. Unlike other entrepreneurship electives, we cover both the life cycle of the venture and the life cycle of the entrepreneur. Classroom discussions are largely based upon selected case studies and the student projects. Students work in project teams of 4-6 people to explore, develop and pitch an entrepreneurial idea.

If your purpose is to explore a specific idea in depth you might consider taking ***Launching New Ventures*** instead. It is more project-based and allows students to work individually. If your interest is in understanding the customer development process, you should consider ***Lean Launch Pad***, which focuses on business model hypothesis testing. If you are primarily interested in deal structure, ***Entrepreneurial Finance*** is a better choice. If you are focused on buying a business, this is the focus of ***Entrepreneurship Through Acquisition***. Or if your interest is on later stage or family business you might consider ***Managing the Growing Company*** or ***Family Business Management***. We touch on all these topics but clearly not as deeply as a course dedicated to the subject. This course can be taken in advance of, or in combination with, any of these other entrepreneurship electives.

A single course cannot fully cover all issues that entrepreneurs face in evaluating opportunities, securing resources, and growing their businesses. We must be realistic about what a 12-session course can accomplish. An important objective of the course, therefore, is to highlight key issues and develop an agenda for future learning.

There is a Case Book for this course. Some additional readings may be distributed in class. There is no textbook for this course.

Course Requirements

There are three requirements for the Introduction to Venturing course: 1) the (almost) daily case quizzes, 2) class participation, and 3) the final paper.

1. Daily Case Quizzes:

For each session that involves a case preparation, you are required to complete an online multiple choice quiz (on CANVAS) that is composed of a set of questions related to the case. Submissions are due by 10:00 AM on the day of the class. The aggregated quiz answers are presented during the class discussion. You may discuss the case with your classmates, but your quiz answers must be based upon your own careful analysis. Some quiz questions are subjective, while others have correct answers. If you complete the quizzes you will get full marks, regardless of your answers provided that you indicate your answers were based upon YOUR OWN CAREFUL analysis (Hint: this is an honor code issue).

2. Class Participation:

Class participation is vital, therefore attendance is critical. Two points will be deducted for each unexcused absence. Two excused absences are permitted, but ***you must notify the TA in advance***. A significant percentage of your grade is earned through class participation. We depend upon each other to make this class vibrant, so preparing in depth and contributing to discussion is important. Expect cold calls.

Finally, make it a priority to be on time. Please sit in the same seat for each session, and bring your name cards to every class.

There is a “no devices” policy. Please leave you phones and computers off.

2. Final Presentation and Paper

Students will form self-selected groups (of 4 – 6 students) to explore an idea for a new business. If you have an idea for a new venture and want to find team mates to join you, or if you want to find a team to join, go to <http://www8.gsb.columbia.edu/introventuring> and post your idea or your skills.

If you do not have a compelling idea for a new venture that you want to explore, you can also analyze an existing startup for your project. If you pick this option you must negotiate access to the company and get their agreement to participate. While not all the information you gather about the company need be presented in class, the startup must agree that your work can be presented in class.

At the end of the semester each group will make a 7-minute final presentation of their project followed by Q & A. This applies for both the new venture and the analyze a startup projects. For the presentation, teams will prepare a 10 to12-slide investor power point pitch. A final paper is also required. Both the paper and the power point are to be handed in on the last day of class.

Each team is expected to meet twice with the professor for ½ hour to discuss their projects. The professor is available for a third optional meeting and also available for one-on-one meetings. You can sign up for office hours on CANVAS.

Final Paper

The paper is a maximum of eight single-spaced pages (12-point font), plus five appendices (see details below). Your paper will be graded on four elements: the quality of the idea and the entrepreneurial insight, or if it is an analysis of an existing startup, the quality of your ideas for moving the business ahead; the learning and progress that has occurred during the semester; the diligence with which you have executed the study; and the quality of the pitch or presentation. I am looking for good ideas and/or recommendations that have been well developed and iterated based on customer feedback, that are also well researched and presented.

The paper should address the following aspects of the proposed venture:

- Brief Description of the Opportunity
- Market and Customer Segments
- Product or Service and Value Proposition
- Competition and Competitive Insulation
- Key risks
- Timing and Financing

Appendix 1:

The Business Model Canvas: which summarizes the key components of your business model (customers, value proposition, revenue streams, etc.)

Appendix 2:

Summarize, on two-three pages, what you learned about your venture idea or growing company from Customer Discovery, including market and value proposition analysis, along with brief summaries of interviews with at least fifteen named (not anonymous) strangers. Provide one short summary paragraph per interview. A stranger is someone you do not know, but have reason to believe has knowledge that will assist you in evaluating your idea. Important interviews with people previously known by you can also be included and can be valuable, but do not count towards the required fifteen interviews. These interviews can and should include: potential customers (including, if applicable, purchase decision makers, distributors, store buyers and end-users), suppliers, investors, people in similar businesses, experts, etc.

Appendix 3:

Provide a "simple" one-page breakeven analysis. Identify your economic unit of analysis (typically a single sale). Identify and list all of your fixed costs, including amortized capital expenses. Determine selling price, variable costs and the marginal contribution from each sale. **Be certain to list all of your assumptions.** Divide fixed costs by marginal contribution to determine break-even. Calculate break even in terms of dollars and unit sales. After completing the analysis, assess and comment on the likelihood of your venture or growing company being profitable.

Appendix 4:

Provide a cash flow analysis. Start by listing (1) all potential sources of income, loans and investments, (2) all expenditures, including items that will be capitalized and amortized, and (3) the assumptions used to calculate your financials. Do this monthly, until your cash flow turns positive and then yearly starting in the following year. Leave yourself cash balance, as a cushion, at the end of each period equal to at least one or two months' expenses. Remember to plug in the source and timing of equity investments and/or borrowings. Your cash flow should answer two questions:

- 1) In what month are you cash flow positive?
- 2) In what month do you recoup your total investment?

Appendix 5:

Create a to-do list or action plan. Include a list of your organizational, development, production and sales goals and the step-by-step tasks that need to be accomplished to achieve your goals. Describe the theoretical backgrounds and competencies of the full- and part-time team members and/or advisors you would need to recruit to ensure the successful completion of these tasks. Examples of necessary tasks, from the mundane to the sophisticated, not necessarily in order, might include: (1) Meeting with actual customers and securing orders; (2) Lining up possible distributors; (3) Lining up manufacturers and/or sources of supply; (4) Identifying and securing key personnel; (5) Finding and renting office space & equipment; (6) securing financing (7) establishing key partnerships.

Please submit all assignments in hard copy. Soft copies will not be accepted.

Grading

The following weights will be used to calculate grades for the class:

Daily Online Quizzes.....	25%
Class Participation.....	35%
Final Presentation and Paper.....	40%

At the end of the course, each group member will be asked to send the professor a confidential email indicating the percentage that each member contributed to the final project.

I look forward to your participation in the class!!

Class 1: Wednesday, September 3

Topics: Criteria for Venture Selection
Break-even Analysis and Cash Flow
The Entrepreneurial Personality

Case: PieSky Ventures

Deliverables: Complete the Entrepreneurial Personality Quiz (self-scoring. Download from Canvas).

Submit one paragraph explaining your reasons for taking this class, a one-page resume and the summary of your personality quiz.

Watch: An Introduction to the Business Model Canvas by Alexander Osterwalder. It is about 40 minutes long.

<http://www.youtube.com/watch?v=RzkdJiax6Tw>

If you have a proposed venture or a growth plan for a group project, be prepared to make a one-minute presentation of your idea.

Class 2: Wednesday, September 10

Topic: Entrepreneurial Strategy
Business Model Canvas

Case: R & R

Deliverables: Online quiz completed in advance
One-minute pitches continued

Class 3: Wednesday, September 17

Topic: Tech Start-ups

Case: Drop Box

Topic: Student Presentations of Business Model Canvas: Teams 1, 2 & 3

Topic: Angel Investors

Guest
Speaker: Anne Busquet, Golden Seeds

Deliverables: Online quiz completed in advance
Hard copy of P & L for Drop Box
One-page description of your idea and group members

Class 4: Wednesday, September 24

Topic: The Trauma of a Start-up

Case: Vetinsurance

Topic: Student Presentations of Business Model Canvas: Teams 4, 5 & 6

Guest
Speaker: Bob Reiss, Serial Entrepreneur

Deliverables: Online quiz completed in advance

Class 5: Wednesday, October 1

Topic: Negotiating with Venture Capitalists

Case: Maveron (to be handed out)

Topic: Student Presentations of Business Model Canvas: Teams 7, 8 & 9

Guest
Speaker: Dr. Tom Cooper, Serial Entrepreneur

Deliverable: Refined Business Model Canvas, Summary of 15 Customer Discovery Interviews and Next Steps

Thursday, October 2 and Friday, October 3 – First 1/2 hour group meeting with Professor

Class 6: Wednesday, October 8

Topic: Buying a Business

Case: Plastex

Topic: Student Presentations of Business Model Canvas: Teams 10, 11 & 12

Topic: Search Funds

Guest

Speaker: John Shoaf, Timpanogos Capital Partners

Deliverable: Online quiz completed in advance.

Class 7: Wednesday, October 22

Topic: Partnerships and Creative Financing

Case: Building Watch (B & C to be handed out)

Topic: Managing Growth

Deliverable: Online quiz completed in advance

Class 8: Wednesday, October 29

Topic: How to Pitch to Investors

Guest

Speaker: David Rose

Topic: International Entrepreneurship

Guest

Speaker: Austin Okere

Deliverable: Online quiz completed in advance.
Breakeven analysis for project.

Thursday, October 30 and Friday, October 31 – Second 1/2 hour group meeting with Professor

Class 9: Wednesday, November 5

Topic: Sustaining Entrepreneurship

Case: HEICO and Apple

Guest

Speaker: Jennifer Maanavi, Founder, Physique 57

Guest

Speaker: Lisa Mitchell, COO, Revolutionary Golf

Deliverable: Online quiz completed in advance.

Class 10: Wednesday, November 12

Topic: IPO's

Guest
Speaker: TBD

Topic: Exits

Case: Nantucket Nectars

Deliverables: Online quiz completed in advance.

Class 11: Wednesday, November 19

Topic: Family Business

Case: Jackson Flatware

Guest
Speaker: Rob Delman

Topic: Escalation of Commitment
Crisis Management

Thursday, November 20 – Optional 1/2 hour group meeting with Professor

Class 12: Wednesday, December 3

Topic: Wrap-up and Final Presentations of Student Projects

Deliverables: Submit hard copies of final papers and power point presentations.