

DRAFT: FOR BIDDING ONLY

Introduction to Venturing
Management B8518 – Section 002 – Spring 2018
Tuesdays 9:00 – 12:15 PM
Location: Warren 207

Instructor: Michael Mauskapf

Assistant Professor of Management
Columbia Business School
Office: 702 Uris Hall
Cell: 215-908-7296

Email: michael.mauskapf@gsb.columbia.edu

TA: Shubham Singal

Ssingal18@gsb.columbia.edu

COURSE DESCRIPTION

Interest in entrepreneurship has skyrocketed. Much of the growth in established and developing economies is driven by scalable startups. The digital transformation of our world, coupled with affordable access to technology and the automation of work, has led to an increase in startups, representing exciting opportunities for potential founders, early employees, and investors. Social entrepreneurs are also employing entrepreneurial thinking to address major societal challenges. Now more than ever, entrepreneurial thinking is a critical skill sought across industries and sectors.

The mission of *Introduction to Venturing* is to expose MBA students to the skills, joys, and frustrations of being an entrepreneur—and for some, to prepare you to start and nurture your own business. We will work together to develop your skills in opportunity evaluation, as well as an understanding of the steps and competencies required to launch a new business. Specific topics include characteristics of successful startups, techniques for finding and evaluating new ideas, customer acquisition, entrepreneurial finance, valuation and deal making, forming effective partnerships, buying and selling a business, family business dynamics, and learning how to pitch. The class is appropriate for those with an interest in the unique challenges and opportunities associated with new ventures—this includes potential entrepreneurs, those interested in the financing of new ventures, working in new ventures, or in the management of new or small organizations more generally.

Introduction to Venturing seeks to answer the following questions:

- How do I distinguish interesting ideas from real opportunities?
- How do I go from a real opportunity to a winning business model?
- How do I turn a winning business model into an actual business (your venture)?
- What do I need to consider when seeking funding?
- What can I do to maximize success in my venture?
- What is the perspective of employees and investors?

Your ability to answer many of these questions will emerge from a focus on fundamental and skills. Some examples are:

- Using a framework to identify and refine entrepreneurial ideas and understand how those ideas relate to core elements of a business.
- Looking at different business models and working through breakeven analysis, cash flow, and other key financial metrics.
- Better identifying early customers to gain and embrace their feedback.
- Constructing founder agreements to minimize tensions that often tear founders apart.
- Learning how to pitch ideas to investors, partners, and potential employees.
- Understanding the different sources of financing and when each is most appropriate.
- Determining the value of new businesses at various stages of development.
- Knowing when and how to exit.

HOW THIS COURSE DIFFERS FROM OTHER ENTREPRENEURSHIP COURSES AT CBS

This course is distinct from other courses on entrepreneurship in three ways:

- This is the first course in a sequence of three classes: (1) Introduction to Venturing; (2) Launch Your Startup; and (3) Entrepreneurial Greenhouse. This course is especially relevant for those who don't have a venture idea, or only have an early stage idea. If you are unsure if this course is the proper one, please come talk to me.
- This course is designed to be broad – it is a survey course that provides a set of concrete skills. I will try to orient the class to benefit not just aspiring entrepreneurs, but also those who want to invest in ventures, work in startups, etc.

As an introductory course, we cover many topics that are explored in more detail in other course offerings. At the same time, we will also address a range of relevant topics not covered elsewhere. Because of this balance between breadth and depth, **Introduction to Venturing** can be taken in advance of, or in combination with, other entrepreneurship electives.

With that in mind, if you already know that you are committed to a specific idea in depth you might consider taking **Launch Your Startup**. It is more project-based and allows students to work individually. For those who already have an MVP¹ with a committed (and vetted) team, then seek out the **Entrepreneurial Greenhouse**, which is designed as an accelerator. If your interest is in a deeper understanding of 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, you should take **Entrepreneurial Finance**.

To learn more, visit the school's entrepreneurship course selection tool:

<https://www8.gsb.columbia.edu/entrepreneurship/student-resources/courses>

¹ MVP=minimum viable product. If "MVP" is a new term, then Entrepreneurial Greenhouse is too advanced.

COURSE REQUIREMENTS

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

There are three requirements for the Introduction to Venturing course: [1] case quizzes for (almost) every class, [2] class participation, and [3] a group project and final paper.

1. Weekly 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 PM on the evening before each class meets. The aggregated quiz answers are typically presented during the class discussion. You may discuss the case with your classmates, but your quiz answers must be based on 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 whether you were correct), provided that you indicate your answers were based upon your own analysis (per the honor code).

2. Class Participation:

I promise to provide as complete and compelling a class experience as possible; however, this experience is maximized when everyone comes ready to participate and engage. Participation will be a very important part of the learning process in this course, so it will also constitute a significant portion of your final grade. Please plan to prepare for and attend each session, and come ready to engage. The more you put in, the more you will get out!

Your participation will be evaluated on your constructive contributions to discussion and learning in the class. Participation requires listening attentively and building on what peers have already shared. A positive contribution to class or team discussion exhibits one or more of the following properties:

1. Moves the discussion and analysis forward to inspire new insights among peers.
2. Shares a personal experience in a way that illuminates the ideas being discussed.
3. Uses logic, creativity, insights, and evidence; more than merely an opinion or feeling.

Your contributions will be evaluated on both quality and quantity. If you are not in the classroom, you obviously cannot participate. We understand that because of factors outside of your control, you occasionally may arrive late, leave early, or miss a class entirely. Two points will be deducted from your final grade for each unexcused absence. One excused absence is permitted, but ***you must notify the Professor AND the TA in advance.***

Use of Electronic Devices in Class

There is a “no devices” policy. Please turn off all laptops, cell phones, and any other electronic devices during class time unless you ask for permission at least 24 hours in advance. Violations of this rule will lead to deductions from your class participation grade.

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.

3. Final Presentation and Paper

Early in the semester students will form self-selected groups of 3-to-5 students to explore an idea for a new business. At the end of the semester each group will make a 10-minute final presentation of their project, followed by Q & A. For the presentation, teams will prepare a 10-to-12-slide investor power point pitch. A final paper is also required. The paper should be a maximum of eight single-spaced pages (12-point font), plus five appendices (see details below). Both the paper and the power point are to be handed in on the last day of class.

Your paper will be graded along four dimensions: [1] the quality of the final idea and the entrepreneurial insight; [2] the learning and progress that has occurred throughout the semester; [3] the diligence with which you have executed the study; and [4] the quality of the pitch or presentation. I am looking for good (but not necessarily “ready-to-bring-to-market”) ideas that have been well developed and iterated based on customer feedback, and that are also well researched and presented. Keep in mind that the quality of your group’s final idea is not the only determinant of your final paper’s grade, and it is possible to receive a high grade even if the idea is not of the highest quality.

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

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

Each team is expected to meet with the professor at least twice during the semester to discuss their projects; one of these meetings may take place during class. The professor will be available for up to two additional meetings with each team.

Appendix 1:

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

Appendix 2:

Summarize, in 2-3 pages, what you learned about your venture idea 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 to 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 “basic” 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 your break-even point. Calculate this value in terms of U.S. dollars and unit sales. After completing the analysis, assess and comment on the likelihood of your venture 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 allow you to 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" for launching your proposed venture. This should include: a summary of your organizational, development, production, and sales goals, and the step-by-step tasks that need to be accomplished to achieve these 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; and (8) coming up with a founder agreement.

Please submit all assignments online through Canvas.

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 semester, each student will be asked to fill out an evaluation of their fellow group members, indicating the percentage that each member contributed to the final project.

Class 1: Tuesday, January 23rd

Topics: Criteria for Venture Selection
Break-Even Analysis

Case: PieSky Ventures

Deliverables: [1] Complete the pre-class survey in Canvas to help me understand your reasons for taking this class; submit a one-page resume.
[2] If you have a proposed venture idea for a group project, be prepared to make a one-minute presentation of your idea.
[3] Read PieSky Ventures.
[4] Begin forming venture teams.

Class 2: Tuesday, January 30th

Topics: Break-Even Analysis
Ideas vs. Opportunities
Business Model Canvas

Case: R & R

Guest
Speaker: Phillip Riese (Riese & Others)

Deliverables: [1] Read the R&R case and complete online quiz.²
[2] Watch the Business Model Canvas (www.youtube.com/watch?v=RzkdJiax6Tw).
There are multiple Business Model “Canvases”. We will be using a variant of the original Canvas. The video is 42 min.
[3] Fill in the Business Model Canvas Template using the R&R case.
[4] One-minute pitches.
[5] Continue to form final project teams.

Readings: [1] Marketing Analysis Toolkit: Breakeven Analysis
[2] Breakeven Analysis & Operating Leverage

Class 3: Tuesday, February 6th

Topics: Customer Metrics, Customer Acquisition Cost and Lifetime Value
Startup Financing: Crowdfunding, Angel, and VC Investors

Case: Dropbox

² You may not have done the type of analysis asked for on a particular quiz. That is ok since (1) the quiz is graded on whether you complete it and not whether you are accurate and (2) we will cover the answers in class and go over the calculations. The most important thing is that you put forth a real effort.

- Deliverables:
- [1] Read Dropbox and complete online quiz.
 - [2] Submit on Canvas: P&L for Dropbox.
 - [3] One-minute pitches will be continued and BMC presentations will start.
Please upload your BMC to canvas the night before class.
 - [4] Finalize project teams (if not finalized).
 - [5] Submit names of 2 or 3 Crowdfunding business on at least 2 platforms.

-
- Readings:
- [1] The Most Important Equation for Your Startup
 - [2] Crowdfunding of Small Entrepreneurial Ventures
 - [3] Understanding Customer Lifetime Value: A Non-Geek's Guide (optional)
 - [4] Startup Killer: The Cost of Customer Acquisition (optional)

Class 4: Tuesday, February 13th

Topics: Business Models
Student Presentations of Business Model Canvas

Case: Zip Car

Guest
Speaker: TBA

-
- Deliverables:
- [1] Read Zipcar and complete online quiz. In the quiz, submit a paragraph that provides the strongest argument Chase could make to a potential investor about the attractiveness of the venture.
 - [2] Upload Business Model Canvas presentations to Canvas.
 - [3] Submit on Canvas: One-page description of your idea, along with a list of group members.

Readings: [1] How to Design a Winning Business Model.

Class 5: Tuesday, February 20th

Topics: Valuations, Term Sheets, and Founder vs Investor Control
Student Presentations of Business Model Canvas

Case: DateMySchool
Logolaunch

Guest
Speaker: Carol A. Curley

-
- Deliverables:
- [1] Read DateMySchool and Logolaunch, then complete online quiz.
 - [2] Review Startup Game Email and Register for Class 6 (February 27th) Simulation. Keep your roles private until we start the simulation!!
 - [3] Schedule ½ hour group meetings with Professor for week of February 27.

-
- Readings: [1] The NVCA Termsheet (at nvca.org)
[2] Read glossary of venture investment terms at <https://fundersclub.com/learn/glossary/>
[3] Venture Capital Investment Terms - Comments to the NVCA Term Sheet (optional).

Week of February 26th - First 1/2 hour group meeting with Professor

Class 6: Tuesday, February 27th

Topic: Entrepreneurial Ecosystems: Founders, Key Hires, and Investors
Student Team Presentations of Business Model Canvas (if necessary)

Case: Simulation: The Startup Game

-
- Deliverables: [1] Bring computer for simulation game.
[2] Submit pre-game questions on Canvas.
[3] Submit on Canvas summary of 15 Customer Discovery Interviews & Refinement of Business Model Canvas

Readings: Roles for Founders, Employee, or Investor (to be passed out in class)

March 6th – NO CLASS (EXAM WEEK FOR A-TERM)

March 13th – SPRING BREAK

Class 7: Tuesday, March 20th

Topic: The Founding Team and Founder Agreements

Cases: Negotiating Equity Splits at UpDown
Building Watch

Guest
Speaker: Jason Griffith and Ross Goldenberg

-
- Deliverable: [1] Read UpDown and prepare for your negotiation role (the negotiation assignment will be emailed prior to class).
[2] Read Building Watch and complete online quiz.
[3] Schedule ½ hour group meetings with Professor for week of March 27.

Readings: [1] Assigned negotiation roles for Michael, Georg, OR Phuc.
[2] When Contracts Destroy Trust.

Week of March 26th - Second 1/2 hour group meeting with Professor

Class 8: Tuesday, March 27th

Topic: International Business

Case: First Access

Guest
Speaker: TBA

Topic: Family Businesses

Case: Jackson Cookware

Guest
Speaker: Rob Delman

Deliverables: [1] Read First Access and complete online quiz.
[2] Read Jackson Cookware and complete online quiz.

Readings: Family-Business Governance: Boards of Directors, Family Councils, and Family Offices.

Class 9: Tuesday, April 3rd

Topic: Social Ventures

Case: Trevor Field and the PlayPumps of Africa

Guest
Speaker: TBA

Deliverable: [1] Read Trevor Field and the PlayPumps of Africa, and complete online quiz.
[2] Submit names/websites of 1-2 social ventures which have returned or will have a return to their investors and the reasons why they have that return.
[3] Submit one-page with the main cash flow assumptions of your venture's financial business model.

Readings: [1] Social Ventures.

Class 10: Tuesday, April 10th

Topic: Evaluating and Moving into New Opportunities

Case: Kalamata Capital

Guest
Speaker: TBA

Topic: From Employee to Founder: Integrating Lessons from Intro to Venturing

Case: Dnr: My First Startup

Deliverable: [1] Read Kalamata Capital and complete online quiz.
[2] Read Dnr and complete online quiz.

Reading: Predicting Startup Success (optional)

Class 11: Tuesday, April 17th

Topic: Exits
How to pitch to Investors

Case: Nantucket Nectars

Guest
Speaker: TBA

Deliverable: [1] Read Nantucket Nectars and complete online quiz.
[2] Be prepared to discuss the types of exits of R&R, Dropbox, Zipcar, DateMySchool, UpDown, Building Watch, Jackson Flatware, and Nantucket Nectars.

Reading: [1] How to Choose an Exit Strategy (optional)
(<http://www.inc.com/guides/2010/10/how-to-choose-an-exit-strategy.html>)
[2] Exiting with Grace – and Profit (optional)
(<http://informationdisplay.org/IDArchive/2014/JanuaryFebruary/VentureCapitalExitingwithGrace.aspx>)

Class 12: Tuesday, April 24th

Topic: Wrap-up and Final Presentations of Student Projects

Speakers: Students!

Deliverables: Upload final papers and powerpoint presentations to Canvas.

Introduction to Venturing - Spring 2018

Professor Michael Mauskapf

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Class 8	Class 9	Class 10	Class 11	Class 12
Date	January 23rd	January 30th	February 6th	February 13th	February 20th	February 27th	March 20th	March 27th	April 3rd	April 10th	April 17th	April 24th
Topic	Welcome and Criteria for Venture Selection	Elements of Successful Startups	Customer Metrics and Startup Financing	Business Models	Valuation and Term Sheets	Entrepreneurial Ecosystems	The Founding Team & Founder Agreements	International & Family Businesses	Social Ventures	Evaluating New Opportunities	Exits and Learning how to Pitch	Wrap-Up and Final Presentations
Key Questions	What is the course about?	What is the difference between an idea and an business opportunity? What are the core elements of a successful startup?	How do I assess demand, the cost of acquiring customers, and the value of each customer? What are different financing options?	How do we conceive of and refine a business model?	How do we do a valuation? What are the basics of term sheets?	How can I simultaneously consider the perspectives of founders, employees, & investors?	How to decide whether to form a partnership? How do I set up the founding team and have agreements for that team?	Are family businesses different? Is entrepreneurship different across countries?	What is a social venture? What kind of social venture gives a return to investors?	How do I know if I have a viable market niche? Is it worth leaving a good job to pursue it?	How do I think about exiting? What makes a good pitch?	How does this all fit together?
Deliverable (see syllabus for details)	[1] Take pre-class survey on reasons for taking class & submit resume. [2] One-minute pitches [3] Read PieSky [4] Begin forming teams.	[1] Read case & do online quiz. [2] Watch the Business Model (BMC) Canvas video. [3] Fill in the Business Model Canvas Template using R&R case. [4] One-minute pitches. [5] Continue to form final project teams.	[1] Read case & do online quiz. [2] P&L for Dropbox. [3] One-minute pitches. Upload your BMC to canvas. [4] Finalize project teams. [5] submit names of 2 or 3 crowdfunding businesses.	[1] Read case & do online quiz. [2] Business Model Canvas presentations. Upload your BMC to Canvas. [3] Submit 1-page description of your idea and list of group members.	[1] Read both cases & do online quiz. [2] Startup Canvas presentations. [3] Review Startup Game and register for Class 6. [4] Schedule group meetings with Professor.	[1] Bring computer for simulation game. [2] Submit pre-game questions on Canvas. [3] Summarize Customer Discovery Interviews/Refine Canvas.	[1] Read UpDown & prepare for your negotiation. [2] Read Building Watch & do online quiz. [3] Schedule group meetings with Professor.	[1] Read First Access & do online quiz. [2] Read Jackson Cookware & do online quiz.	[1] Read case & do online quiz. [2] Submit names/websites of 2-3 social ventures which have returned or will have a return to their investors and the reasons why. [3] Submit one-page with main cash flow assumptions of your venture.	[1] Read Kalamata Capital & do online quiz. [2] Read Dnr & do online quiz.	[1] Read case & do online quiz; [2] Be prepared to discuss the exits of R&R, Dropbox, Zipcar, DateMySchool, UpDown, Building Watch, Jackson Flatware, and Nantucket Nectars.	[1] Upload final project papers and powerpoint presentations to Canvas. [2] Final presentations!!
Case/ Exercise	PieSky Ventures	R&R	Dropbox	Zipcar: Refining the Business Model	DateMySchool; Logolaunch	Startup Game Simulation	Negotiating Equity Splits at UpDown; Building Watch	First Access; Jackson Cookware	Trevor Field and the Playpumps of Africa	Kalamata Capital; Dnr	Nantucket Nectars	none
Primary Tools/Skills	Breakeven Analysis	LTV, CAC, and the BMC.	LTV, CAC, and the BMC.	Breakeven Analysis	Term Sheets; Negotiating with Investors	Holistic approach to entrepreneurship	Balancing Social and Financial Concerns in Partnerships; Constructing	Managing Cultures and Families	Similarities and Differences with Social Ventures; Balancing Social and Financial Concerns	Learning from Risky Ventures	Timing and valuation.	
Speaker		Phillip Riese (Riese & Others)		TBA	Carol Curley (Golden Seeds)		Jason Griffith and Ross Goldenberg	Rob Delman (ARC Angel Fund)	TBA	TBA	TBA	Students!!
Additional Reading/Video	none	Marketing Analysis Toolkit: Breakeven Analysis AND Breakeven Analysis & Operating Leverage	Crowdfunding; AND The Most Important Equation for Your Startup AND Understanding Customer Lifetime Value: A Non-Geek's Guide AND Startup Killer: the Cost of Customer Acquisition	How to Design a Winning Business Model.	The NVCA Termsheet (at nvca.org); AND Venture Capital Glossary AND Investment Terms - Comments to the NVCA Term Sheet	none	Pre-reading of roles for negotiation AND When Contracts Destroy Trust	Family-Business Governance: Boards of Directors, Family Councils, and Family Offices.	Social Ventures	Predicting Start-up Success	How to Choose an Exit strategy AND Exiting with Grace - and Profit	none